REFERENCE DOCUMENT

2007

Rhodia

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In the present reference document, "Company" refers to Rhodia S.A., "Group" refers to Rhodia S.A. and all of its subsidiaries, and "Enterprise" refers to its operating entities and the companies composing such entities by sector of activity.

Rhodia

A French business corporation (*société anonyme*) with a capital of €1,213,031,484
Registered Office: Immeuble Cœur Défense, Tour A, 110, esplanade Charles de Gaulle – 92400 Courbevoie
Registered with the Company and Commercial Registry of Nanterre, France, under number 352 170 161

Reference Document 2007

2007

This is a free translation into English of Rhodia's *document de référence* (the "reference document"), filed by Rhodia with the French *Autorité des marchés financiers* on March 31, 2008, and is provided solely for the convenience of English speaking readers.

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This reference document was filed with the *Autorité des marchés financiers* on March 31, 2008, pursuant to Article 212-13 of its general regulations.
This reference document may be used in connection with a financing transaction if supplemented by a *note d'opération* approved by the *Autorité des marchés financiers*.

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Persons Responsible

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1.1 Person Responsible for the Reference Document

Jean-Pierre Clamadieu, Chairman and Chief Executive Officer.

1.2 Certification by the Person Responsible for the Reference Document 2007 (Containing the Annual Financial Report)

I hereby certify, after having taken all reasonable care to ensure that such is the case, that the information contained in the present reference document is to the best of my knowledge in accordance with the facts and contains no omissions likely to affect its content.

I hereby certify, to the best of my knowledge, that the financial statements presented in this reference document were prepared in conformity with applicable accounting standards and provide accurate information about the assets, financial position and profits of the Company and the consolidated Group of companies, and that the management report incorporated in the present reference document provides an accurate picture of the business developments, profits and financial position of the Company and the consolidated Group of companies, as well as a description of the principal risks and uncertainties that these companies face.

I have received an audit completion letter from the Statutory Auditors in which they state that they have verified the information regarding the financial position and financial statements presented in this reference document and that they have reviewed the entire reference document.

The reference document incorporates by reference the historical financial information related to the years ended December 31, 2005 and December 31, 2006, as well as related reports by the Statutory Auditors.

The consolidated financial statements for the year ended December 31, 2005, prepared in accordance with International Financial Reporting Standards ("IFRS") and the auditors' report for the consolidated financial statements for the year ended December 31, 2005, as well as the financial statements for the year ended December 31, 2005, and the auditors' report in respect to the financial statements for the year ended December 31, 2005, are set forth respectively on pages 136 and following and 218 and following of the reference document of the Company filed with the *Autorité des marchés financiers* on March 27, 2006, under number D. 06-0166.

The consolidated financial statements for the year ended December 31, 2006, prepared in accordance with International Financial Reporting Standards ("IFRS") and the auditors' report for the consolidated financial statements for the year ended December 31, 2006, as well as the financial statements for the year ended December 31, 2006, and the auditors' report for the financial statements for the year ended December 31, 2006, are set forth respectively on pages 128 and following and 208 and following of the reference document of the Company filed with the *Autorité des marchés financiers* on March 30, 2007, under number D.07-0257.

Mr. Jean-Pierre Clamadieu

Chairman and Chief Executive Officer

2 Auditors

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2.1 Statutory Auditors

PricewaterhouseCoopers Audit

63, rue de Villiers
92200 Neuilly-sur-Seine

Represented by Mr. Christian Perrier

Appointed on April 29, 2003, with a mandate that ends at the close of the shareholders' general meeting called to approve the financial statements for the year ended December 31, 2008.

Salustro Reydel, member of KPMG International

3, cours du Triangle
92939 Paris La Défense Cedex

Represented by Mr. Dominique Stiegler

Appointed on May 22, 2002, with a mandate that ends at the close of the shareholders' general meeting called to approve the financial statements for the year ended December 31, 2007.

2.2 Alternate Auditors

Mr. Yves Nicolas

63, rue de Villiers
92200 Neuilly-sur-Seine

Appointed on April 29, 2003, with a mandate that ends at the close of the shareholders' general meeting called to approve the financial statements for the year ended December 31, 2008.

