

2007

# Annual Results



February 28, 2008

# Forward looking statements

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

Such statements are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those anticipated.

Copies of all recent filings, and additional information about Rhodia, are available through our web site:

<http://www.rhodia.com>

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

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

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

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

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# Key highlights

- Solid Free Cash Flow of **€161m**
- Strong results with Net Profit more than doubling from **€62m** to **€129m**
- Value creation with Cash Flow Return On Investment at **8.2%**, above Cost of Capital
- Net debt down by **24%** and Net Debt/Recurring EBITDA ratio below **1.9x**

▶ **Dividend payment proposed: €0.25 per share**

# Excellent operational performance in 2007

- Net Sales up **5.6%** (**8.8%** like for like<sup>(1)</sup>)
- Volumes & prices up **11%**
- Price increases exceed rise in raw material & energy costs
- Recurring EBITDA growth of **17%** despite negative Forex impact of €(82)m
- Operating profit up **25%**
- Reliability of carbon credit business successfully established

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

# 2007 Results

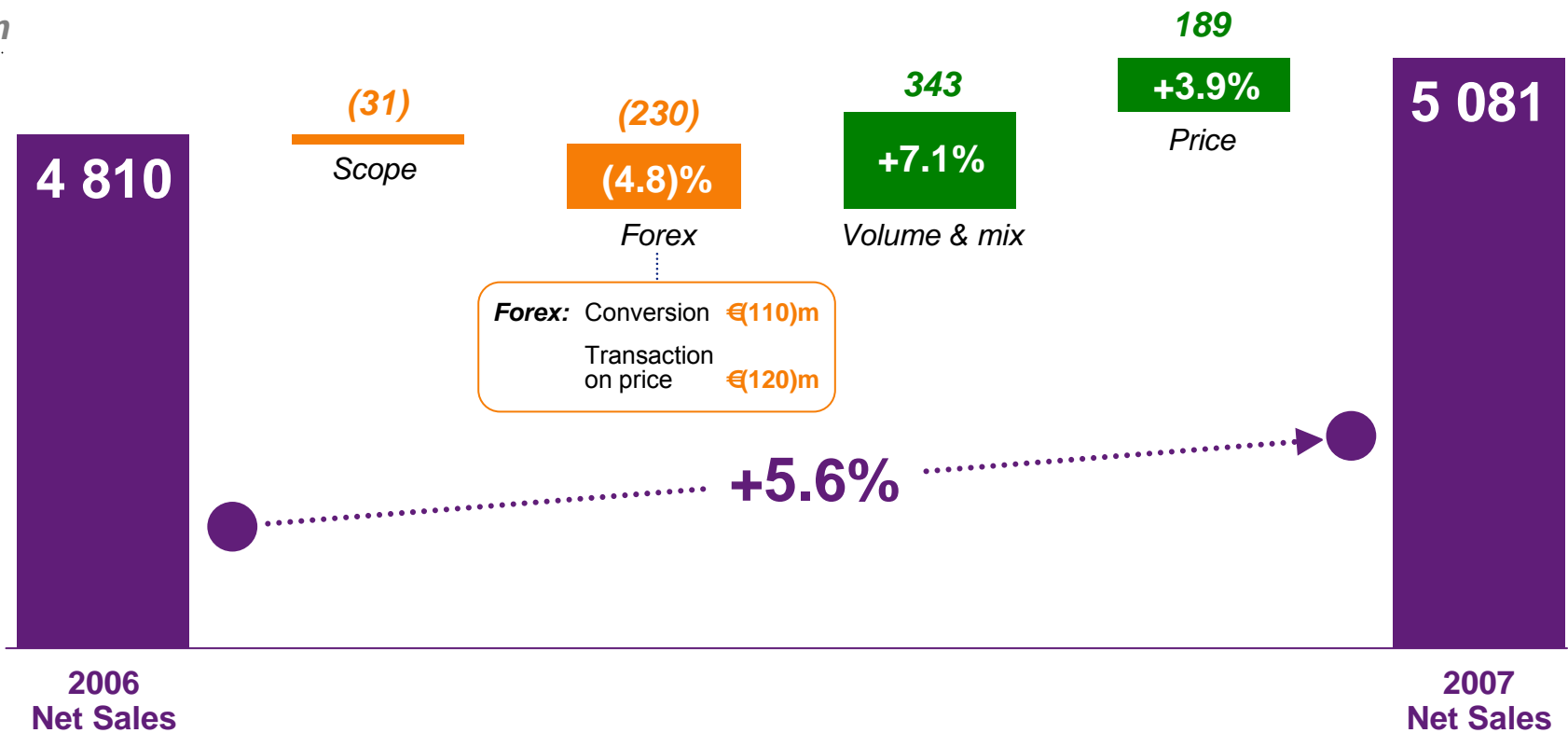
 **Rhodia**



# 2007 Net Sales up 5.6% (8.8% like for like<sup>(1)</sup>)

- Significant 2007 Net Sales growth with volumes and prices up **11%**
- Solid demand driving volume growth: **+7.1%** (3.7% excl. CERs)
- Strong pricing: **+3.9%**

in €m

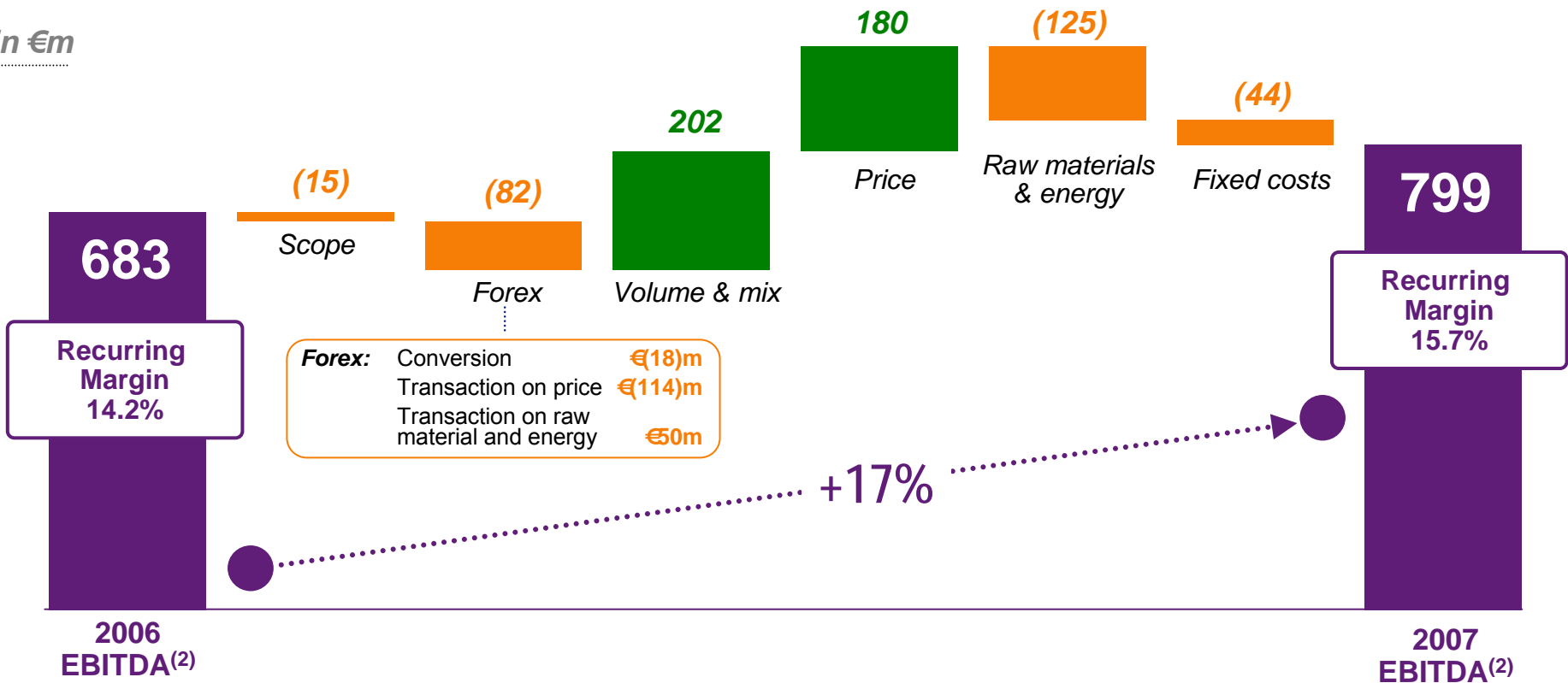


(1) Like for like: at constant scope and currency conversion

# 2007 recurring EBITDA up 17% (23% like for like<sup>(1)</sup>)

- Solid pricing in local currency offsets raw material and energy cost increases
- €(82)m negative Forex impact: decline in US Dollar vs Euro and Brazilian Real
- Recurring EBITDA Margin: **15.7%** (13.6% excl. CERs)

in €m



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

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

# Increase in business performance

in €m

	2006		2007		
	Recurring <sup>(1)</sup> EBITDA Like for like <sup>(2)</sup>		Recurring <sup>(1)</sup> EBITDA	Recurring EBITDA Margin %	
<b>Polyamide</b>	276	↗	<b>280</b>	<b>14.2%</b>	Good volumes, strong pricing, challenging raw materials, energy & Forex
<b>Acetow</b>	104	↘	<b>83</b>	<b>18.8%</b>	US dollar decline leads to EBITDA drop: cost competitiveness plan underway
<b>Novecare</b>	98	↗	<b>109</b>	<b>11.7%</b>	Solid demand across most products and favorable pricing
<b>Silcea</b>	68	↗	<b>84</b>	<b>18.1%</b>	Strong growth across all segments
<b>Eco Services</b>	70	→	<b>70</b>	<b>32.1%</b>	Solid regeneration demand and growth of sulphuric acid volumes
<b>Organics</b>	62	↗	<b>82</b>	<b>9.7%</b>	Diphenol performance illustrates strength of strategic position. Ongoing restructuring benefits flow from other segments
<b>Energy Services</b>	60	↗	<b>181</b>		Strong and consistent carbon credit business with €135m EBITDA
<b>Corporate &amp; Others</b>	(88)		<b>(90)</b>		
<b>Rhodia</b>	650	↗	<b>799</b>	<b>15.7%</b>	

