Rhodia

Chemistry is our world, Responsibility is our way

Financial Report

Half-year ended June 30, 2010

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This is a free translation in English of Rhodia's Financial Report for the half year ended June, 2010 issued in French and is provided solely for the convenience of English speaking readers.

1 PERSON RESPONSIBLE

1.1 PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

Mr. Jean-Pierre CLAMADIEU, Chairman and Chief Executive Officer.

1.2 DECLARATION OF THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

"I hereby declare that, to the best of my knowledge, the condensed consolidated financial statements for the half-year ended June 30, 2010 have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, financial position and results of the Group and that the accompanying half-year financial report includes a faithful representation of the major events which occurred during the first six months of the fiscal year, their impact on the financial statements, and the main related-party transactions, as well as a description of the major risks and uncertainties for the remaining six months of the fiscal year."

Mr. Jean-Pierre CLAMADIEU,
Chairman and Chief Executive Officer

2 HALF-YEAR FINANCIAL REPORT

This half-year financial report should be read in conjunction with the condensed consolidated financial statements for the half-year ended June 30, 2010 and the Company's Reference Document for fiscal year 2009 filed with the *Autorité des Marchés Financiers* - AMF (French securities regulator) on March 22, 2010 under number D. 10-0133.

2.1 HIGHLIGHTS OF THE 2010 FIRST HALF

Strengthened by the success of the numerous competitive initiatives deployed through the crisis that impacted 2009, and as leader in all its businesses with a solid positioning in emerging markets, Rhodia fully benefited from the strong momentum across business segments and regions in the first half of 2010. At constant scope and currency conversion basis, sales volumes increased by 20% compared to the previous year, thus restoring their pre-crisis level. Overall, the Group enjoyed strong pricing power in its markets.

These two factors, combined with an enhanced competitiveness following restructuring measures, enabled the Group to generate record profits in the first half of 2010. Recurring EBITDA therefore totaled €447 million for the period.

Based on its excellent operating performances and strict asset management, Rhodia was able to generate a Free Cash Flow of €187 million and continue to reduce its net debt by €146 million in the first half of 2010. As of June 30, 2010, the Group's net debt was at its lowest ever at €883 million.

In addition, Rhodia partially refinanced the *Floating Rate Notes* maturing in 2013 for a principal amount of €500 million, through the issue of new High Yield Notes for the same amount, maturing on May 15, 2018. The success of this transaction enabled the Group's debt maturity to be extended, at a competitive cost.

In line with its growth strategy, Rhodia announced in June 2010 its plans to acquire Feixiang Chemicals, a company specializing in amines and surfactants located in Zhangjiagang near Shanghai (China). This acquisition, which is expected to be finalized in the second half of 2010, represents a unique opportunity for Rhodia to integrate specialty amine technologies into Novecare's business portfolio. The combination of the Group's formulation expertise and end-market applications with Feixiang Chemicals amine technologies should reinforce Rhodia's leadership position in specialty surfactants for the home and personal care, agrochemicals, oilfield and industrial markets.

Finally, Rhodia announced a new simplified and more decentralized management organization comprising:

- A reduced Executive Management team of 4 members: Jean-Pierre Clamadieu, Gilles Auffret, Pascal Bouchiat and Pascal Juery; and
- Global business units, focused on their markets and in closer contact with customers. Each global business unit will be responsible for its strategy and will undertake to achieve the EBITDA, cash generation and growth objectives.

2.2 RISK FACTORS AND UNCERTAINTIES

The half-year financial report includes certain assumptions and expectations which, by their very nature, may not prove accurate. The primary risks and uncertainties mentioned below may have a negative impact on the businesses, financial position, income and outlook of the Group or its share price, particularly during the remaining six months of the fiscal year.

The main risks and uncertainties the Group could face in the remaining six months of fiscal year 2010 have not changed materially from those identified in Section 5.2 "Management of the main risk factors of the Group" of the 2009 Reference Document filed with the *Autorité des Marchés Financiers* on March 22, 2010. Certain other risks and uncertainties which have yet to be identified or are considered immaterial by Rhodia could also have a negative impact, especially during the remaining six months of the fiscal year.

2.3 ANALYSIS OF THE CONSOLIDATED RESULTS FOR THE HALF-YEAR ENDED JUNE 30, 2010

2.3.1 Net sales and profitability

2.3.1.1 Management analysis conventions

This section contains information comparing half-year to half-year the performance of Rhodia and its Enterprises, and specifically unaudited accounting data derived from management reports on the impact of the following items on net sales and on the principal line items of Rhodia's income statement:

- changes in scope of consolidation (for example, as a result of divestitures, changes in consolidation not reclassified as discontinued operations and, with respect to comparisons of Enterprise results, transfers of businesses between Enterprises);
- fluctuations in exchange rates affecting the translation into euros of net sales, expenses and other income statement line items that are denominated in currencies other than the euro;
- changes in average sale prices;
- changes in volumes; and
- transactional exchange rate impact (defined as the difference arising from the exchange into local currency of sales and purchases made in another currency).

Rhodia has implemented this measurement procedure and tracks the development of its performance based on quarterly reports submitted by its various entities and uses it for its internal analysis requirements. The same management information is used for its financial reporting. For the comparison of profits from operations between two periods (the "prior" period, for example, the first half of 2009, and the "current" period, for example, the first half of 2010), Rhodia calculates the impact of these changes as follows:

- The impact of changes in the scope of consolidation is calculated (i) in the case of acquisitions, by including in the prior year's data the results of the current year generated by the acquired business, for, at minimum, the number of months of the prior year during which the business had not yet been acquired, and, at maximum, the number of months not exceeding the presence of the acquired business in the current year and (ii) in the case of divestitures, by excluding the prior period results of any activity included in the consolidated financial statements that were generated outside of the equivalent period during which the activity was held.
- The impact of exchange rate fluctuations is calculated by adjusting the prior period's results for exchange rate fluctuations by translating into euros the accounting balances for the prior period denominated in currencies other than euros at the average exchange rates adopted for the current period.
- The impact of changes in average sale prices is calculated by comparing the current weighted average net unit sale price for each product in the current period (for example, the euro cost per ton) against the weighted average net unit sale price in the prior period, multiplied, in both cases, by volumes sold during the current period.
- The impact of changes in volumes is calculated by comparing quantities shipped in the current period against quantities shipped in the prior period, multiplied, in both cases, by the weighted average net unit sale price in the prior period.

Moreover, Rhodia uses the following pro forma indicators for its analyses and financial reporting:

- Recurring EBITDA, defined as operating profit or loss before depreciation, amortization and impairment, restructuring costs and other operating income and expenses;

(in millions of euros)	For the half-year ended June 30,	
	2009	2010
Operating profit/(loss)	**(53)**	**286**
Other operating expenses	(21)	(31)
Other operating income	20	15
Restructuring costs	(29)	(10)
Total depreciation and amortization (1)	(136)	(135)
RECURRING EBITDA	**113**	**447**

(1) Excluding depreciation and amortization recognized in restructuring costs and other operating income and expenses

- Free Cash Flow, defined as cash from operating activities, before margin calls excluding non-recurrent refinancing expenses, less purchases of property, plant and equipment and other non-current assets.

(in millions of euros)	For the half-year ended June 30,	
	2009	2010
Net cash from operating activities before margin calls	**286**	**287**
Purchases of property, plant and equipment	(85)	(83)
Purchases of other non-current assets	(11)	(17)
Free Cash Flow	**190**	**187**

Rhodia believes these measurements are useful tools for analyzing and explaining changes and trends in its historic operating results, as they allow performance to be compared on a regular basis. They are not, however, audited and are not performance measurements with respect to IFRS. They should not be considered as replacements for performance measurements with respect to IFRS. The methods used by Rhodia to calculate changes may differ from those used by other companies.

2.3.1.2 Accounting aspects

The condensed consolidated financial statements for the half-year ended June 30, 2010 were prepared using the same accounting methods as those adopted for the preparation of the consolidated financial statements for the year ended December 31, 2009.

The standards, interpretations and amendments adopted by the European Union as of June 30, 2010 and their mandatory adoption in 2010 had no significant impact on the condensed consolidated financial statements for the half-year ended June 30, 2010.

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

2.3.1.3 Analysis of Group net sales and operating profit/(loss)

The following table presents the income statement down to operating profit/(loss) for the half-years ended June 30, 2009 and 2010:

	Half-year ended June 30,		
(in millions of euros)	**2009**	**2010**	**% change**
Net sales	1,907	2,506	31.4%
Other revenue	234	203	(13.2)%
Cost of sales	(1,875)	(2,091)	(11.5)%
Administrative and selling expenses	(256)	(266)	(3.9)%
Research and development expenditure	(33)	(40)	(21.2)%
Restructuring costs	(29)	(10)	65.5%
Other operating income and expenses	(1)	(16)	n/s
Operating profit/(loss)	**(53)**	**286**	**639.6%**

Group net sales

Change in net sales *(in millions of euros)*	**Net sales for the half-year ended June 30, 2009**	**Consolidation scope**	**Exchange rate impact (translation)**	**Net sales for the half-year ended June 30, 2009 on a constant consolidation scope and exchange rate basis**	**Volume & mix**	**Sale price**	**Transactional exchange rate impact**	**Net sales for the half-year ended June 30, 2010**	**2009-2010 change in net sales**	**2009-2010 change in net sales on a constant consolidation scope and exchange rate basis**
Rhodia	**1,907**	17	97	**2,021**	407	151	(73)	**2,506**	31.4%	24.0%

Rhodia's net sales totaled €2,506 million for the first half of 2010, up by 31.4% compared to the first half of 2009.