Mr. François Chevreux

3, cours du Triangle
92939 Paris La Défense Cedex

Appointed on May 22, 2002, with a mandate that ends at the close of the shareholders' general meeting called to approve the financial statements for the year ended December 31, 2007.

2.3 Expected Developments

As indicated above, the mandate of both the Statutory Auditor, Salustro Reydel, member of KPMG International, and the Alternate Auditor, Mr. François Chevreux, end at the close of the shareholders' general meeting called to approve the financial statements for the year ended December 31, 2007.

Consequently, at the shareholders' general meeting scheduled to be held on May 16, 2008, (upon second notice of meeting), the following proposals will be made:

- the appointment of KPMG SA as Statutory Auditor, noting that Salustro Reydel has been a member of KPMG International since 2005, and that it thus involves a renewal within the KPMG network; and
- the appointment of Mr. Jean-Paul Vellutini as Alternate Auditor.

3

Selected Financial Information

SIMPLIFIED CONSOLIDATED INCOME STATEMENT AT DECEMBER 31, 2007 (IFRS)

	Year ended December 31		
(in millions of euros)	2007	2006	2005
Net sales	**5,081**	**4,810**	**4,521**
Other revenue	475	451	435
Operating profit/(loss)	**448**	**359**	**66**
Profit/(loss) from continuing operations	**73**	**111**	**(419)**
Profit/(loss) from discontinued operations	58	**(45)**	**(196)**
Net Profit/(loss) for the period	**131**	**66**	**(615)**
Attributable to:			
Equity holders of Rhodia SA	**129**	**62**	**(616)**
Minority Interests	2	4	1
Basic earnings per share *(in euros)*	**1.29**	**0.62**	**(11.45)**
Diluted earnings per share *(in euros)*	**1.27**	**0.62**	**(11.45)**

SIMPLIFIED CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2007 (IFRS)

ASSETS	At December 31		
(in millions of euros)	2007	2006	2005
Non-current assets	2,363	2,471	2,784
Current assets	2,115	2,682	2,862
TOTAL ASSETS	4,478	5,153	5,646

EQUITY DEFICIT AND LIABILITIES	At December 31		
(in millions of euros)	2007	2006	2005
Total equity deficit	(368)	(628)	(666)
Non-current liabilities	3,219	3,630	3,621
Current liabilities	1,627	2,151	2,691
TOTAL EQUITY DEFICIT AND LIABILITIES	4,478	5,153	5,646

SIMPLIFIED CONSOLIDATED CASH FLOW AT DECEMBER 31, 2007 (IFRS)

(in millions of euros)	Year ended December 31 2007	2006	2005
Net Profit for the period attributable to equity holders of Rhodia SA	**129**	**62**	**(616)**
Net cash flow from operating activities before changes in working capital	**413**	**244**	**210**
Net cash from operating activities	**413**	**102**	**138**
Net cash from/(used by) investing activities	**(52)**	**(170)**	**(211)**
Net cash from/(used by) financing activities	**(412)**	**(376)**	**343**
Effect of foreign exchange rate increases	**(1)**	**(9)**	**38**
Net increase/(decrease) in cash and cash equivalents	**(52)**	**(453)**	**308**
Cash and cash equivalents at the beginning of the year	467	920	612
Cash and cash equivalents at the end of the year	415	467	920

OTHER INFORMATION

(in millions of euros)	Year ended December 31 2007	2006	2005
Recurring EBITDA (1)	**799**	**683**	**513**
Free Cash Flow (2)	**161**	**(139)**	**(148)**
Net Indebtedness (3)	**1,484**	**1,949**	**2,089**

(1) Recurring EBITDA is defined as operating profit or loss prior to depreciation and impairment, restructuring costs and other operating income and expenses.

(2) Free Cash Flow is defined as net cash from operating activities, excluding non-recurrent refinancing expenses, less the acquisition of tangible fixed assets and other non-current assets.