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

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



# 2007 Income Statement

in €m

	2006	2007
<b>Net Sales</b>	4 810	<b>5 081</b>
Other Revenue	451	475
<b>Recurring EBITDA<sup>(1)</sup></b>	683	<b>799</b>
Recurring EBITDA Margin on Net Sales	14.2%	15.7%
Depreciation & amortization	(304)	(293)
Other gains and losses	1	(3)
Restructuring costs	(21)	(55)
<b>Operating Profit</b>	359	<b>448</b>
Net finance costs	(305)	(294)
Share of profit (loss) of associates	0	2
<b>Profit before income tax</b>	54	<b>156</b>
Income tax	57	(83)
<b>Profit from continuing operations</b>	111	<b>73</b>
Profit/(loss) from discontinued operations	(45)	58
<b>Net Profit Group Share</b>	62	<b>129</b>
<b>Earnings per share (€)</b>	€0.62	<b>€1.29</b>

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

# Working Capital and Capex well controlled

## Efficient Control over Operational Working Capital

*% of Total Sales*

**12.3%**



2006

**10.8%**



2007

## Disciplined Capital Expenditure management

*in €m*

**311**



2006

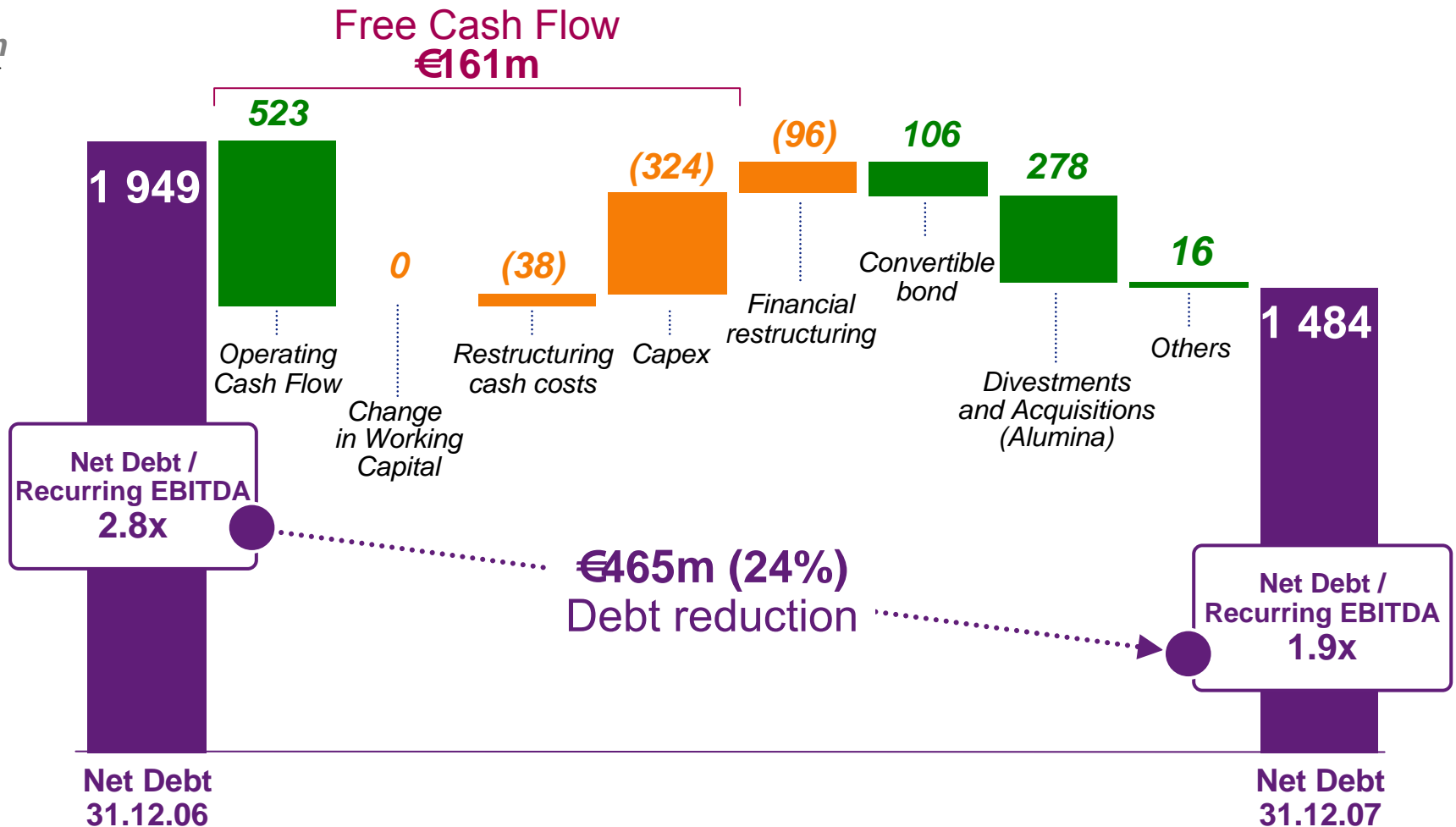
**324**  
vs 330 forecast



2007

# Financial Leverage<sup>(1)</sup> target achieved one year ahead of plan

in €m



**Debt maturity in 2013-2014**

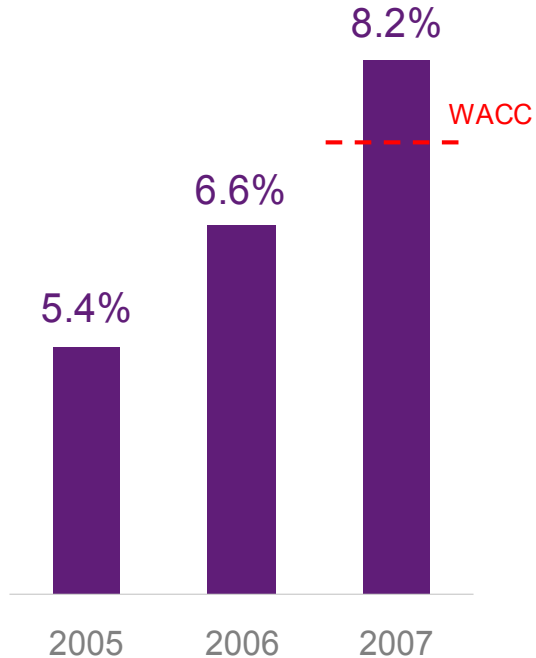
(1) Net Debt/Recurring EBITDA ratio

# Rhodia is now creating value

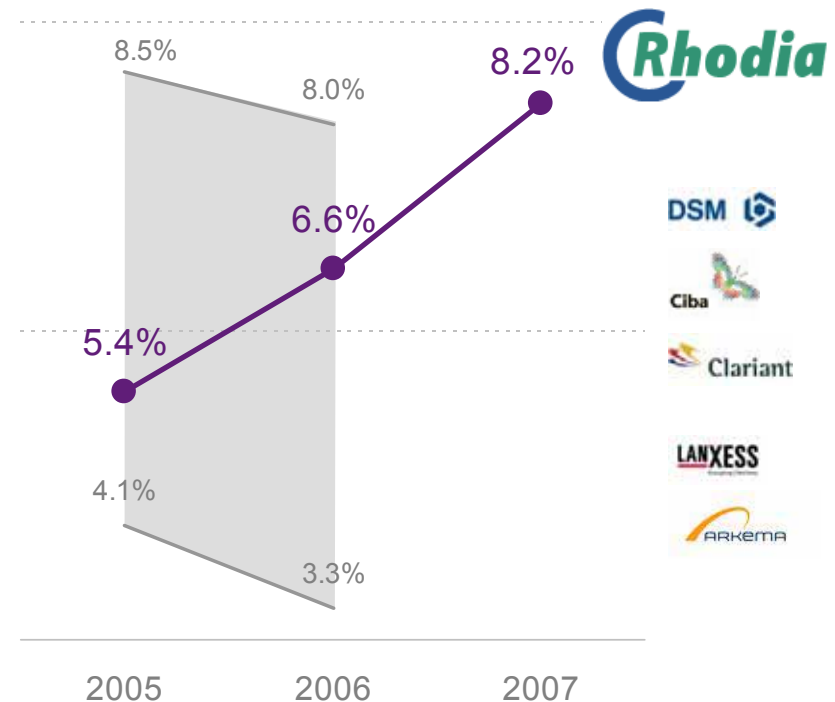
## Measuring value creation through Cash Flow Return On Investment

$$\text{CFROI} = \frac{\text{Recurring EBITDA} - \text{Tax} - \text{Maintenance Capex}}{\text{Tangible plus Intangible Gross Assets} + \text{Working Capital}} \quad (1)$$