Exchange rate fluctuations generated a positive impact of €97 million, mainly due to the appreciation of the Brazilian real and the Korean won against the euro. The positive consolidation scope impact of €17 million was a result of the acquisition, on February 27, 2009, of the US firm McIntyre, whose products serve the cosmetics and detergent markets.

On a constant consolidation scope and exchange rate basis, net sales increased by 24%. Strengthened by the successful competitive initiatives deployed during the crisis that impacted 2009, and as leader in all its businesses with a solid positioning in emerging markets, Rhodia fully benefited from the strong momentum across business segments and regions in the first half of 2010. Its volumes increased by 20.1% between the two reference periods, thus restoring their pre-crisis level. Overall, the Group enjoyed strong pricing power in its markets and sale price increases therefore generated a positive 7.5% impact over the full half-year.

The following table shows the breakdown of net sales by geographical area (based on customer locations) for the half-years ended June 30, 2009 and 2010:

(in millions of euros)	**Half-year ended June 30,**	
	2009	**2010**
Rhodia net sales	**1,907**	**2,506**
Net contribution to Rhodia net sales by geographical area (%):		
France	8%	8%
Europe (excluding France)	25%	25%
North America	22%	20%
Latin America	15%	18%
Asia and other countries	30%	29%
TOTAL	**100%**	**100%**

Operational expenses

Cost of sales

Cost of sales increased by €216 million, or 12%, from €(1,875) million in the first half of 2009 to €(2,091) million in the first half of 2010. This significant cost increase primarily reflects the turnaround in activity levels. The scope and currency conversion impacts were offset by the decrease in raw material costs and a positive transactional exchange rate impact on variable costs.

Administrative and selling expenses

Administrative and selling expenses rose slightly from €(256) million in the first half of 2009 to €(266) million in the first half of 2010. This increase was attributable to the scope and currency conversion impacts.

Research and development expenditure

Research and development expenditure totaled €(40) million in the first half of 2010, up €(7) million compared to the same period in 2009. This increase was attributable to the combination of higher costs and a negative currency conversion impact.

Furthermore, this expenditure is presented net of the research tax credit impact in the amount of €8 million in 2010, which was slightly lower compared to the same period last year.

Restructuring costs

Restructuring costs amounted to €(10) million in the first half of 2010, compared to €(29) million in the first half of 2009. The restructuring provisions for the first half of 2010 mainly relate to the closure of the Valencia (Acetow) site in Venezuela.

Other operating income and expenses

In the first half of 2010, other operating income and expenses amounted to €(16) million, compared to €(1) million in the first half of 2009. They include:

- disposal gains (€5 million in the first half of 2010), primarily due to the sale of the Mississauga site (Canada). In the first half of 2009, disposal gains mainly comprised sales of real estate assets;
- revaluation of environmental provisions as of June 30, 2010, resulting in additional expenses of €(16) million, mainly relating to the Brazilian sites. Refer to Note 15 to the half-year financial statements;
- and finally, various operating expenses of €(5) million in the first half of 2010 (compared to €(4) million in the first half of 2009), including changes in fair value of derivative instruments relating to operating items, the trading component of Orbeo's activity as well as costs related to divestiture and acquisition projects.

Operating profit/(loss)

Change in operating profit/(loss) *(in millions of euros)*	Operating profit/(loss) June 30, 2009	Consolidation scope	Exchange rate impact (translation)	Volume & product mix	Price	Foreign exchange/ Price	Price/ Raw materials & energy	Foreign exchange/ Raw materials & energy	Fixed costs	Other operating income and expenses	Restructuring excluding depreciation and amortization	Depreciation, amortization & impairment	Operating profit/(loss) June 30, 2010
Rhodia	(53)	2	(12)	171	151	(73)	53	58	(23)	(15)	14	13	286

Rhodia's operating profit for the first half of 2010 totaled €286 million, compared to an operating loss of €(53) million in the first half of 2009, thus reflecting the unprecedented crisis which impacted last year.

This performance was mainly attributable to a sharp increase in recurring EBITDA which reached a record €447 million, compared to €113 million in the first half of 2009. Rhodia's recurring EBITDA margin totaled 17.8% in the first half of 2010, compared to 5.9% in the first half of 2009.

The negative exchange rate impact of €(12) million results from the exchange rate fluctuations relating to the appreciation of the Brazilian real against the euro.

The substantial increase in volumes between the two reference periods, which had a positive impact of €171 million, was primarily attributable to the very significant growth in the market segments served by Polyamide, Novecare and Silcea, in all world regions. This level of activity was backed by strong pricing power. For the Group, sale price increases resulted in a positive impact of €151 million over the full half-year. The €53 million increase relating to raw materials between the two reference periods reflects the exceptionally unfavorable situation in the first half of 2009, when Rhodia had consumed the expensive inventories it had previously purchased.

Raw material and energy costs benefited from a positive transactional exchange rate impact of €58 million, while sales were impacted by a negative transactional exchange rate impact of €(73) million, primarily due to the appreciation of the Brazilian real and the Korean won against the US dollar.

Furthermore, the implementation of structural plans to enhance competitiveness continued according to the timetable fixed until 2011 and generated considerable savings. However, the short term cost containment measures that were essential in 2009 due to the crisis were gradually phased out with the return to a high level of business. For this reason and also due to inflation and, to a lesser extent, its ongoing growth projects, the Group reported an increase in fixed costs, giving rise to a negative €(23) million impact.

Restructuring measures in the first half of 2010 amounted to €(10) million, a decrease compared to the expenses incurred last year for the measures implemented during the crisis.

The decrease in operating income and expenses totaled €(15) million, mainly attributable to an increase in environmental charges between the two reference periods and lower property, plant and equipment disposal gains in 2010 compared to 2009.

Depreciation, amortization and impairment, which were significant in 2009 due to the accelerated depreciation of the assets of the Ceriano (Italy) site and the Mississauga production line (Canada) that closed definitively in the first half of 2009, declined, generating a positive €13 million impact (of which €5 million impacted restructuring costs).

Finally, the Group reported a positive consolidation scope impact of €2 million.

2.3.1.4 Analysis of net sales and operating profit/(loss) by Enterprise

The following table shows the breakdown of net sales by Enterprise for the half-year ended June 30, 2010 compared to the first half of 2009:

Change in net sales *(in millions of euros)*	**Net sales for the half-year ended June 30, 2009**	**Consolidation scope**	**Exchange rate impact (translation)**	**Net sales for the half-year ended June 30, 2009 on a constant consolidation scope and exchange rate basis**	**Volume & mix**	**Sale price**	**Transactional exchange rate impact**	**Net sales for the half-year ended June 30, 2010**	**2009-2010 change in net sales**	**2009-2010 change in net sales on a constant consolidation scope and exchange rate basis**
Rhodia	**1,907**	17	97	**2,021**	407	151	(73)	**2,506**	31.4%	24.0%
Polyamide	**633**	6	74	**713**	192	188	(59)	**1,034**	63.3%	45.0%
Novecare	**417**	17	8	**442**	107	(13)	(4)	**532**	27.6%	20.4%
Silcea	**291**	-	6	**297**	113	1	(6)	**405**	39.2%	36.4%
Energy Services	**92**	-	3	**95**	(7)	(5)	-	**83**	-9.8%	-12.6%
Acetow	**275**	-	6	**281**	(12)	-	(4)	**265**	-3.6%	-5.7%
Eco Services	**121**	-	-	**121**	13	(20)	-	**114**	-5.8%	-5.8%
Corporate & Other (after elimination of intercompany sales)	**78**	(6)	-	**72**	1	-	-	**73**	-6.4%	1.4%

The following table shows the breakdown of Group net sales by Enterprise for the half-years ended June 30, 2009 and 2010:

(in millions of euros)	**Half-year ended June 30,**	
	2009	**2010**
Rhodia net sales	**1,907**	**2,506**
Net contribution to Rhodia net sales by Enterprise (%):		
Polyamide	33%	41%
Novecare	22%	21%
Silcea	15%	16%
Energy Services	5%	3%
Acetow	15%	11%
Eco Services	6%	5%
Corporate & Other (after elimination of intercompany sales)	4%	3%
TOTAL	**100%**	**100%**

The following table presents an analysis by Enterprise of operating profit/(loss) for the first half of 2010 compared to the first half of 2009:

Change in operating profit/(loss) *(in millions of euros)*	**Operating profit/(loss) June 30, 2009**	**Consolidation scope**	**Exchange rate impact (translation)**	**Volume & product mix**	**Price**	**Foreign exchange/ Price**	**Price/ Raw materials & energy**	**Foreign exchange/ Raw materials & energy**	**Fixed costs**	**Other operating income and expenses**	**Restructuring excluding depreciation and amortization**	**Depreciation, amortization & impairment**	**Operating profit/(loss) June 30, 2010**
Rhodia	**(53)**	**2**	**(12)**	**171**	**151**	**(73)**	**53**	**58**	**(23)**	**(15)**	**14**	**13**	**286**
Polyamide	**(153)**	-	(9)	76	188	(59)	4	46	(10)	5	6	13	**107**
Novecare	**10**	3	-	42	(13)	(4)	21	5	(1)	2	6	1	**72**
Silcea	**(5)**	1	1	52	1	(6)	24	5	(3)	-	1	1	**72**
Energy Services	**74**	-	-	(1)	(5)	-	(1)	-	(3)	8	-	1	**73**
Acetow	**52**	(1)	1	(6)	-	(4)	4	3	(2)	-	(8)	(2)	**37**
Eco Services	**35**	-	-	9	(20)	-	1	-	(2)	-	-	-	**23**
Corporate & Other	**(66)**	(1)	(5)	(1)	-	-	-	(1)	(2)	(30)	9	(1)	**(98)**

In this section, the impact from changes in transactional foreign exchange rates on the operating profit/(loss) of each Enterprise represents the total foreign exchange impacts on sale prices and on raw material and energy purchases.