(3) Defined as the sum of long-term borrowings, short-term borrowings and the current portion of long-term borrowings less cash and cash equivalents and other current financial assets.

4

Risk Factors

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The information provided below includes certain assumptions and expectations that, by their nature, may not prove to be accurate.

The risks presented below could have a negative impact on the Group's activities, financial condition, profit or share price. Certain other risks not yet identified or not considered relevant by Rhodia could also have negative impacts.

4.1 Issuer's Risks

4.1.1 RISKS RELATED TO RHODIA'S MARKETS AND ACTIVITIES

4.1.1.1 COUNTRY RISK

Rhodia is an international group of companies exposed to economic conditions, political risks and specific regulations in the countries in which it operates. In addition to Europe and North America, Rhodia also operates in Latin America and in the Asia-Pacific region, areas in which the Group has focused its growth strategy and which represented 16% and 26%, respectively, of the Group's total sales in 2007. The Group's strategy is to take advantage of development opportunities in growing markets, particularly in China, South Korea and Brazil. The Group has had a presence in some of these areas for a considerable amount of time. This is particularly true for Brazil, where Rhodia has been present approximately 90 years, and in China where Rhodia was one of the first Western manufacturers to open plants, ahead of its competitors.

The Group's presence in these markets exposes it to risks such as sudden material changes in regulations, political, financial and social instability, exchange rate fluctuations and exchange control procedures, making it difficult for the Group to repatriate local currencies or, conversely, to invest or obtain local financing. The occurrence of such events could have a negative impact on Rhodia's operations and revenue.

In order to anticipate these risks, zone and country management are part of a specific management structure. The four zones in which Rhodia operates are managed by zone directors who are members of the executive committee and who rely on country representatives in the main countries in which the Group has a significant presence. They are responsible for representing and defending Rhodia's interests with public authorities and assist the Group's entities present in their zone to better anticipate and comply with restrictions, local situations, laws and regulations. Additionally, in the event of a crisis in a given country or zone, crisis management procedures exist. These procedures allow local managers to send information up the chain of command and manage the crisis quickly by involving the Group communications or the Management Committee if necessary. These procedures are designed so that necessary measures are taken to protect Rhodia's interests and the interests of its employees. Crisis management is more fully described in chapter 4.2.1.4 below.

4.1.1.2 COMPETITION RISK

While the degree of Rhodia's exposure to competition in the markets in which it operates varies significantly, it faces intense competition in certain markets. The competitive pressure that Rhodia and its products are exposed to include strong price competition, primarily caused by overcapacity, competition from low-cost producers and consolidation among our customers or competitors. New products and new technologies developed by Rhodia's competitors may also affect its competitive position in these markets.

Rhodia manages this risk in accordance with the four following principles:

- a portfolio of activities with solid leadership positions;
- a policy of continuously improving its industrial performance aimed at operational excellence offering Rhodia's customers the best products, in the best time frames and at the best cost. This policy is based on two programs: World Class Manufacturing ("WCM") and Six Sigma. Competitiveness, continuous improvement, reliable facilities, quality products and flexibility are the five pillars of the WCM program, which is applied through the use of appropriate methods and training in the Group's production plants. The Six Sigma program is designed to promote a culture focused on the variability and evaluation of performance;
- research and development, which strives to improve process competitiveness and to offer Rhodia's customers innovations that meet their specific needs, particularly in the fields that help strengthen the Group's leadership positions. To reach these objectives, a committee in charge of strategic innovation marketing has been formed in the R&D support function, and its mission is to identify the means for developing the most promising markets, anticipating their needs, focusing research on new products and solutions that can meet these needs and allocating the resources and skills that will make it possible to increase the chances of success. The trends adopted by this committee in 2007 are presented in chapter 11 of this reference document; and
- the creation of lasting relations with certain customers and close cooperation with them to develop new products that meet their needs.

Rhodia's main competitors in the different markets in which it operates are indicated in chapter 6 of this reference document.

Given high concentration in certain of its markets, the Group cannot rule out the risk that it may be investigated for unfair competition practices by relevant authorities. However, Rhodia is not presently aware of any investigations or complaints related to such practices.