### Rhodia CFROI exceeds WACC



### Rhodia CFROI among the best



(1) Tax = 30% x EBIT  
 Tangible plus Intangible Gross Assets excluding Goodwill  
 Maintenance capex = 2% x (Gross Tangible Assets + Gross Intangible Assets)  
 Working capital = Inventories + Trade and Other Receivables – Trade and Other Payables

Source: 2006 Annual Reports

# Rhodia moving forward

 **Rhodia**



# A result-oriented culture

## Result-oriented management team who has delivered

2005 vs 2007

**Recurring<sup>(1)</sup>  
EBITDA margin**

11.3% **↗** 15.7%

**Net results**

€(616)m **↗** €129m

**Free Cash Flow**

€(148)m **↗** €161m

**Financial  
Leverage<sup>(2)</sup>**

3.5x **↘** 1.9x

## Management incentives aligned to external targets

- Target based bonuses: over **30% of top 250 managers'** total cash compensation
- Free share issuance triggered by target achievement

## Employees associated to Group's performance

**Employees  
shareholding: 3.3%**

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

(2) Net Debt/Recurring EBITDA ratio

# An innovative and responsible way to do business

**RhodiaWay**<sup>™</sup>

*A new level in commitment to sustainable development*

- A management framework driving the relationships and business behaviour with all stakeholders

- A tool to promote responsibility and risk management at each level of the organisation

## Addressing all stakeholders worldwide



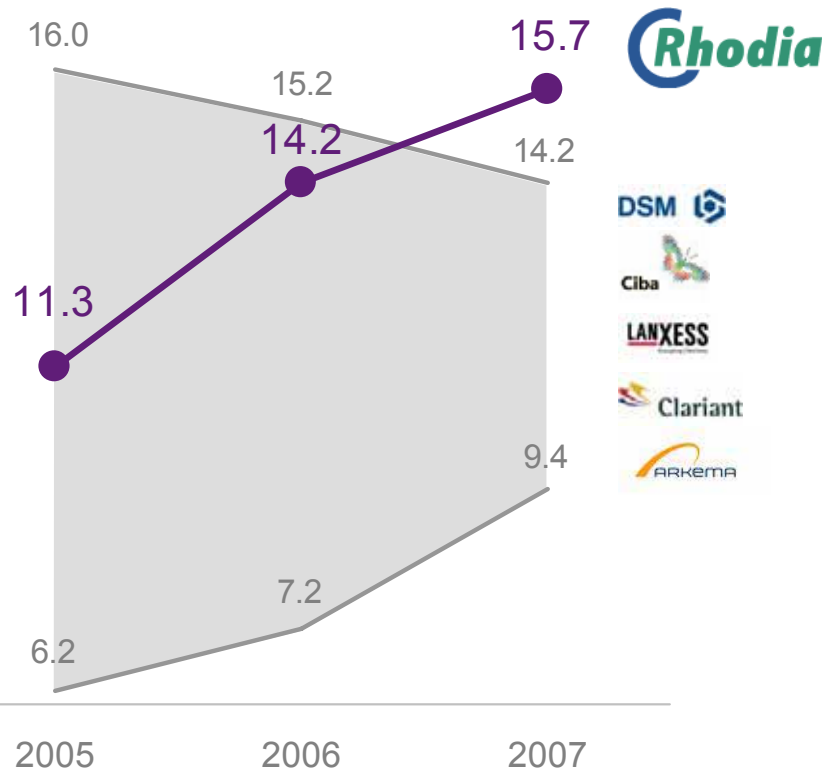
## Setting continuous improvement targets and monitoring results

- |                                 |                                  |
|---------------------------------|----------------------------------|
| • Safety standards              | • Ethics                         |
| • Environment care              | • Social dialogue                |
| • Product stewardship           | • Fairness in business practices |
| • Transparency of communication | • Community development projects |

# Continuous improvement in operational performance

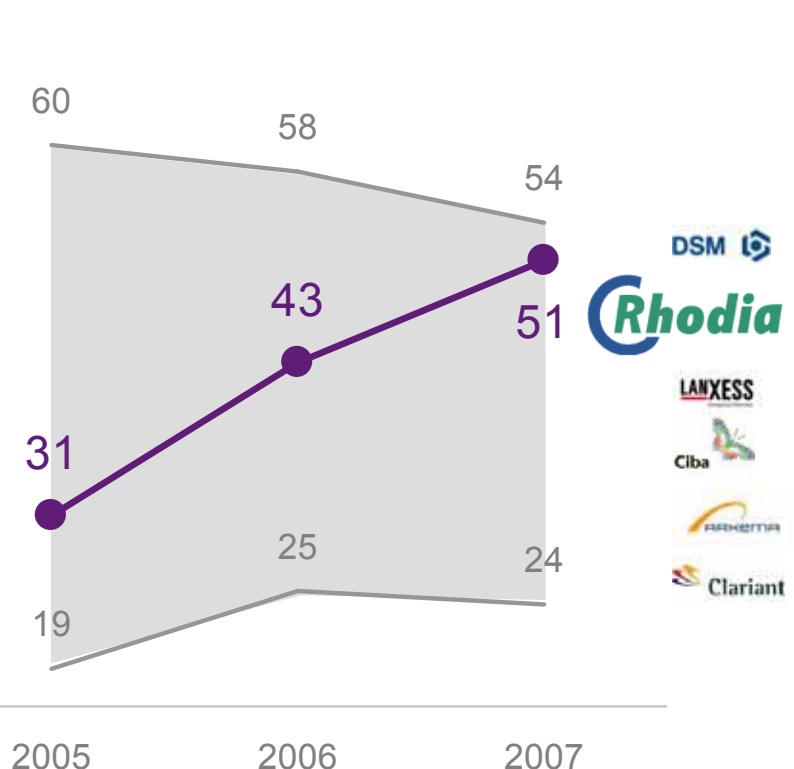
## The highest EBITDA Margin<sup>(1)</sup> among peers

in %



## EBITDA<sup>(1)</sup> per employee among the best performers

in €k



Source: Annual and quarterly results  
 Note: 2007 first nine months only for Lanxess and Arkema

Source: Annual and quarterly results  
 Note: Employees at December 31. CHF/EUR average exchange rates: 2005: 1.55; 2006: 1.57; 2007: 1.64. Arkema and Lanxess 2007: last 12 months EBITDA/employee at September 30, 2007

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

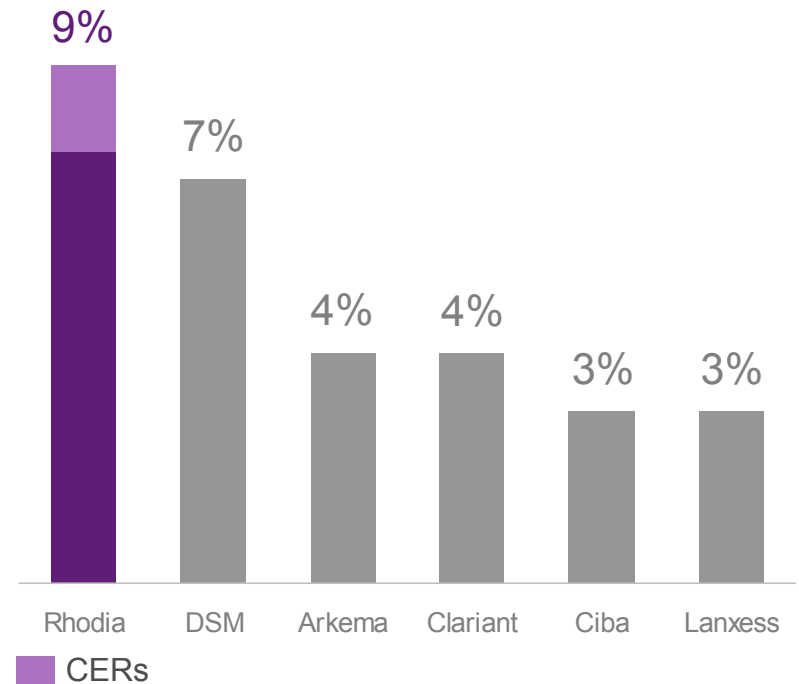
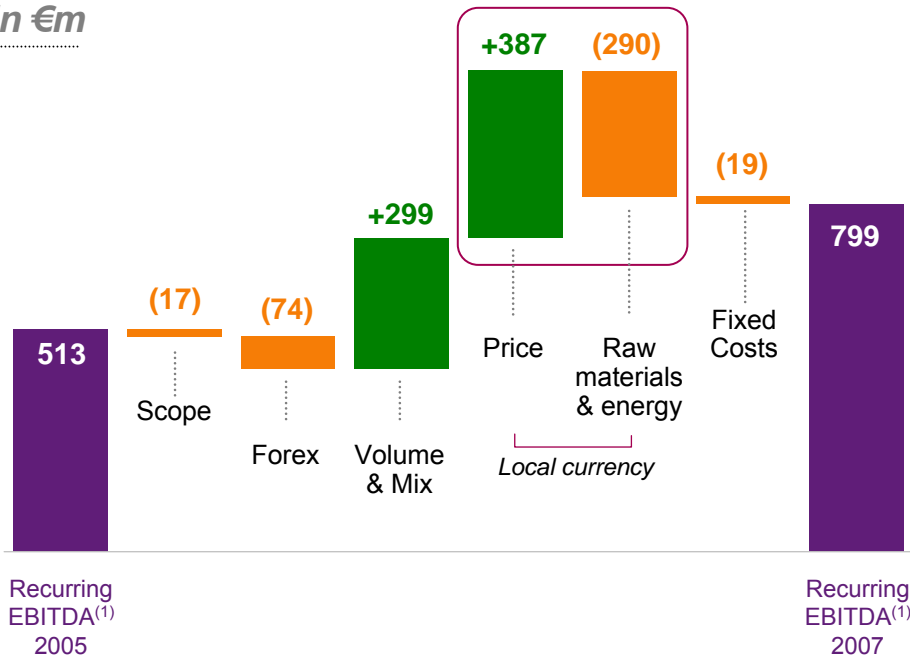