Polyamide

Net sales

Polyamide net sales increased by 63.3% to €1,034 million in the first half of 2010, compared to €633 million in the first half of 2009.

Exchange rate fluctuations resulted in a positive €74 million impact, mainly due to the appreciation of the Brazilian real and the Korean won against the euro.

On a constant consolidation scope and exchange rate basis, Polyamide net sales rose by 45%. Since the fourth quarter of 2009, the market segments and regions served by the Enterprise have regained very satisfactory growth. The high level of demand during the half-year led to a 26.9% increase in volumes compared to the first half of 2009. Polyamide also enjoyed strong pricing power in a context of rising raw material prices and in a market impacted by tension between supply and demand. Hence, price increases generated a positive 26.4% increase for the full half-year.

Operating profit/(loss)

Polyamide operating profit totaled €107 million in the first half of 2010, compared to an operating loss of €(153) million in the first half of 2009.

This substantial increase was attributable to the record level of recurring EBITDA, which amounted to €151 million compared to €(90) million in the first half of 2009. Polyamide's recurring EBITDA margin totaled 14.6% in the first half of 2010, compared to (14.2)% in the first half of 2009.

The negative exchange rate impact of €(9) million was a result of exchange rate fluctuations, mainly involving the appreciation of the Brazilian real against the euro.

The sharp rise in volumes period-on-period generated a positive €76 million impact on the Enterprise's operating profit. Furthermore, the very favorable activity growth, combined with the substantial tightness between supply and demand following the restructuring of the polyamide industry's production capacity in 2009, enabled the Enterprise to enjoy very strong pricing power. During the half-year, price increases generated a positive impact of €188 million. The €4 million increase relating to raw materials between the two reference periods reflects the exceptionally unfavorable situation in the first half of 2009, when Rhodia consumed the expensive inventories it had previously acquired.

The negative transactional exchange rate impact of €(13) million was attributable to the appreciation of the Brazilian real against the US dollar and the euro as well as the appreciation of the Korean won against the US dollar.

Fixed costs increased year-on-year by €(10) million because of inflation (primarily in salaries), costs associated to the large maintenance turnaround at the Butachimie unit in Chalampé (France), and the gradual phase-out of temporary cost containment measures in a context of increased activity level in 2010 compared to prior year. The Enterprise's competitiveness enhancement programs, nevertheless, continued to generate substantial savings.

The negative impacts resulting from exchange rate fluctuations and higher fixed costs were, however, offset by a positive €5 million impact relating to other operating income and expenses, a positive €6 million impact arising from the decline in restructuring expenses and a favorable €13 million impact attributable to the decrease in depreciation, amortization and impairment, which were more significant in the first half of 2009 due to the accelerated depreciation of the assets of the Ceriano sites (Italy) and the Mississauga production line (Canada) that closed definitively during this period.

Novecare

Net sales

Novecare net sales rose by 27.6% in the first half of 2010 to €532 million, compared to €417 million in the first half of 2009.

The positive 17% consolidation scope impact stems from the acquisition on February 27, 2009 of the US company McIntyre, whose products serve the cosmetics and detergents markets.

The positive currency conversion impact of €8 million reflects the changes mainly arising from the appreciation of the Brazilian real and, to a lesser extent, the appreciation of the pound sterling and certain Asian currencies against the euro.

On a constant consolidation scope and exchange rate basis, Novecare net sales improved by 20.4% in the first half of 2010. The Enterprise benefited from a turnaround in activity in all world regions. Recovery was quick and widespread in the industrial applications, agrochemicals and coatings markets, whereas it was gradual in the oil mining sector. Novecare volumes therefore increased from 24.2% between the two reference periods, with particularly significant growth in the second quarter of 2010 (volumes up 18% in the first quarter, and up 31% in the second quarter).

Finally, in June 2010 Rhodia announced its plans to acquire Feixiang Chemicals, a company specializing in amines and surfactants located in Zhangjiagang near Shanghai (China). This acquisition, which should be finalized in the second half of 2010, represents a unique opportunity for Rhodia to integrate specialty amine technologies into Novecare's business portfolio. The combination of Group's formulation expertise and end-market applications with Feixiang Chemicals amine technologies should reinforce Rhodia's worldwide leadership position in specialty surfactants for the home and personal care, agrochemicals, oilfield and industrial markets.

Operating profit/(loss)

Novecare operating profit in the first half of 2010 increased sevenfold compared to the first half of 2009, amounting to €72 million compared to €10 million last year.

This excellent performance was attributable to a recurring EBITDA of €89 million, compared to €36 million in the first half of 2009. The recurring EBITDA margin therefore totaled 16.7% in the first half of 2010, compared to 8.6% in the first half of 2009.

Rising volumes generated a positive impact of €42 million.

Effective pricing power enabled Novecare to record a favorable net impact (sale price/raw material costs) of €8 million for the full half-year.

The slight rise in fixed costs generated a negative €(1) million impact, that was fully offset by lower restructuring expenses, as last year reported important charges for the implementation of temporary and structural competitive measures. The net of these elements resulted in a positive €6 million variance between the two reference periods.

The other items explaining the increase in Novecare's operating profit include a positive consolidation scope impact of €3 million, a positive impact of €2 million relating to other operating income and expenses, a positive transactional exchange rate impact of €1 million and a positive impact of €1 million arising from the decline in depreciation, amortization and impairment.

Silcea

Net sales

Silcea net sales totaled €405 million in the first half of 2010, up 39.2%.

Exchange rate fluctuations, primarily arising from the appreciation of the Brazilian real and the Korean won against the euro, represented a positive impact of €6 million.

On a constant consolidation scope and exchange rate basis, Silcea net sales improved by 36.4% period-on-period. Due to the sharp increase in demand in its three business segments (silica, rare earths and diphenols), the Enterprise's volumes, up 38%, regained or even exceeded their pre-crisis levels. Thanks to its innovative products, the Enterprise gained market shares in the particularly dynamic automotive catalysis and silica businesses.

Operating profit/(loss)

With an operating profit of €72 million in the first half of 2010, compared to an operating loss of €(5) million in the first half of 2009, Silcea reported one of its best operating performances.

This performance was attributable to a record recurring EBITDA of €95 million, compared to €20 million in the first half of 2009. The recurring EBITDA margin therefore totaled 23.5% in the first half of 2010, compared to 6.9% in the first half of 2009.

The important increase in volumes in the Enterprise's three business segments resulted in a positive impact of €52 million. The sharp improvement in Silcea's profitability was also due to its strengthened pricing power. Effective pricing power enabled Silcea to record a favorable net impact (sale price/raw material costs) of €25 million for the full half-year.

The increase in fixed costs, due to inflation, generated a negative impact of €(3) million.

Exchange rate fluctuations resulted in a positive currency conversion impact of €1 million and a negative transactional exchange rate impact of €(1) million.

The other items explaining the rise in Silcea's operating profit include a positive consolidation scope impact of €1 million, a positive €1 million impact relating to the decline in restructuring expenses and a positive €1 million impact arising from the decline in depreciation, amortization and impairment.

Energy Services

Net sales

Energy Services net sales totaled €83 million in the first half of 2010, down (9.8)% compared to the same period in 2009. These net sales were primarily attributable to the gain from the sale of CO_2 certified emission reduction units (CERU[1]), of which a substantial percentage of the production was hedged by forward sales.

Exchange rate fluctuations, mainly arising from the appreciation of the yen against the euro, represented a positive impact of €3 million.

On a constant consolidation scope and exchange rate basis, Energy Services net sales declined by (12.6)%.

Operating profit/(loss)

Energy Services operating profit totaled €73 million in the first half of 2010, unchanged compared to the same period in 2009.

Recurring EBITDA amounted to €75 million in the first half of 2010, compared to €85 million in the first half of 2009, a decrease of (11.8)%.

CERU production in the first half of 2010 was in line with the annual forecast of 14 million tons. However, sales fell compared to the first half of 2009 due to the postponement of a part of sales to the second half of 2010. This situation mainly explains the negative volume impact of €(1) million on operating profit. Furthermore, in a context of high volatility of CERU spot market prices, Energy Services long-term hedging strategy limited the negative impact relating to the decline in sale prices to €(5) million.

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[1] *Certified Emission Reduction Units. These include Certified Emission Reductions (CER) and Emission Reduction Units (ERU).*

The Enterprise recorded a negative €(1) million impact due to an increase in its sales costs relating to raw materials and energy.

The increase in fixed costs generated a negative impact of €(3) million. This was primarily due to the implementation of development and research initiatives in the clean technologies sector, particularly biogas production pilot projects.

The €8 million positive variance between periods recorded in other operating income and expenses, reflects firstly, the changes in fair value of derivative instruments not eligible for hedging relating to operating items, and secondly, the trading component of the Orbeo activity.

Finally, the Enterprise recorded a positive €1 million impact as a result of the decline in depreciation, amortization and impairment.