The Group carries out its commercial and industrial strategy with the utmost caution in order to ensure that its operations do not constitute any misuse of a dominant position, and that its employees do not conduct themselves in any way that might be construed as an illegal arrangement with other players in the market. Various tools and resources have been put in place to raise Group employee awareness of these risks of anticompetitive practices:

- the Group's Conduct Policy gives the general rules of conduct and principles to be followed and complied with in the matter by all Group employees; and
- information, training and awareness sessions are offered regularly on these rules of conduct.

4.1.1.3 RISK RELATED TO MARKET CYCLES

Some of the sectors in which Rhodia operates, particularly the consumer, automotive, electronics, building and textiles sectors, may be cyclical in nature, which could have a negative impact on the results of its operations and its financial condition. In the past, Rhodia has observed that its operating profit and its financial condition have been negatively impacted by a decline in demand in certain business sectors. Fluctuations in prices and demand in certain business sectors, which are dependent on factors beyond Rhodia's control such as the general economic climate, competition, international circumstances and events, and regulatory changes in France, in the United States, China and in other countries, could also force Rhodia to experience periods of overcapacity, price decreases and margin reductions.

In order to limit the likelihood of such risks occurring, Rhodia's business portfolio consists of activities in which the Group holds strong positions, which helps reduce its exposure to fluctuations in demand and prices.

4.1.1.4 RISK RELATED TO RAW MATERIALS AND ENERGY

Raw materials and energy expenses amounted to approximately €2.2 billion in 2007, as described in the following break-down:

- 18% for energy;
- 25% for raw materials derived from benzene;
- 15% for raw materials derived from natural gas;
- 10% for raw materials derived from naphtha; and
- 32% for other raw materials.

Petrochemical products account for a significant portion of raw material costs, particularly products derived from benzene. Rhodia is therefore indirectly exposed to the volatility of oil prices and/or directly exposed to changes in the price of benzene. Rhodia is also exposed to price fluctuations for other raw materials, particularly natural gas. Rhodia's ability to maintain its operating margins depends on its ability to pass on increases in the cost of raw materials through price increases.

Due to the continuous increase in the cost of raw materials, Rhodia has been pursuing a policy to increase selling prices in all its businesses, and it seeks to index contracts with its clients based on price changes of raw materials and energy. In 2007, selling price increases in local currencies more than offset the increases in the cost of raw materials and energy. However, given price volatility for raw materials and energy, Rhodia may in the future need a certain amount of time to pass on price increases to its customers, in order to completely offset increases in the cost of raw materials.

Rhodia Energy Services plays a special leading role within this framework. The objective of this Enterprise is to manage the Group's energy supplies in an energy market with high volatility.

Rhodia also attempts to control this risk through its supplier relations management policy (see chapter 4.1.1.6, "Customer and supplier risk", below).

Rhodia is also part of the Exeltium consortium (composed of manufacturers who are large consumers of electricity in France), which signed an agreement in January 2007 with Électricité de France (EDF) defining the conditions for a long-term industrial and commercial partnership in terms of volumes, prices and industrial risk sharing. The objective is to negotiate a final electricity purchase contract for at least 15 years at prices based on EDF's production costs.

4.1.1.5 RISK RELATED TO OPTIMIZING THE VALUE OF CERTIFIED EMISSION REDUCTIONS (CER)

A significant portion of Rhodia's cash flow is generated by the production and sale of CERs (see chapter 6.7, "Energy Services", below).

This risk results, on the one hand, from Rhodia's ability to reduce its emissions in order to obtain CERs and, on the other, Rhodia's ability to obtain satisfactory prices for its CERs. This is a variable over which Rhodia has no influence.

The CERs Rhodia has received and expects to receive have value and are marketable primarily through private contracts. Markets are being formed for marketing or trading these credits. However, no assurance can be given as to the liquidity and the price levels of such markets or the date on which they will effectively be created. These markets will be affected by uncertainties regarding supply levels and demand for emissions credits. Changes in the value of CERs could have a material impact on the Group.