# Strong pricing power & fastest growing company among peers

Prices more than offset raw material & energy cost increases  
2005-2007

Average organic growth between 2005 and 2007<sup>(2)</sup>

in €m



Organic growth = volume + price effect

Lanxess: first 9 months for 2007

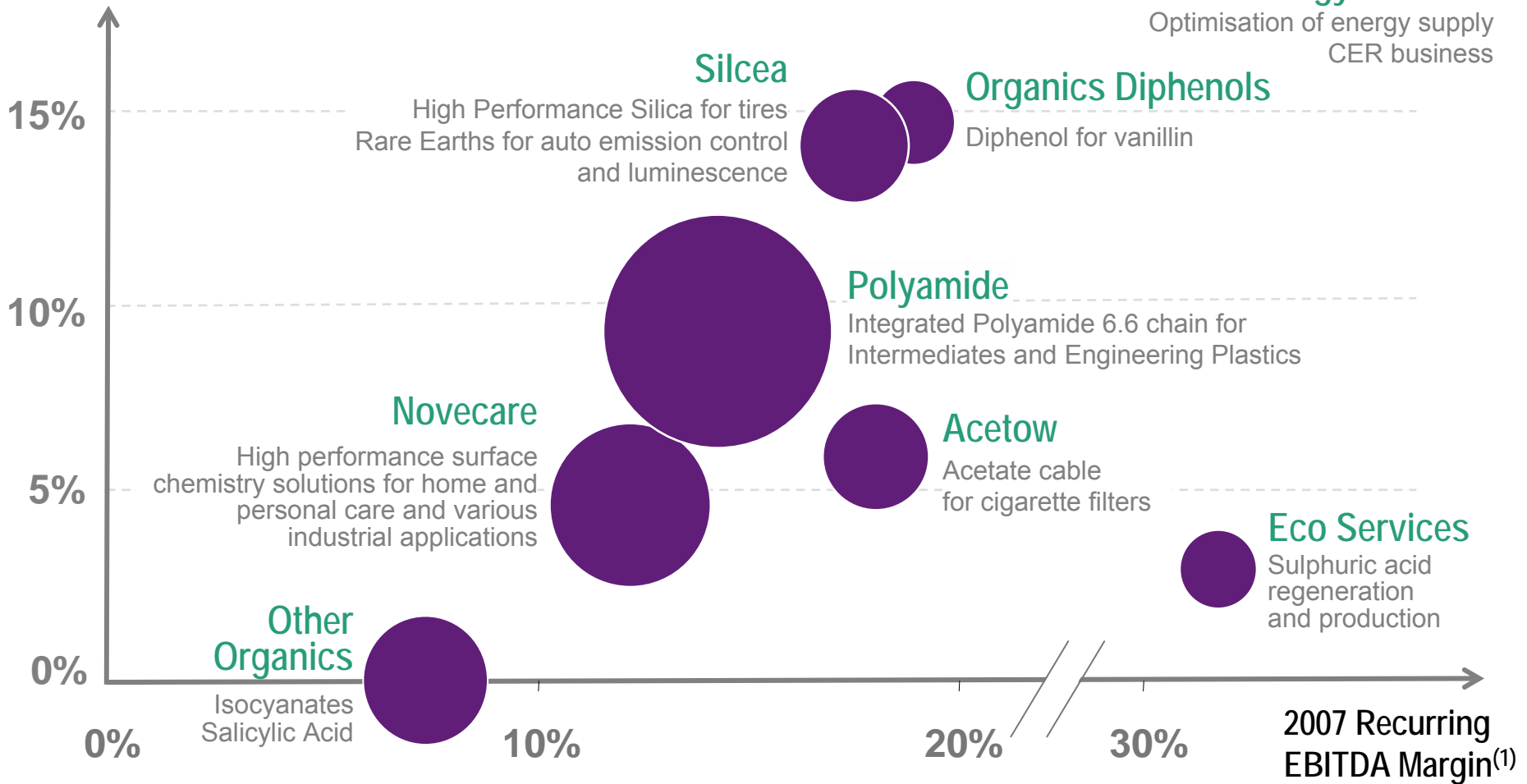
Sources: Annual and quarterly results

(2) Average of 05-06 and 06-07 percentage growth

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

# Business portfolio driving profitable growth

2007 Volume & Price growth on Sales

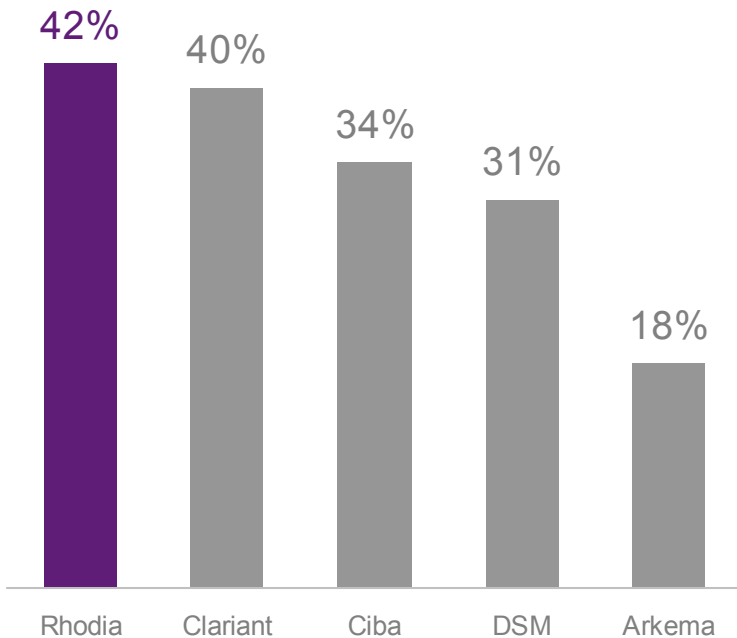


Bubble area in proportion to 2007 business Net Sales

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

# Developing in attractive markets

Well established presence in high growth Asian and Latin American markets



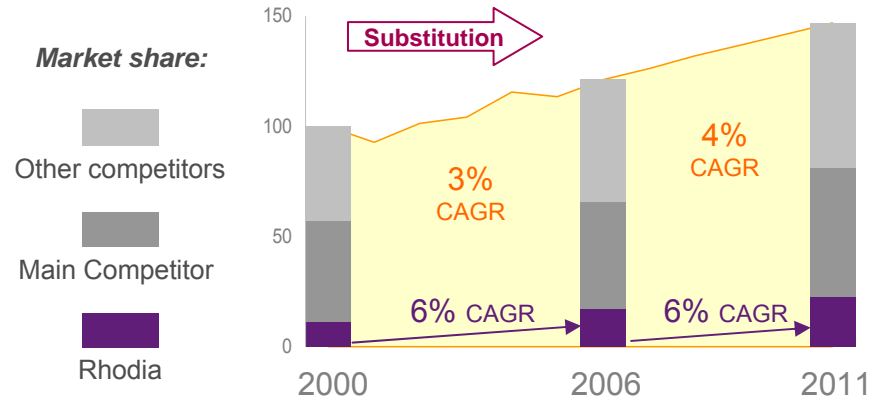
Notes:

Rhodia: 2007 sales outside Europe and USA/Canada  
 Clariant: 2007 sales outside Europe and USA  
 Ciba: 2007 sales outside Europe and USA/Canada  
 DSM: 2007 sales outside Europe and North America  
 Arkema: 2006 sales outside Europe and USA/Canada/Mexico  
 Lanxess: data not available on relevant perimeter