Acetow

Net sales

Acetow net sales totaled €265 million in the first half of 2010, down (3.6)% compared to the first half of 2009.

Exchange rate fluctuations, arising from the appreciation of the Brazilian real against the euro, generated a positive impact of €6 million.

On a constant consolidation scope and exchange rate basis, Acetow net sales decreased by (5.7)% primarily due to a temporary unbalance in supply and demand in the cigarette filter market resulting in a negative volume impact of (4.3)%.

Operating profit/(loss)

Acetow operating profit totaled €37 million in the first half of 2010, compared to €52 million in the first half of 2009, a decrease of (28.8)%.

This decline mainly reflects the decrease in recurring EBITDA to €63 million in the first half of 2010, compared to €67 million in the first half of 2009. The recurring EBITDA margin, nevertheless, remained high, amounting to 23.8% in the first half of 2010, compared to 24.4% in the first half of 2009.

The slowdown in business dynamics in the Acetow markets generated a moderate decline in volumes and less favourable pricing conditions in 2010 compared to prior year. However, the initiatives undertaken since 2008 as part of the Enterprise's competitiveness enhancement programs continue to contribute to the decrease in variable costs, in particular the reduction in raw material and energy costs. This reduction generated a positive variance of €4 million and partly offset the negative €(6) million impact arising from the fall in volumes.

In addition, in May 2010, Acetow announced the closure of the Valencia plant in Venezuela. The measures undertaken with respect to the site's closure, which will only be fully effective at the year-end, explain the rise in restructuring costs, which generated a negative impact of €(8) million.

The increase in fixed costs, due to inflation, generated a negative impact of €(2) million.

Exchange rate fluctuations generated a positive currency conversion impact of €1 million, offset by a negative transactional exchange rate impact of €(1) million.

The other items explaining the decrease in Acetow's operating profit include a negative consolidation scope impact of €(1) million, as well as a negative €(2) million impact arising from the decline in depreciation, amortization and impairment.

Eco Services

Net sales

Eco Services net sales declined by (5.8)% to €114 million in the first half of 2010, compared to €121 million in the first half of 2009.

The Enterprise benefited from an increase in demand over the full half-year with a 10.7% rise in volumes. However, compared to the previous year, Eco Services net sales decreased due to a reduction in sale prices in a context of raw material prices down on the previous year.

Operating profit/(loss)

Eco Services operating profit totaled €23 million in the first half of 2010, compared to €35 million in the first half of 2009, a decrease of (34.3)%.

This decrease was attributable to the decline in recurring EBITDA from €44 million in the first half of 2009 to €32 million in the first half of 2010. The EBITDA recurring margin totaled 28.1% in the first half of 2010, compared to 36.4% in the first half of 2009.

The sustained demand resulted in an increase in volumes, generating a favorable impact of €9 million.

However, the Enterprise's profitability declined overall by €(19) million due to the exceptionally favourable price indexation mechanism time-lag effects registered in 2009.

Finally, the slight increase in fixed costs generated a negative impact of €(2) million.

Corporate & Other

Net sales

Corporate & Other net sales, mainly comprising Salicylic activities, totaled €73 million in the first half of 2010, down (6.4)% compared to the same period in 2009 due to a change in consolidation scope.

On a constant consolidation scope and exchange rate basis, net sales rose slightly by 1.4%.

Operating profit/(loss)

The Corporate & Other operating loss totaled €(98) million in the first half of 2010, compared to €(66) million in the first half of 2009.

Corporate & Other operating profit/(loss) comprises the margin on the Salicylic and trading activities, as well as expenses relating to the Group's Corporate Functions, the restructuring arising from the Group reorganization, the additional recording of environmental provisions for discontinued sites and activities and capital gains or losses on disposals.

Recurring EBITDA totaled €(58) million in the first half of 2010, compared to €(49) million compared to the same period in 2009, heavily impacted by exchange rate fluctuations in the amount of €(5) million.

Other operating income and expenses represented a negative variance of €(30) million, primarily from capital gains on property, plant and equipment disposals and favorable settlements of non-recurring tax litigation in the first half of 2009, as well as an increase in environmental expenses between the first half-years of 2009 and 2010.

As the restructuring measures in the Salicylic business and the Corporate Functions and departments came to an end, restructuring expenses declined by €9 million and were virtually nil in the first half of 2010.

Finally, depreciation and amortization, comparable period-on-period, generated a negative impact of €(1) million.

2.3.1.5 Other income statement items

	Half-year ended June 30,		
(in millions of euros)	**2009**	**2010**	**% change**
Operating profit/(loss)	**(53)**	**286**	**639.6%**
Profit/(loss) from financial items	(99)	(105)	
Share of profit/(loss) of associates	(1)	-	
Income tax expense	(11)	(65)	
Profit/(loss) from continuing operations	(164)	116	
Profit/(loss) from discontinued operations	(11)	(3)	
Profit/loss for the period	(175)	113	
Attributable to equity holders of Rhodia SA	**(174)**	**112**	**164.4%**
Attributable to minority interests	(1)	1	

Profit/(loss) from financial items

The net loss from financial items totaled €(105) million, compared to €(99) million for the first half of 2009, i.e. a net decrease of €(6) million.

Rhodia's main financial transaction in the first half of 2010 was the partial refinancing of the *Floating Rate Notes* maturing in 2013 for a principal amount of €500 million, through the issue of new notes for the same amount, maturing on May 15, 2018. The success of this transaction enabled the Group's debt maturity to be extended, at a competitive cost.

The income and (expenses) related to financial transactions for the half-year ended June 30, 2010 include €(24) million for the partial redemption of *Floating Rate Notes* maturing in 2013 and mainly comprise the costs of settling interest rate hedging swaps for €(17) million.

To recap, following the renegotiation of the covenants governing its syndicated credit line in April 2009, Rhodia had recorded an expense of €(4) million in accelerated depreciation of the remaining expenses that were capitalized at the time the syndicated credit line was set up in 2007.

Furthermore, the decline in rates compared to 2009 led to a reduction in finance costs. The increase in amounts invested, particularly in Brazil, allowed for the optimization of financial income. These two items generated a net improvement of around €11 million compared to the first half of 2009.

Share of profit/(loss) of associates

The share of profit/(loss) of associates was nil for the half-year ended June 30, 2010.

Income tax expense

For the half-year ended June 30, 2010, the Group recorded an income tax expense of €(65) million. The current income tax expense of €(58) million for the half-year ended June 30, 2010 mainly corresponds to the income tax reported by the US, Asian and German entities.

The Group has not modified its estimate of the probability of recovering the deferred tax assets relating to the French and British tax groups. Thus, no new deferred tax asset was recorded for France and the UK for the half-year ended June 30, 2010.

For the half-year ended June 30, 2009, the current income tax expense of €(27) million mainly corresponded to the income tax reported by the US and German entities.

The deferred tax income was mainly attributable to the capitalization of the Brazil tax losses over the first half of 2009, as management believed their use was probable within a reasonable period of time.

Profit/(loss) attributable to Rhodia shareholders

The net profit attributable to Rhodia shareholders amounted to €112 million for the half-year ended June 30, 2010, compared to a net loss of €(174) million for the half-year ended June 30, 2009.

Minority interests

The income attributable to minority shareholders totaled €1 million for the half-year ended June 30, 2010, compared to a €(1) million loss in the same period last year.

2.3.2 Financial structure

2.3.2.1 Analysis of the consolidated balance sheet

Operating working capital

As of June 30, 2010, operating working capital requirements totaled €504 million of which €11 million are classified under Assets held for sale. The ratio of operating working capital requirements to total net sales was 9% as of June 30, 2010, compared to 8.6% as of December 31, 2009 and 9.6% as of June 30, 2009.

Consolidated net debt

Gross debt, defined as total current and non-current borrowings, increased from €1,820 million as of December 31, 2009 to €1,886 million as of June 30, 2010.

This €66 million increase breaks down as follows:

- 50% with respect to US securitization programs, mainly relating to the turnaround in sales activity;
- 25% with respect to the accretion mechanism for OCEANE bonds;
- 25% with respect to the increase in drawdowns from bilateral credit lines in Asia.

Cash and cash equivalents and other current financial assets increased from €791 million as of December 31, 2009 to €1,003 million as of June 30, 2010.

The increase is primarily related to the Free Cash Flow generated by the Group during the reference period and invested in investment securities.

Accordingly, consolidated net debt (defined as non-current and current borrowings less cash and cash equivalents and other current financial assets) decreased from €1,029 million as of December 31, 2009 to €883 million as of June 30, 2010.

Retirement obligations and similar benefits

Retirement obligations and similar benefits correspond to the payment of pensions, supplementary pensions, retirement termination benefits and other long-term benefits.

Total obligations recognized in liabilities on the balance sheet amounted to €1,657 million as of June 30, 2010, compared to €1,553 million as of December 31, 2009. This increase was mainly attributable to changes in assumptions (discount and inflation rates), the revaluation of pension plan assets and the conversion impacts relating to the depreciation of the euro against the pound sterling and the US dollar.

A description of the analysis of retirement obligations and similar benefits is presented in Note 14 to the condensed consolidated financial statements for the half-year ended June 30, 2010.

Provisions

Provisions classified as current and non-current liabilities totaled €581 million as of June 30, 2010, compared to €530 million as of December 31, 2009.

These provisions are analyzed by type as follows:

- restructuring provisions covering employee expenses and site closure costs;
- environmental provisions. Rhodia regularly assesses all its environmental liabilities and possible remediation measures. The provision is calculated based on discounted future cash flows;
- other provisions.

Shareholders' equity

Shareholders' equity stood at €(593) million as of June 30, 2010, compared to €(719) million as of December 31, 2009.

On May 29, 2010, the Board of Directors decided to decrease share capital by reducing the nominal value of each share from €12 to €1, for a total amount of €1,112 million.

In the first half of 2010, the exercise of share subscription options resulted in the issue of 547 shares, and the option for the payment of dividends through shares to 408,382 new shares.

As of June 30, 2010, Rhodia's share capital amounted to €101,495,997, comprising 101,495,997 shares each with a nominal value of €1.

As decided by shareholders at the General Meeting on April 28, 2010, Rhodia S.A. paid out dividends totaling €25 million (of which €6 million have been paid in shares), with respect to fiscal year 2009.

2.3.2.2 Consolidated cash flows

The following table presents an analysis of consolidated cash flows for the half-year ended June 30, 2010, compared to June 30, 2009.

(in millions of euros)	June 30, 2009	June 30, 2010
Cash flows		
Net profit/(loss)	*(174)*	*112*
Net cash from operating activities before changes in working capital	**(5)**	**304**
Changes in working capital	291	(17)
Margin calls	2	7
Net cash from operating activities	288	294
Net cash used by investing activities	(219)	(82)
Net cash from/(used by) financing activities	19	(10)
Impact of exchange rate fluctuations	21	35
NET INCREASE IN CASH AND CASH EQUIVALENTS	**109**	**237**

Net cash from operating activities

Net cash from operating activities totaled €294 million for the half-year ended June 30, 2010, compared to €288 million for the half-year ended June 30, 2009.

This slight decrease is the result of an increase in net cash from operating activities before changes in working capital, from a cash use of €(5) million for the half-year ended June 30, 2009 to €304 million for the half-year ended June 30, 2010, offset by the changes in working capital (defined as trade and other receivables, plus changes in inventory less trade and other payables plus changes in other current assets and liabilities).

For the half-year ended June 30, 2009, changes in working capital represented a positive cash flow of €291 million, compared to a use of €(17) million for the half-year ended June 30, 2010.

Net cash used by investing activities

Net cash in the amount of €(82) million was used by investing activities for the half-year ended June 30, 2010, while net cash in the amount of €(219) million was used in the same period in 2009.

The following factors explain the €137 million decrease in cash used:

- the use of €81 million in 2009 to primarily acquire McIntyre, a manufacturer of specialty surfactants;
- the €62 million decrease in financial investments following the €50 million investment in 2009 in deposits with an initial maturity of more than three months.

Net cash from/(used by) financing activities

Net cash in the amount of €(10) million was used by financing activities for the half-year ended June 30, 2010, while net cash in the amount of €19 million was generated by financing activities for the half-year ended June 30, 2009.

Net cash used by financing activities described in section 2.3.2.3 below has no significant impact on the first half of 2010.

2.3.2.3 Financing arrangements and cash resources

Rhodia's financing arrangements

In addition to the transactions performed in 2006 and 2007, involving the exercise of *Floating Rate Notes* in the amount of €1,100 million maturing in 2013 and OCEANE bonds in the amount of €595 million maturing in 2014, the extension of the Group's debt maturity in May 2010 for a nominal amount of €500 million maturing in 2018 (redemption of *Floating Rate Notes* maturing in 2013 in the amount of €500 million through the issue of new *High Yield* notes maturing in 2018 and bearing interest at 7%) has reinforced Rhodia's control over its medium-term liquidity.

Subsequent to these transactions, Rhodia's bond debt as of June 30, 2010 consisted primarily of:

- 2013 *Floating Rate Notes* for a nominal amount of €535 million maturing on October 15, 2013;
- OCEANE bonds for a nominal amount of €595 million maturing on January 1, 2014;
- 2018 *Senior Notes* for a nominal amount of €500 million maturing on May 15, 2018.

Cash resources

Rhodia had €928 million in cash and cash equivalents as of June 30, 2010, compared to €691 million as of December 31, 2009.

Rhodia also had €59 million in other liquid current financial assets as of June 30, 2010, compared to €84 million as of December 31, 2009.

The Rhodia Group also had an unused syndicated credit line of €540 million as of June 30, 2010.

The Group's cash resources as of June 30, 2010 thus amounted to €1,527 million, compared to €1,318 million as of December 31, 2009.

2.3.3 Post-closing events

No post closing event has occurred.

2.4 OUTLOOK

2.4.1 Trends

Despite the anticipated softening of the global economic recovery in the second half of 2010, Rhodia expects a limited impact in the markets it serves. Business dynamics should remain satisfactory thanks to healthy demand in fast growing markets.

In the third quarter of 2010, Rhodia's current business environment shows no signs of slowdown and summer seasonality is expected to be less pronounced than usual.

Raw material and energy prices moreover appear to be stabilizing at high levels.

Trends by Enterprise

In the second half of 2010:

- In the third quarter of 2010, Polyamide should continue to benefit from volume momentum and the usual seasonality effect in Europe should be lower than expected.
- Novecare's positive dynamics are expected to continue with usual seasonality in its Agrochemicals activity in the third quarter of 2010. Furthermore, Novecare recently announced the consolidation project of its surfactants production lines currently located in Leeds and Halifax (Great-Britain) on a single platform. This is to reinforce its long-term competitive position in Europe.
- Silcea's activity is expected to remain robust in the third quarter of 2010.
- In the third of 2010, the CER activity should be in line with the full year forecast of 14 million tons. Part of sales has been postponed to the second half of 2010.
- Acetow's business dynamics are expected to remain satisfactory in the third quarter of 2010.
- Eco Services should continue to benefit from the ongoing driving season in the third quarter of 2010.

2.4.2 2010 outlook

This chapter contains forward-looking statements that reflect management's plans, estimates and beliefs. Actual results may differ significantly from those previously stated. Please refer to chapter 5.2 on main risk factors of the Company's reference document for fiscal year 2009 filed with the *Autorité des Marchés Financiers* - AMF (French securities regulator) on March 22, 2010.

Despite the anticipated softening of the global economic recovery in the second half of 2010, Rhodia expects a limited impact in the markets it serves. Business dynamics should remain satisfactory thanks to healthy demand in fast growing markets.

In the third quarter of 2010, Rhodia's current business environment shows no signs of slowdown and summer seasonality is expected to be less pronounced than usual.

Raw material and energy prices moreover appear to be stabilizing at high levels.

In the forthcoming quarters, Rhodia is confident in its ability to continue delivering a quarterly recurring EBITDA greater than €200 million, and is therefore increasing its full-year objective.

Assumptions Related to forward-looking Statements

The forecasts contained in this chapter are for the year 2010. They are built on the following key assumptions:

- **Macroeconomic assumptions:**
  - an increase of 4.6%[2] in world GDP;
  - an average exchange rate for the second half of 2010 of 1.25 USD for 1 euro and 1.80 Brazilian real for 1 US dollar;
  - assumption that the price of a barrel of oil is 75 US dollars for the second half of 2010.
- **Internal assumptions:**
  - maintenance of the Group's ability to manage sales prices in a satisfactory manner within the context of raw materials and energy costs that appear to be stabilizing at high levels;
  - an increase in sales volumes for the full year 2010 compared to 2009, reflecting demand in the first half of 2010 that is similar to that of the second half of 2009 and a downturn in demand in the second half of 2010, particularly in Europe where growth remains uncertain;
  - a constant scope of consolidation compared to December 31, 2009.

2.5 TRANSACTIONS WITH RELATED PARTIES

The nature of transactions with related parties has not changed materially during the half-year ended June 30, 2010, as compared to those mentioned in Note 33 to the Consolidated financial statements for the year ended December 31, 2009, presented in the Company's 2009 Reference Document. Accordingly, no new transactions or modifications to transactions with related parties likely to have a material impact on the financial position or results of Rhodia were concluded.

[2] *Source: International Monetary Fund (IMF).*

3 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED JUNE 30, 2010

A. Consolidated statement of income

(in millions of euros)	Note	Quarter ended June 30,		Half-year ended June 30,		Year ended December 31,
		2010*	2009*	2010	2009	2009
Net sales	5	**1,330**	**987**	**2,506**	**1,907**	**4,031**
Other revenue	5	72	88	203	234	446
Cost of sales		(1,084)	(884)	(2,091)	(1,875)	(3,684)
Administrative and selling expenses		(139)	(134)	(266)	(256)	(504)
Research and development expenditure		(22)	(15)	(40)	(33)	(73)
Restructuring costs	6	(2)	(9)	(10)	(29)	(33)
Other operating income	7	10	17	15	20	39
Other operating expenses	7	(19)	(12)	(31)	(21)	(62)
Operating profit/(loss)	**5**	**146**	**38**	**286**	**(53)**	**160**
Finance income	8	26	21	50	41	87
Finance costs	8	(94)	(75)	(160)	(145)	(287)
Foreign exchange gains/(losses)	8	5	-	5	5	10
Share of profit/(loss) of associates		-	(1)	-	(1)	-
Profit/(loss) before income tax		**83**	**(17)**	**181**	**(153)**	**(30)**
Income tax expense	9	(37)	(19)	(65)	(11)	(71)
Profit/(loss) from continuing operations		46	(36)	116	(164)	(101)
Profit/(loss) from discontinued operations		(2)	(4)	(3)	(11)	(31)
Net profit/(loss) for the period	5	**44**	**(40)**	**113**	**(175)**	**(132)**
Attributable to:						
Equity holders of Rhodia S.A.		43	(40)	112	(174)	(132)
Minority interests		1	-	1	(1)	-
Earnings per share (in euros)						
Continuing and discontinued operations						
- Basic		0.43	(0.39)	1.12	(1.75)	(1.32)
- Diluted		0.43	(0.39)	1.11	(1.74)	(1.32)
Continuing operations						
- Basic		0.45	(0.36)	1.15	(1.64)	(1.01)
- Diluted		0.45	(0.36)	1.14	(1.63)	(1.01)
Weighted average number of shares before dilution		*100,739,546*	*100,458,127*	*100,217,739*	*99,876,529*	*99,888,021*
Weighted average number of shares after dilution		*101,590,437*	*100,771,868*	*101,061,319*	*100,060,156*	*100,673,945*