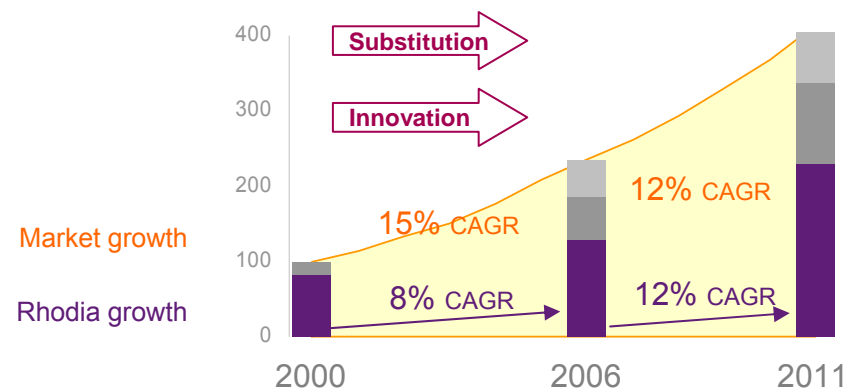
Source: Annual and quarterly results and Rhodia estimates

Strong growth potential for key technologies

Example: Polyamide 6.6 Engineering Plastics



Example: High Performance Silica



Volume growth index 100 in 2000  
 Source: Rhodia market estimates

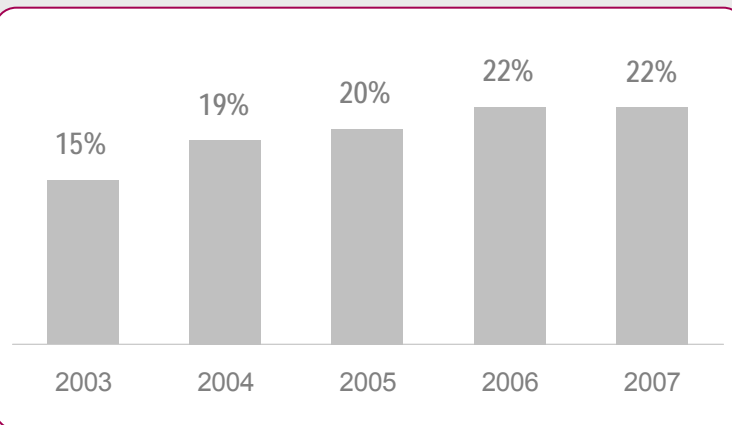
# Innovation to drive sales growth and reinforce technological leadership

## A worldwide innovation network

- 5 research and technology hubs: Brazil (Sao Paulo), China (Shanghai), France (Paris & Lyon), US (Pennsylvania)
- 1000 R&D staff worldwide

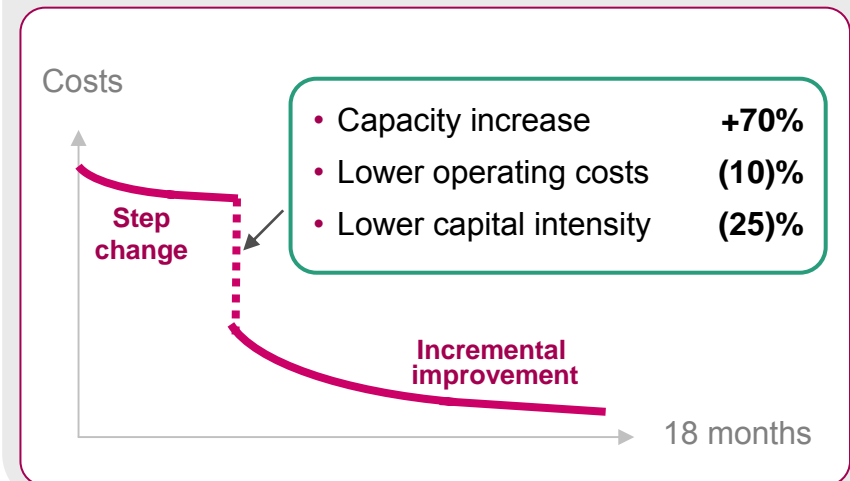
## Product innovation: increasing share of new products (< 5 years) in Net Sales

Polyamide + Novecare + Silcea



## Process innovation: competitiveness enhancement

Example: Process step change for a solvent unit in Brazil



# Building on sustainable development priorities

## A new fundamental trend...

### Market needs

- Automobile weight and fuel consumption reduction
- Greenhouse gas emissions reduction
- Automobile emission control
- Increased oil drilling yield
- Lower toxicity and biodegradability

### Rhodia solutions

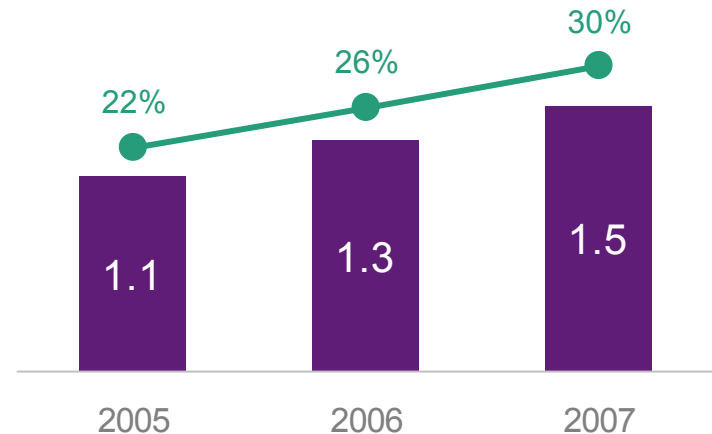
- Polyamide 6.6. as a substitution of metal
- High Performance Silica to replace carbon black in tires
- N<sub>2</sub>O emission abatement knowhow and carbon credits
- Catalytic solutions for the environment
- New guar applications
- Eco-friendly solvents

## ... now driving a third of sales

### Share of sales driven by sustainable development priorities

In €bn

% of total sales



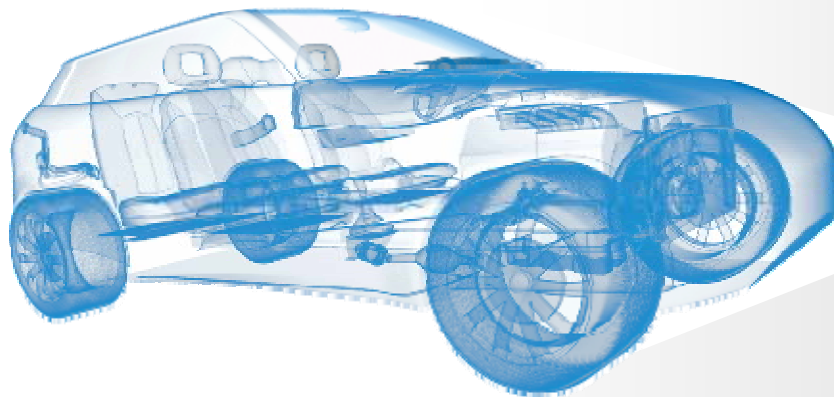
Source: Rhodia estimates

## A strong driver for growth

# Automotive market: a key contributor to Rhodia growth

- Regulation on depollution
- Weight reduction
- China, India and emerging countries

2007  
Sales  
€500m



2012  
Sales  
€1bn

- New customers
- New products
- New countries

# A clearly defined profitable growth strategy

## Building on 4 solid growth platforms

Polyamide



Novecare



Silcea



Energy Services



## Driven by

- Attractive geographical positions
- Differentiating product and process innovation
- Advanced sustainable development solutions



# Outlook & Perspectives

 **Rhodia**





## 2008 operating environment

### Market demand

- Solid volumes expected in most businesses

### Raw material & energy prices

- New sharp rise across the board in Q4 07 will impact start of 2008
- Increase expected in range of €80m in Q1 08

### Foreign Exchange

- Adverse environment for USD and Brazilian Real expected to remain

### CER sales

- 13mt expected for 2008
- 9mt already sold forward at €15/t

## Key priorities to deliver our strategy

- Focus on price management
  - Price increases already in the pipeline
  - Further price increases required
- Disciplined resource allocation
- Complete the Organics strategic refocus
- Pursue profitable growth projects

# Financial performance set to progress in 2008

Financial Performance set to progress in 2008 in spite of unfavorable raw material & energy environment

Recurring<sup>(1)</sup>  
EBITDA



EPS



Medium Term targets:  
Develop value creation and shareholder return

Top line growth  
higher than  
market<sup>(2)</sup>

Further increase  
in Free Cash  
Flow generation

CFROI<sup>(3)</sup> above  
WACC for all  
businesses

Steady increase  
in dividends

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

(2) Volumes + prices CAGR above peers' average (Arkema, Ciba, Clariant, DSM, Lanxess)

(3) Cash Flow Return On Investment

→ Rhodia positioned to grow and  
**meet the challenges of the future**



# Appendix 1 FY Net Finance Costs



# 2007 Net Finance Costs

in €m

	2006	2007
Net financial charges & other financial charges	(184)	(144)
Non recurring financial restructuring charges	(77)	(96)
Interest cost on environmental & pension liabilities	(38)	(45)
Forex gains & losses	10	(3)
Other miscellaneous	(16)	(6)
<b>Total financial expenses</b>	<b>(305)</b>	<b>(294)</b>