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

B. Consolidated statement of comprehensive income

		Half-year ended June 30,	
(in millions of euros)	**Note**	**2010**	**2009**
Net profit/(loss) for the period	5	**113**	**(175)**
Currency translation differences and other movements		134	9
Gains/(losses) on cash flow hedges on commodities		(18)	23
Gains/(losses) on cash flow hedges on foreign currency portfolio		(42)	56
Gains/(losses) on cash flow hedges on interest rates		6	(10)
Deferred tax on cash flow hedge recognized in equity		7	(12)
Actuarial gains/(losses) on retirement benefits	14	(67)	(140)
Deferred tax on actuarial gains/(losses)		11	(7)
Net income/(expense) directly recognized in equity		**31**	**(81)**
Total recognized income / (expense) for the period		**144**	**(256)**
Attributable to:			
Equity holders of Rhodia S.A.		140	(254)
Minority interests		4	(2)

C. Consolidated balance sheet

Assets

(in millions of euros)	Note	At June 30, 2010	At December 31, 2009
Property, plant and equipment		1,534	1,458
Goodwill		242	215
Other intangible assets		209	193
Investments in associates		12	12
Other non-current financial assets		131	118
Deferred tax assets		196	170
Non-current assets		**2,324**	**2,166**
Inventories		558	475
Income tax receivable		12	26
Trade and other receivables		854	692
Derivative financial instruments		63	113
Other current financial assets		75	100
Cash and cash equivalents	10	928	691
Assets classified as held for sale		37	3
Current assets		**2,527**	**2,100**
TOTAL ASSETS		**4,851**	**4,266**

Equity and liabilities

(in millions of euros)	Note	At June 30, 2010	At December 31, 2009
Share capital	11	101	1,213
Additional paid-in capital	11	1,256	138
Other reserves	11	292	213
Accumulated deficit	11	(2,261)	(2,299)
Equity deficit attributable to equity holders of Rhodia S.A.		**(612)**	**(735)**
Minority interests	11	19	16
Total equity deficit		**(593)**	**(719)**
Borrowings	12	1,678	1,655
Retirement benefits and similar obligations	14	1,564	1,459
Provisions		410	370
Deferred tax liabilities		32	28
Other non-current liabilities		48	36
Non-current liabilities		**3,732**	**3,548**
Borrowings	12	208	165
Derivative financial instruments		138	115
Retirement benefits and similar obligations	14	93	94
Provisions		171	160
Income tax payable		26	16
Trade and other payables		1,069	887
Liabilities classified as held for sale		7	-
Current liabilities		**1,712**	**1,437**
TOTAL EQUITY / (DEFICIT) AND LIABILITIES		**4,851**	**4,266**

D. Consolidated statement of cash flows

(in millions of euros)	For the half-year ended June 30,		For the year ended December 31,
	2010	2009	2009
Net profit/(loss) for the period attributable to equity holders of Rhodia S.A.	**112**	**(174)**	**(132)**
Adjustments for :			
Minority interests	1	(1)	-
Depreciation and impairment of non-current assets	139	146	284
Net increase/(decrease) in provisions	-	(1)	41
Impairment of non-current financial assets	1	-	(3)
Share of profit/(loss) of associates	-	1	-
Other income and expense	28	19	36
(Gain)/loss on disposal of non-current assets	(6)	(8)	(12)
Deferred tax expense/(gain)	16	(16)	(5)
Foreign exchange losses/(gains)	13	29	29
Net cash flow from/(used by) operating activities before changes in working capital	**304**	**(5)**	**238**
Changes in working capital			
• (Increase)/decrease in inventories	(56)	279	231
• (Increase)/decrease in trade and other receivables	(105)	94	89
• Increase/(decrease) in trade and other payables	107	(196)	(134)
• Increase/(decrease) in other current assets and liabilities	37	114	122
Net cash from operating activities before margin calls	**287**	**286**	**546**
Margin calls (1)	7	2	(9)
Net cash from operating activities	**294**	**288**	**537**
Purchases of property, plant and equipment	(83)	(85)	(167)
Purchases of other non-current assets	(17)	(11)	(24)
Proceeds on disposals of entities, net of cash transferred, and non-current assets	6	7	11
Purchases of entities, net of cash acquired	(1)	(81)	(76)
(Purchases)/repayments of loans and financial investments	13	(49)	(66)
Net cash from/(used by) investing activities	**(82)**	**(219)**	**(322)**
Treasury share purchase costs	-	(2)	(2)
Dividends paid	(20)	(1)	(4)
New non-current borrowings, net of costs	501	45	55
Repayments of non-current borrowings, net of costs	(513)	(39)	(80)
Net increase/(decrease) in current borrowings	22	16	(24)
Net cash from/(used by) financing activities	**(10)**	**19**	**(55)**
Effect of foreign exchange rate changes	**35**	**21**	**39**
Net increase/(decrease) in cash and cash equivalents	**237**	**109**	**199**
Cash and cash equivalents at the beginning of the year	691	492	492
Cash and cash equivalents at the end of the year	928	601	691

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

Interests and income tax paid are presented in Note 10.

E. Statement of changes in equity

(in millions of euros)	Share capital	Additional paid-in capital	Other reserves: Hedge reserve	Other reserves: Translation reserve	Other reserves: Legal reserve	Other reserves: Treasury shares	Accumulated deficit	Total	Minority interests	Total
At January 1, 2010	**1,213**	**138**	**7**	**156**	**58**	**(8)**	**(2,299)**	**(735)**	**16**	**(719)**
Dividends	-	6	-	-	-	-	(25)	**(19)**	(1)	**(20)**
Changes in capital	(1,112)	1 112	-	-	-	-	-	**-**	-	**-**
Income and expense directly recognized in equity	-	-	(54)	131	-	-	63	**140**	4	**144**
Other movements (1)	-	-	-	-	-	2	-	**2**	-	**2**
At June 30, 2010	**101**	**1,256**	**(47)**	**287**	**58**	**(6)**	**(2,261)**	**(612)**	**19**	**(593)**

(1) Including bonus shares for €3.9 million

(in millions of euros)	Share capital	Additional paid-in capital	Other reserves: Hedge reserve	Other reserves: Translation reserve	Other reserves: Legal reserve	Other reserves: Treasury shares	Accumulated deficit	Total	Minority interests	Total
At January 1, 2009	**1,213**	**138**	**(49)**	**109**	**40**	**(14)**	**(1,812)**	**(375)**	**19**	**(356)**
Appropriation of earnings	-	-	-	-	18	-	(18)	**-**	-	**-**
Income and expense directly recognized in equity	-	-	69	12	-	-	(335)	**(254)**	(2)	**(256)**
Other movements (2)	-	-	-	(4)	-	2	4	**2**	(2)	**-**
At June 30, 2009	**1,213**	**138**	**20**	**117**	**58**	**(12)**	**(2,161)**	**(627)**	**15**	**(612)**

(2) Including bonus shares for €3.5 million

F. Notes to the condensed consolidated financial statements

1. General information

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

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

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

The company is listed on Euronext Paris.

These condensed consolidated financial statements were reviewed on July 28, 2010 by the Board of Directors.

2. Principal accounting methods

2.1. Accounting standards

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

2.2. Basis of preparation for the consolidated financial statements

The condensed consolidated financial statements for the half-year ended June 30, 2010 were prepared using the same accounting methods as those adopted for the preparation of the consolidated financial statements for the year ended December 31, 2009.

The standards, interpretations and amendments adopted by the European Union at June 30, 2010 and their mandatory adoption in 2010 have no significant impact on the condensed consolidated financial statements for the half-year ended June 30, 2010.

In addition, according to the Group, the standards, interpretations and amendments already adopted by the European Union but not yet applicable will have no impact on the financial statements.

The condensed consolidated financial statements are presented in euros and rounded up to the nearest million unless otherwise indicated.

2.3. Estimates

The preparation of financial statements requires the use of estimates and the formulation of judgments and assumptions that have an impact on the application of accounting methods and the amounts shown in the financial statements.

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

- Income tax expense

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

- Retirement benefits and similar obligations

For interim period-ends, retirement benefits and similar obligations are recorded prorata to the projected annual charges provided in the actuarial assessments performed at the previous period-end. These assessments are modified in the event of any significant change in market conditions compared to the previous year or curtailments, settlements or any other material one-off events.

Notes to the consolidated income statement

3. Major events

The condensed consolidated financial statements for the half-year ended June 30, 2010 have been impacted by the partial redemption of the outstanding 2013 Floating Rate Notes, which generated an exceptional finance cost of €24 million (see note 8).

On June 17, 2010, Rhodia announced the acquisition of Feixiang Chemicals, China's leading producer of amines and surfactants. The acquisition price is based on an enterprise value of US$489 million. The completion of the transaction is subject to various customary closing conditions, including approval of the Chinese authorities. It is expected to be finalized in the second half 2010.

4. Seasonality effects

The Group's activity and operating results for the first six months of 2010 were not of a seasonal or cyclical nature compared to the activity and operating results for the entire year.

5. Segment information

The following information concerns continuing operations by business segment.

Rhodia Group is organized into the following 6 enterprises, whose structure is unchanged during the first half of 2010.

(in millions of euros)	**Polyamide**	**Novecare**	**Silcea**	**Energy Services**	**Acetow**	**Eco Services**	**Corporate and Other (2)**	**Group**
Quarter ended June 30, 2010*								
Net sales	548	287	218	38	136	65	43	**1,335**
Other revenue	24	3	2	68	2	1	9	**109**
Inter-company sales - Net sales	(3)	(1)	-	-	-	-	(1)	**(5)**
Inter-company sales – Other revenue	(3)	(2)	-	(30)	(1)	-	(1)	**(37)**
External net sales	**545**	**286**	**218**	**38**	**136**	**65**	**42**	**1,330**
Other external income	21	1	2	38	1	1	8	**72**
Operating profit/(loss)	**59**	**42**	**39**	**27**	**19**	**13**	**(53)**	**146**
Profit/(loss) from financial items	-	-	-	-	-	-	-	**(63)**
Income tax expense	-	-	-	-	-	-	-	**(37)**
Profit/(loss) from continuing operations	-	-	-	-	-	-	-	**46**
Recurring EBITDA (1)	**80**	**51**	**52**	**27**	**32**	**18**	**(34)**	**226**

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

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

(in millions of euros)	Polyamide	Novecare	Silcea	Energy Services	Acetow	Eco Services	Corporate and Other (2)	Group
Quarter ended June 30, 2009*								
Net sales	347	208	149	51	140	55	42	**992**
Other revenue	20	4	1	85	3	1	11	**125**
Inter-company sales - Net sales	(3)	-	(1)	-	-	-	(1)	**(5)**
Inter-company sales – Other revenue	(3)	(1)	-	(30)	(1)	-	(2)	**(37)**
External net sales	**344**	**208**	**148**	**51**	**140**	**55**	**41**	**987**
Other external income	17	3	1	55	2	1	9	**88**
Operating profit/(loss)	**(21)**	**11**	**6**	**30**	**26**	**15**	**(29)**	**38**
Share of profit/(loss) of associates	-	-	-	-	-	-	-	**(1)**
Profit/(loss) from financial items	-	-	-	--	-	-	-	**(54)**
Income tax expense	-	-	-	--	-	-	-	**(19)**
Profit/(loss) from continuing operations	**-**	**-**	**-**	**--**	**-**	**-**	**-**	**(36)**
Recurring EBITDA (1)	**6**	**22**	**17**	**37**	**33**	**20**	**(24)**	**111**

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

(in millions of euros)	Polyamide	Novecare	Silcea	Energy Services	Acetow	Eco Services	Corporate and Other (2)	Group
Half year ended June 30, 2010								
Net sales	1,034	532	405	83	265	114	81	**2,514**
Other revenue	54	6	3	201	5	2	17	**288**
Inter-company sales - Net sales	(4)	(1)	(1)	-	-	-	(2)	**(8)**
Inter-company sales – Other revenue	(6)	(3)	-	(72)	(2)	-	(2)	**(85)**
External net sales	**1,030**	**531**	**404**	**83**	**265**	**114**	**79**	**2,506**
Other external income	48	3	3	129	3	2	15	**203**
Operating profit/(loss)	**107**	**72**	**72**	**73**	**37**	**23**	**(98)**	**286**
Profit/(loss) from financial items	-	-	-	-	-	-	-	**(105)**
Income tax expense	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(65)**
Profit/(loss) from continuing operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**116**
Recurring EBITDA (1)	**151**	**89**	**95**	**75**	**63**	**32**	**(58)**	**447**

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

(in millions of euros)	Polyamide	Novecare	Silcea	Energy Services	Acetow	Eco Services	Corporate and Other (2)	Group
Half year ended June 30, 2009								
Net sales	633	417	291	92	275	121	87	**1,916**
Other revenue	53	7	2	234	5	2	24	**327**
Inter-company sales - Net sales	(5)	(1)	(1)	-	-	-	(2)	**(9)**
Inter-company sales – Other revenue	(8)	(2)	-	(77)	(1)	-	(5)	**(93)**
External net sales	**628**	**416**	**290**	**92**	**275**	**121**	**85**	**1,907**
Other external income	45	5	2	157	4	2	19	**234**
Operating profit/(loss)	**(153)**	**10**	**(5)**	**74**	**52**	**35**	**(66)**	**(53)**
Share of profit/(loss) of associates	-	-	-	-	-	-	-	**(1)**
Profit/(loss) from financial items	-	-	-	-	-	-	-	**(99)**
Income tax expense	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(11)**
Profit/(loss) from continuing operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(164)**
Recurring EBITDA (1)	**(90)**	**36**	**20**	**85**	**67**	**44**	**(49)**	**113**

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

6. Restructuring costs

(in millions of euros)	Quarter ended June 30,		Half-year ended June 30,		Year ended December 31,
	2010*	**2009***	**2010**	**2009**	**2009**
New plans	(5)	(7)	(7)	(22)	(24)
Re-estimated costs of previous plans	3	-	3	2	2
Impairment of non-current assets	-	(2)	(3)	(9)	(11)
Impairment of current assets	-	-	(3)	-	-
Total	**(2)**	**(9)**	**(10)**	**(29)**	**(33)**

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

The new measures represent a total estimated cost of €7 million and mainly correspond to the closure of the Valencia site of Acetow in Venezuela. The impairment of current and non-current assets related to this closure amounts to €5 million.

The new measures for the first half of 2009 represented a total estimated cost of €22 million and correspond to the competitiveness enhancement plans initiated for Polyamide, Silcea and Novecare and the support functions. In France, plans mainly concern the industrial sites of Belle-Etoile, Valence, Melle, Chalampe and Saint Fons Chimie, as well as support functions for a total of €13 million. In other countries, the new measures relate to two planned site closures in Asia (Ruohai and Ambarnath) and various measures implemented to improve productivity in both the industrial sites and commercial and administrative functions for €9 million. Out of this total, €4 million concerned measures launched in the United States.

7. Other operating income and expenses

(in millions of euros)	Quarter ended June 30,		Half-year ended June 30,		Year ended December 31,
	2010*	2009*	2010	2009	2009
Net gains on disposals of non-current assets	3	7	5	8	13
Other operating income	7	10	10	12	26
Other operating income	**10**	**17**	**15**	**20**	**39**
Environmental expenses	(11)	(5)	(16)	(5)	(26)
Other operating expenses	(8)	(7)	(15)	(16)	(36)
Other operating expenses	**(19)**	**(12)**	**(31)**	**(21)**	**(62)**

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

In 2010, disposal gains mainly involve the sale of the Mississauga site (Canada).

In the first half of 2009, the disposal gains mainly concerned sales of real-estate assets.

In 2010, other operating income includes the changes in fair value of derivatives not qualified as hedges for operating items.

In 2010, other operating expenses comprise individually immaterial items.

In the first half of 2009, other operating expenses essentially concerned the derecognition of a portion of the hedges for foreign exchange derivatives on net sales.

Environmental expenses are analyzed in Note 15.

8. Profit/(loss) from financial items

	Quarter ended June 30,		Half-year ended June 30,		Year ended December 31,
(in millions of euros)	2010 *	2009 *	2010	2009	2009
Gross interest expense on borrowings	(27)	(30)	(54)	(62)	(117)
Income from cash equivalents	5	3	8	5	12
Gains/(losses) from interest rate derivatives	-	-	-	-	(1)
Income / (expenses) on financial transactions	(28)	(8)	(31)	(10)	(18)
Discounting effects	(38)	(36)	(74)	(71)	(143)
Expected return on pension plan assets	20	17	39	33	67
Foreign exchange gains/(losses)	5	-	5	5	10
Proceeds from sale of available-for-sale financial assets	-	-	1	-	-
Other	-	-	1	1	-
Profit/(loss) from financial items	**(63)**	**(54)**	**(105)**	**(99)**	(190)
Of which:					
Finance costs	(94)	(75)	(160)	(145)	(287)
Finance income	26	21	50	41	87
Foreign exchange gains/(losses)	5	-	5	5	10

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

Rhodia partially refinanced its outstanding 2013 Floating Rate Notes, in the principal amount of €500 million, through the issuance of new Senior notes for the same amount, maturing in 2018 and bearing interest at 7%.

Income and expenses on financial transactions as of June 30, 2010 include €(24) million relating to the partial redemption of the 2013 Floating Rate Notes, including €(17) million related to the derecognition of a portion of the interest rate hedge swaps.

At June 30, 2009, the income and (expenses) on financial transactions include a €(4) million accelerated depreciation of the remaining fees, which were capitalized at the implementation of the syndicated credit line in 2007.

9. Income taxes

For the period ended June 30, 2010, the tax expense amounted to €(65) million, compared to €(11) million for the period ended June 30, 2009, for an income from continuing operations before tax of €181 million (income of €(153) million for the period ended June 30, 2009).