# Appendix 2 Q4 2007 Results



# Q4 2007 Key figures

in €m

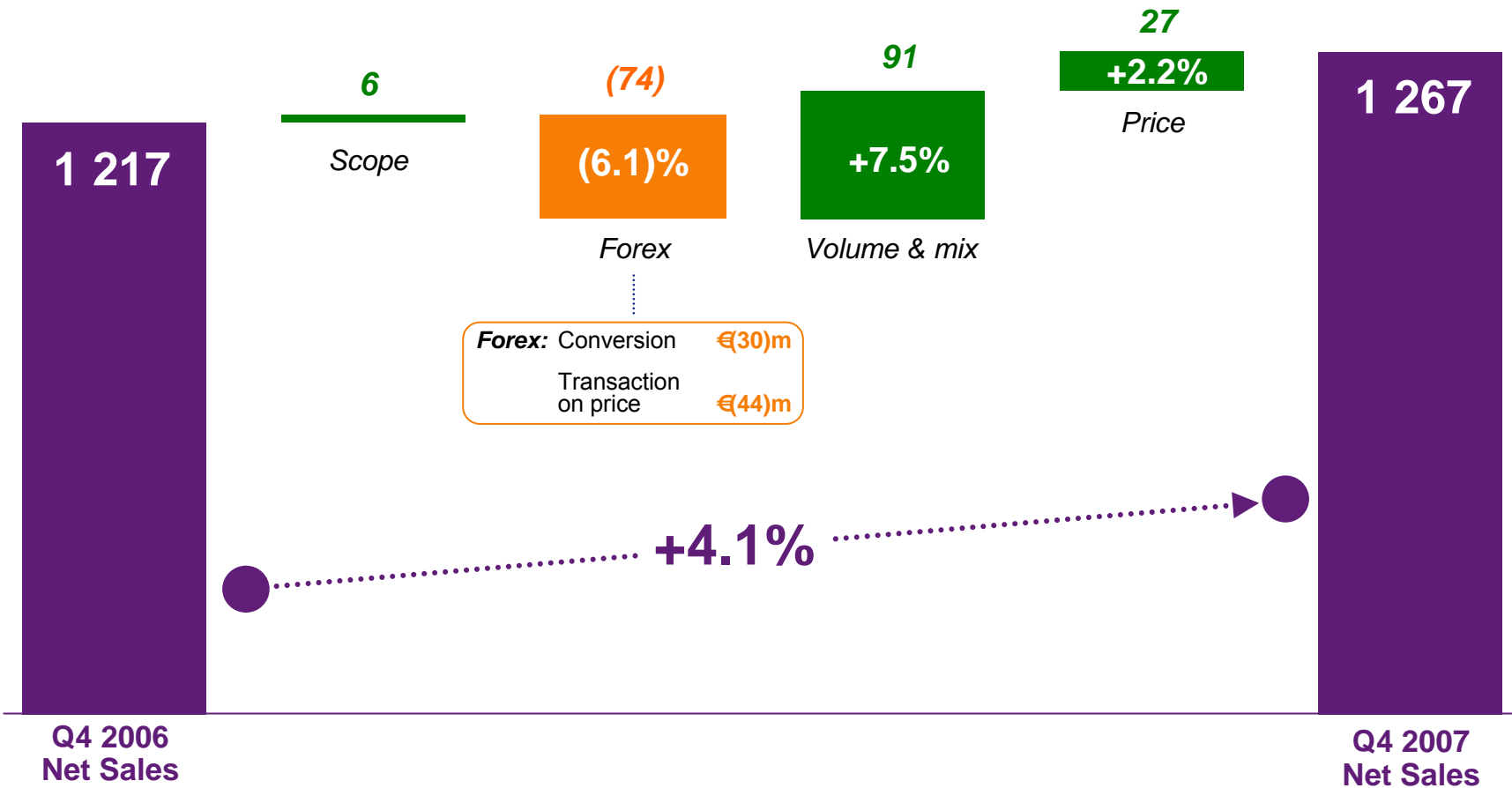
	Q4 2006	Q4 2007	Variation
Net Sales	1 217	1 267	+ 4.1%
Recurring EBITDA <sup>(1)</sup>	195	199	+ 2.1%
Operating Profit	88	84	(4.5)%
Profit from continuing operations	(46)	30	
Profit/(loss) from discontinued operations	(2)	(7)	
Net Profit Group Share	(49)	22	
	30.09.07	31.12.07	
<b>Net Debt</b>	1 623	1 484	<b>(8.6)%</b>

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

# Q4 2007 Net Sales up 4.1% (6% like for like<sup>(1)</sup>)

in €m

- Favorable demand drives volumes **+7.5%** (5.4% excl. CERs)
- Solid pricing **+2.2%**
- Total negative Forex of **(6.1)%**: decline in US Dollar vs Euro and Brazilian Real



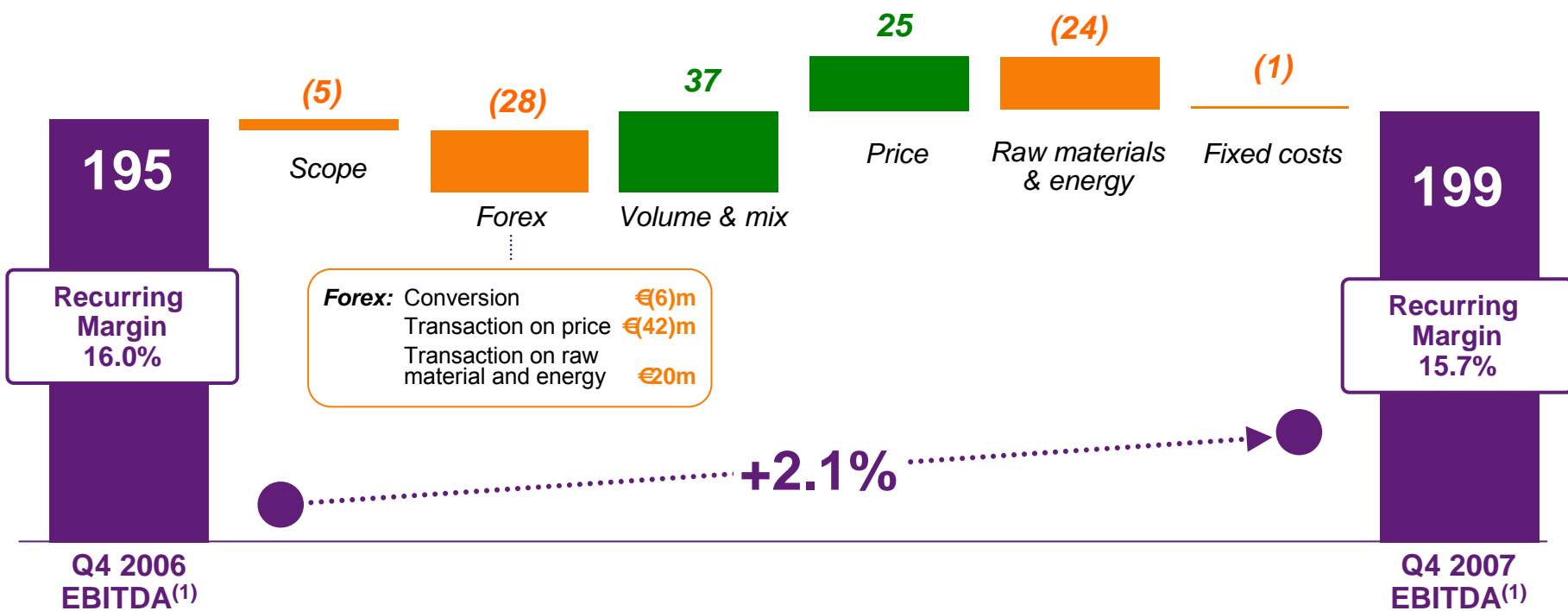
(1) Like for like: at constant scope and currency conversion



# Q4 2007 recurring EBITDA<sup>(1)</sup> up 2.1% (8% like for like<sup>(2)</sup>)

in €m

- Solid volumes
- **€(28)m** negative Forex impact: decline in US Dollar vs Euro and Brazilian Real
- Pricing in local currency offsets raw material and energy cost increases
- Recurring EBITDA margins: **15.7%** (**13.6%** excl. CERs)



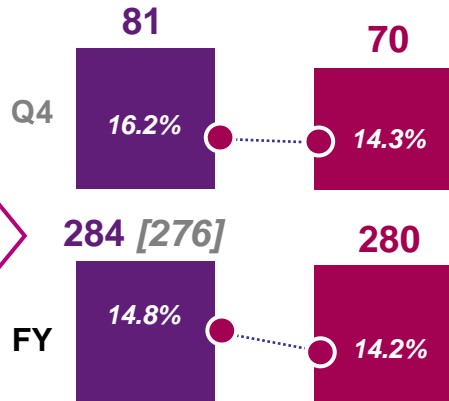
(1) Recurring: before restructuring and other operating income and expenses

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

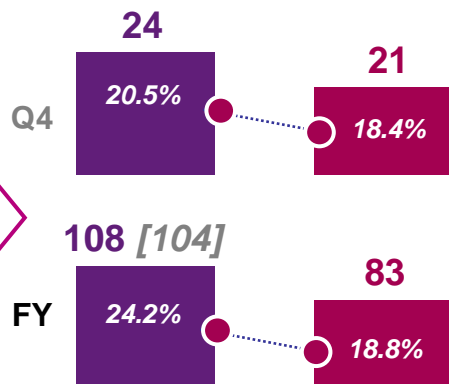
# Business performance

in €m

2006 2007  
Recurring EBITDA [Like for like] Margins



- Solid demand driving good volume levels, particularly in Engineering Plastics worldwide & Intermediates in Brazil
- Q4 • Price rises in Brazil, Asian prices impacted by AA, stable elsewhere
- €(9)m negative Forex due to decline in USD against BRL
- Good volume growth overall. Strong demand for EP particularly in H2
- FY • Key 3 year maintenance at Chalampé impacts 2007
- Solid pricing in local currency offsets raw material and energy cost increases
- €(25)m negative Forex due to decline in USD against BRL

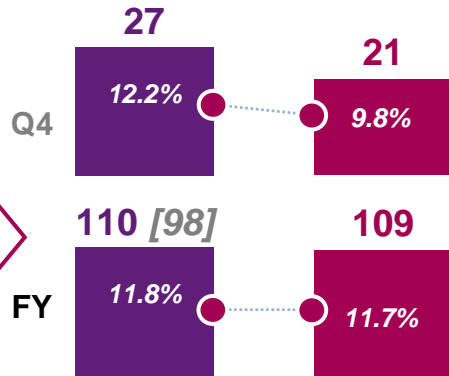


- Recovery in volumes
- Q4 • Price increases offset raw material cost increases
- €(7)m negative Forex impact due to US Dollar decline
- EBITDA drop mainly results from negative Forex transaction due to US Dollar decline
- FY • Action plan launched to improve cost competitiveness & regain margins. Benefits expected to flow in H2 08
- Currency hedging: \$1.40/€H1 08

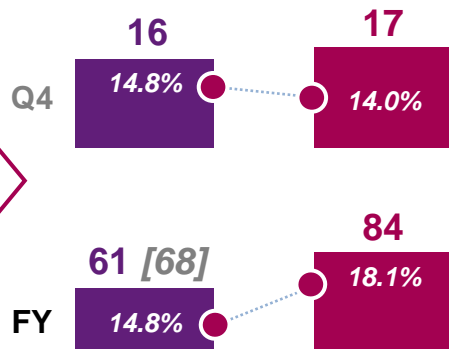
# Business performance

in €m

2006 2007  
Recurring EBITDA [Like for like] Margins



- Q4
- Strong demand from Agro and Home & Personal Care
  - Solid pricing offsets raw material cost increases
  - Fixed cost increase to support growth projects
- FY
- Solid demand across all products except US housing
  - Favourable pricing offsets raw material cost increases
  - Improved industrial efficiency
  - Negative Forex conversion on sales due to decline in US dollar

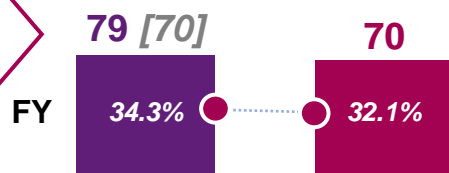
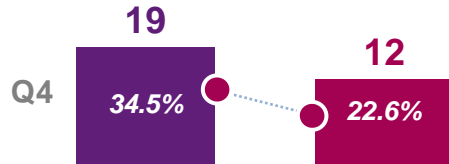


- Q4
- Volume increase driven by tires (HPS) and Emission Control Systems (Rare Earths)
  - Price increases announced to offset recent raw material, energy and freight cost increases
- FY
- Strong volume growth continues in Silica systems (tires) and Rare Earths (catalysis)
  - Pricing trends offset raw material cost increases
  - Successful integration of Alumina Washcoat business

# Business performance

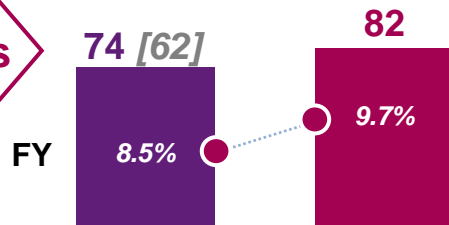
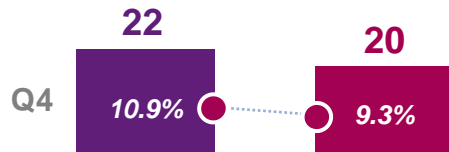
in €m

2006 2007  
Recurring EBITDA [Like for like] Margins



Eco Services

- Q4
  - Growth of sulphuric acid market but higher sulphur costs
  - Price increases offset raw material cost increases
  - Forex conversion impact due to decline in US dollar
- FY
  - Growth of sulphuric acid market
  - Regeneration remain solid
  - Price increases offset raw material cost increases
  - Forex conversion impact due to decline in US dollar



Organics

- Q4
  - Excellent Diphenol performance with strong volumes and pricing
  - Fixed costs reductions flowing from restructuring & plant closures
- FY
  - Diphenol performance illustrates strength in strategic position in growing markets with high margins
  - Full benefits of restructuring & plant closure reduce fixed costs
  - Strategic repositioning under review

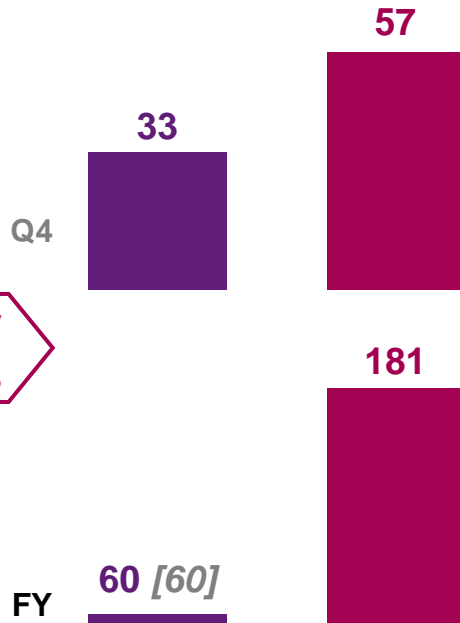
# Business performance

in €m

2006

2007

Recurring EBITDA [Like for like]



Energy Services

- CER Net Sales increase in volume & price to €50m from €22m in Q406
- Q4 • €34m recurring EBITDA generated from CERs, after production, selling and Group service costs
- Other activities generate €23m of EBITDA
- €189m Net Sales with €135m recurring EBITDA generated from CERs, after production, selling and Group service costs
- 2007: 13.4 mt sold at an average price of €14.1per ton

# Q4 2007 Income Statement

in €m

	Q4 2006	Q4 2007
<b>Net Sales</b>	<b>1 217</b>	<b>1 267</b>
Other Revenue	129	149
<b>Recurring EBITDA<sup>(1)</sup></b>	<b>195</b>	<b>199</b>
Recurring EBITDA Margin on Net Sales	16.0%	15.7%
Depreciation & amortization	(78)	(74)
Other gains and losses	(22)	(13)
Restructuring costs	(7)	(28)
<b>Operating Profit</b>	<b>88</b>	<b>84</b>
Net finance costs	(134)	(48)
Share of profit (loss) of associates	0	2
<b>Profit before income tax</b>	<b>(46)</b>	<b>38</b>
Income tax	0	(8)
<b>Profit from continuing operations</b>	<b>(46)</b>	<b>30</b>
Profit/(loss) from discontinued operations	(2)	(7)
<b>Net Profit Group Share</b>	<b>(49)</b>	<b>22</b>