The item breaks down as follows:

(in millions of euros)	Quarter ended June 30,		Half-year ended June 30,		Year ended December 31,
	2010 *	**2009 ***	**2010**	**2009**	**2009**
Current income tax expense	(26)	(17)	(58)	(27)	(76)
Deferred tax income/(expense)	(11)	(2)	(7)	16	5
Tax expense	**(37)**	**(19)**	**(65)**	**(11)**	**(71)**

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

The current income tax expense mainly corresponds to the income tax reported by the American, Asian and German entities.

At June 30, 2009, the deferred tax income is mainly attributable to the capitalization of tax losses in Brazil in the first half of 2009 that management expects to recover within a reasonable timeframe.

Management has not modified its estimate of the probability of recovering the deferred tax assets relating to the French and British tax groups. Thus, no new deferred tax asset was recorded for the half-year ended June 30, 2010.

Notes to the consolidated balance sheet

10. Cash and cash equivalents

10.1 Analysis by type

(in millions of euros)	At June 30, 2010	At December 31, 2009
Cash in banks	119	122
Cash equivalents	809	569
Total	**928**	**691**

10.2 Consolidated statement of cash flows

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

Paid interest costs on borrowings, net of interest received on cash and cash equivalents (including the impact of the interest rate hedge), totaled €25 million.

Income taxes paid in the first half of 2010 totaled around €22 million.

11. Equity

11.1 Share capital and additional paid-in capital

On May 29, 2010, the Board of Directors decided to decrease share capital by reducing the nominal value of each share from €12 to €1, for a total amount of €1,112 million.

In the first half of 2010, the exercise of share subscription options resulted in the issue of 547 shares, and the option for the payment of dividends through shares to 408,382 new shares.

At June 30, 2010, Rhodia's share capital totaled €101,495,997, comprising 101,495,997 shares with a par value of €1 each.

11.2 Dividends

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

11.3 Translation reserve

The change in the translation reserve attributable to equity holders of Rhodia S.A. amounted to €131 million for the half-year ended June 30, 2010, primarily due to the appreciation of the US dollar and the Brazilian real against the euro.

11.4 Treasury Shares

Following the attribution of bonus shares to the beneficiaries of the 2008 B plans, the number of treasury shares was reduced to 802,814 on June 30, 2010.

12. Borrowings

Breakdown of borrowings by type

At June 30, 2010					
(in millions of euros)	**Amount at amortized cost (1)**	**Redemption value (2)**	**Amount at fair value (3)**	**Maturity**	**Effective rates before hedging (4) - (5)**
Bilateral credit facilities	101	101	101	2010-06/2011	4% - 11%
Securitization of receivables	76	76	76	2010	3.38%
Other debts	12	12	12	2010-2011	< 5%
Accrued interest payable	19	19	19	-	-
Sub-total short term	**208**	**208**	**208**		
2006 EUR senior notes	528	535	503	10/15/2013	Euribor 3M + 2,75%
2010 EUR senior notes	491	500	485	05/15/2018	7%
OCEANE bonds	554	595	552	01/01/2014	6.29%
Other EUR notes	15	15	15	12/31/2011	Euribor 6M + 1,60%
Bilateral credit facilities	78	78	78	2011-2014	4% à 11%
Finance lease debts	6	6	6	2012-2019	3.56% à 11.25%
Other debts	6	6	6	2011-2018	< 5%
Sub-total long term	**1,678**	**1,735**	**1,645**		
TOTAL	**1,886**	**1,943**	**1,853**		

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

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

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

13. Financial risk management

13.1 Liquidity risk management

At June 30, 2010, Rhodia's liquidity position amounted to €1,527 million, compared to €1,318 million at December 31, 2009. This liquidity position includes an undrawn credit line of €540 million in connection with Rhodia's syndicated credit facility ("RCF").

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

In addition to the transactions performed in 2006 and 2007, involving the exercise of Floating Rate Notes in the amount of €1,100 million maturing in 2013 and OCEANE bonds in the amount of €595 million maturing in 2014, the extension of the Group's debt maturity in May 2010 for a nominal amount of €500 million maturing in 2018 (early redemption of Floating Rate Notes maturing in 2013 through the issue of new High Yield notes maturing in 2018 and bearing interest at 7%) has reinforced Rhodia's control over its medium-term liquidity.

13.2 Management of short-term investment and financial instrument risk

Rhodia mainly invests its short-term investments with banks or financial institutions with S&P and Moody's ratings which are equal to or greater than -BBB and Baa2, respectively (June 30, 2010 ratings).

Interest rate and foreign currency contracts are entered into with banks or financial institutions with S&P and Moody's ratings that belong to the Investment Grade category. In addition, most of these transactions as well as those with a maturity of more than one year are entered into with counterparties which have ratings from these agencies that are equal to or greater than A- and A1 respectively (June 30, 2010 ratings).

14. Retirement benefits and similar obligations

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

- in the UK, 5.30% at June 30, 2010 against 5.70% at December 31, 2009 and ,
- in the US, 5.00% at June 30, 2010 against 5.50% at December 31, 2009.

At the same time, in the United Kingdom, the long-term inflation rate decreased from 3.50% at December 31, 2009 to 3.10% at June 30, 2010.

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

At June 30, 2010, the actuarial gains and losses recognized in equity amount to €(67) million, and mainly correspond to a €(31) million negative impact from changes in assumptions (discount and inflation rate) and a €(36) million negative impact attributable to the revaluation of plan assets.

These items mainly explain the increase in retirement benefits and similar obligations to €1,657 million at June 30, 2010, compared to €1,553 million at December 31, 2009. The conversion impact linked to the depreciation of the euro against other main currencies amounts to €47 million.

15. Environmental provisions

As it is the case each quarter, Rhodia's environmental provisions were revised as of June 30, 2010. The significant increase in interest rates during the first half of 2010 in France and the United States was reflected by a €3 million increase in provisions.

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

	5 years	10 years	20 years
France	-	1.10%	-
Europe (excluding France and United Kingdom)	1.90%	-	-
United Kingdom	0.80%	-	2.40%
United States	0.20%	0.50%	-
Brazil	-	6.30%	6.30%

At June 30, 2010, environmental provisions amounted to €269 million, compared to €239 million at December 31, 2009, with the change mainly being attributable to an additional provision of €11 million for the Brazilian sites and a negative conversion impact (€21 million) due to depreciation of the Euro.

At June 30, 2010, there were no significant movements in contingent environmental liabilities, estimated at €181 million at December 31, 2009, with the exception of the negative conversion impact upgrading contingent environmental liabilities to €192 million.

16. Claims and litigation

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

- In the litigation between Innophos and Mexico's National Water Commission, the court of appeal denied the appeal made by Rhodia on behalf of Innophos in a decision dated May 17th, 2010. Rhodia has appealed this decision with the Supreme Court of Mexico.
- With respect to the Valauret litigation, the Court of Appeal in Versailles has overturned, on May 10, 2010, the decision made by the Commercial Court in Nanterre in December 2008. The Court of appeal ruled that Yves-René Nanot and Jean-Pierre Clamadieu did not commit any fault by paying severance benefits to Mr. Tirouflet as part of his employment contract. In addition, the Court of appeal has ruled that the proceedings had been detrimental to Mr. Nanot and Mr Clamadieu, having called into question their integrity. This justifies the awarding of damages to both of them. Finally, the Court of appeal ruled that Valauret must pay the legal costs incurred by Mr. Nanot and Mr. Clamadieu as well as Rhodia.

17. Share-based payment

17.1 New plans

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

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

The expense recognized with respect to bonus share plans for the half-year ended June 30, 2010 totaled €3.9 million. It includes €1 million for the cost of the new A and B plans (assumption under which the performance criteria of both plans will be met at December 31, 2010 and 2011, except for the B plan in 2011).

17.2 Share capital increase reserved for employees

Group employees will be able to subscribe to a reserved capital increase during the second half of 2010. The terms and conditions of this plan will be defined by the Rhodia Board of Directors on July 30, 2010.

The grant date of this plan has been set at August 3, 2010, the expiry date of the subscribers' retraction period. The compensation cost relating to this plan will be valued and recorded at that date. The capital increase is planned for August 17, 2010, with the issuance of a maximum of 3 million shares.

18. Post closing events

No post closing event has occurred.

4 STATUTORY AUDITORS' REPORT ON THE FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED JUNE 30, 2010

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Statutory auditors' review report on the 2010 half-year financial information

Rhodia S.A.
110, esplanade Charles de Gaulle
92400 Courbevoie

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meeting and in accordance with article L.451-1-2 III of the French Monetary and Financial Code ("Code monétaire et financier"), we hereby report to you on:

- the review of the accompanying condensed half-year consolidated financial statements of Rhodia, for the six-month period ended June 30, 2010 ;

- the verification of information contained in the half-year management report.

These condensed half-year consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I – Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Unlike the half-year financial information, the quarterly financial information for 2009 and 2010 was not subject to our review.

Based on our review, and except for the matter mentioned above, nothing has come to our attention that causes us to believe that the accompanying condensed half-year consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - the standard of IFRSs as adopted by the European Union applicable to interim financial information.

II – Specific verification

We have also verified the information given in the half-year management report on the condensed half-year consolidated financial statements subject to our review.

Except for the matter mentioned above as it may relate to that information, we have no matters to report as to its fair presentation and consistency with the condensed half-year consolidated financial statements.

Neuilly-sur-Seine and Paris La Défense, July 29, 2010

The statutory auditors

PricewaterhouseCoopers Audit

Christian Perrier

KPMG Audit
Département de KPMG S.A.

Denis Marangé

NOTES

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