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

# Q4 2007 Net Finance Costs

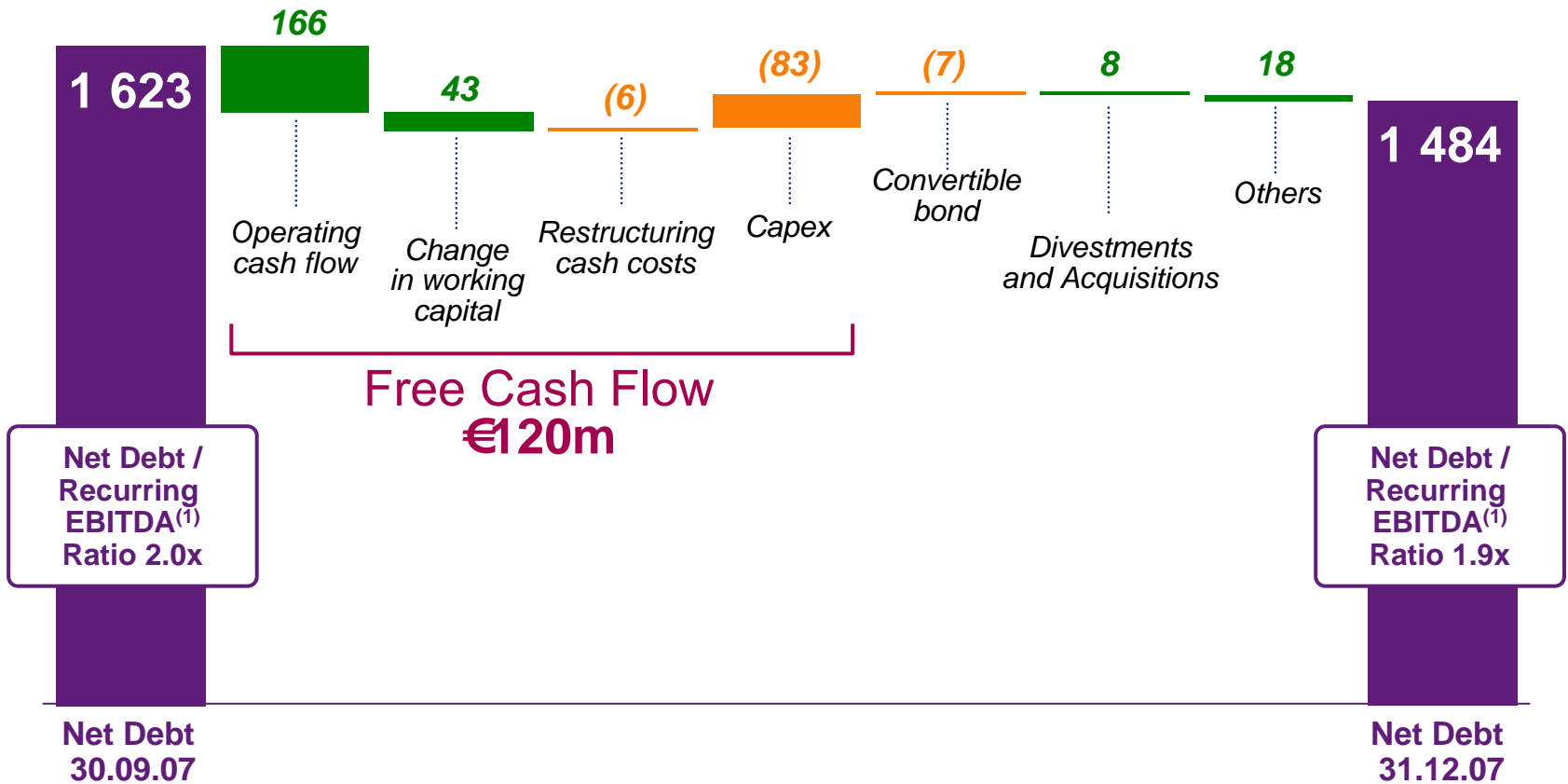
in €m

	Q4 2006	Q4 2007
Net financial charges & other financial charges	(48)	(31)
Non recurring financial restructuring charges	(77)	0
Interest cost on environmental & pension liabilities	(10)	(12)
Forex gains & losses	5	(2)
Other miscellaneous	(4)	(3)
<b>Total financial expenses</b>	<b>(134)</b>	<b>(48)</b>

# Q4 07 Net Debt

in €m

- Long-term maturity profile (FRN 2013 & convertible 2014)



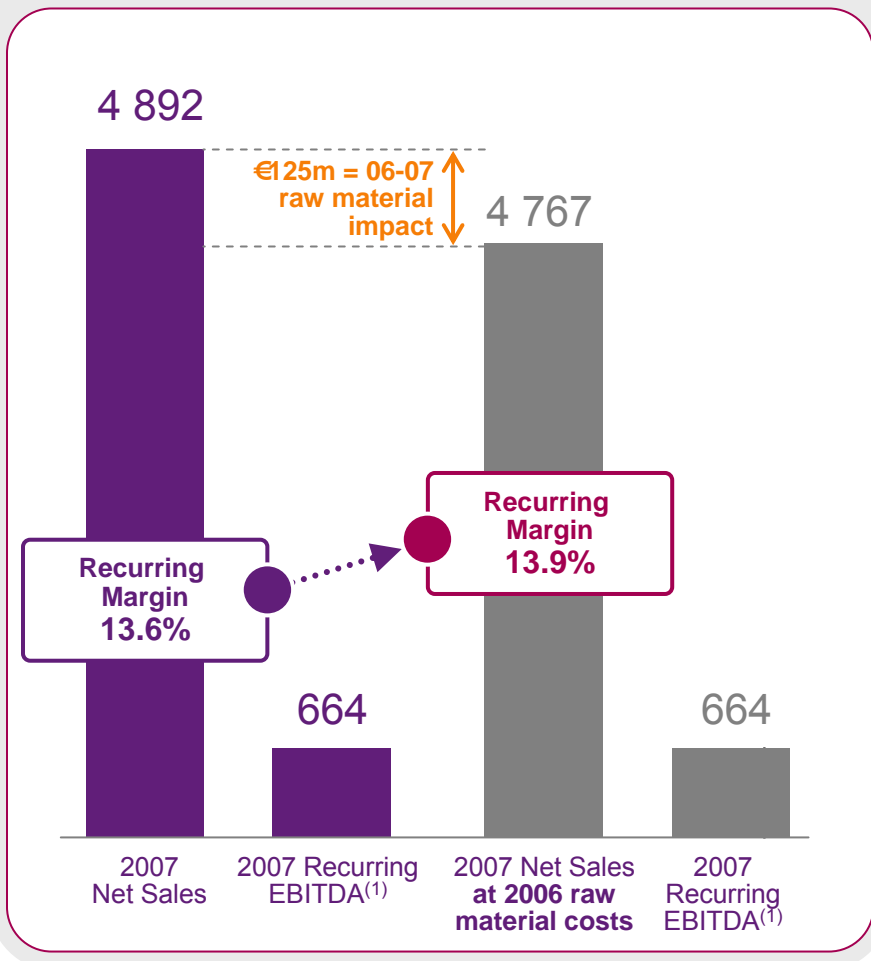
(1) Recurring: before restructuring and other operating income and expenses



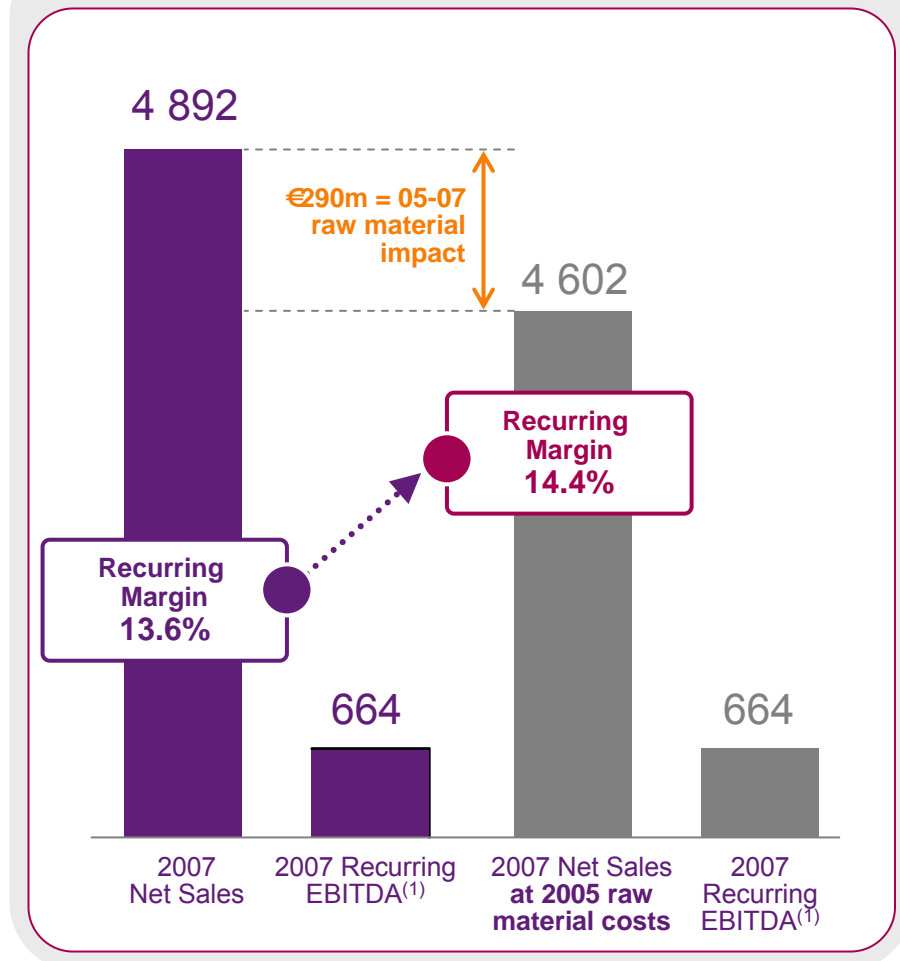
# When raw material costs increase, keeping EBITDA unchanged results in an arithmetical drop in EBITDA margin as sales turnover increases

in €m (excl. CERs)

## 2007 at 2006 raw material costs



## 2007 at 2005 raw material costs



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