In 2007, sales of CERs generated €189 million in revenue and €135 million in recurring EBITDA due to certain installations at two sites in South Korea and in Brazil, designed to reduce its greenhouse gas emissions (N_2O). In 2007, CO_2 emission credits activities were strong and consistent.

The Group has partnered with *Société Générale Énergie* (a wholly-owned subsidiary of the Société Générale group) in order to maximize the value of its CERs. In July 2006, Rhodia created ORBEO, a company that it owns jointly with *Société Générale Énergie*. ORBEO was set up in part to market and sell CERs.

Each company granted ORBEO exclusivity for its CER trading activities. It benefits from the experience and the emissions credits trading scale of *Société Générale Énergie*. ORBEO is an investment company approved by the *Comité des Établissements de Crédit et des Entreprises d'Investissement* (CECEI). The company is active in the CER market and also handled a portion of Rhodia's CER futures sales. In this context, Rhodia has granted to ORBEO a guarantee of up to €200 million to cover the obligations of its subsidiaries resulting from their sales of CERs to ORBEO.

Rhodia's risk of exposure is limited by control systems established within ORBEO. Global risk limits are reviewed regularly by the board of directors of ORBEO and analyzed on a monthly basis by a risks committee. Finally, risk managers from both partners analyze ORBEO's daily positions and report these positions to both the management of ORBEO and the management of each partner.

4.1.1.6 CUSTOMER AND SUPPLIER RISK

The earnings of certain of Rhodia's Enterprises depend substantially on long-term contracts or renewable contracts signed with its customers and suppliers.

Rhodia seeks to make sure that its relationships with its customers are covered by contracts. Rhodia cannot guarantee that it will be able to renew these contracts. This could adversely affect Rhodia's operating profit and its financial condition. To manage this risk, Rhodia seeks to secure a portion of its sales by signing long-term contracts with some of its customers when the market and the relationship permit.

In some cases, contractual relationships exist with only a limited number of customers and suppliers. Nevertheless, given the diversity of its portfolio made up of seven activities serving highly diversified markets, Rhodia believes that it is not dependant on any particular group of clients that could have an significant impact on its financial condition, operations or earnings. The 30 largest customers represent cumulatively less than 25% of the Group's sales, and no customer represents more than 2% of the Group's sales. However, Acetow and Slicea rely on a very limited number of customers. The markets for acetate tow used in cigarette filters and silica used in tires are highly concentrated both on the producer and customer levels.

Where the Group depends on a few significant suppliers for certain key raw materials, Rhodia has put in place security measures to minimize the impact of any decrease or interruption in supply.

Furthermore, with respect to purchasing, supply, and marketing and sales, the Group's policy reflects an interest in and need for formalizing and tracking purchasing and sales when commitments exceed certain thresholds defined in terms of duration and amount.

4.1.2 INDUSTRIAL AND ENVIRONMENTAL RISKS

This section presents the industrial and environmental risks related to Rhodia's activities. Management of these risks is described in chapter 4.2 of this reference document.

4.1.2.1 RISKS RESULTING FROM CURRENT OR FUTURE REGULATIONS

Rhodia's activities must comply with a set of continually developing environmental, health and safety laws and regulations. These regulations impose increasingly stringent restrictions concerning air and water emissions, the use and handling of hazardous materials, the storage and disposal of hazardous materials and waste and clean-up of environmental contamination.

Complying with these regulations involves significant and recurring costs for Rhodia. Furthermore, the area of activity in which Rhodia operates exposes it to significant potential environmental liability.

Rhodia could also incur significant expenses in the event that new regulations or governmental policies are enacted or when competent local authorities make new requests. Considerable expenditures could be required if certain materials, particularly low-grade radioactive materials, which have up to now been considered recyclable by the Group and which are currently stored at the La Rochelle site, were to be considered waste that must be transferred to specialized and regulated off-site storage locations.

These regulations could also restrict Rhodia's ability to modify or expand its facilities or to continue production and could require it to install costly control equipment or incur significant new expenses including remediating polluted sites. Failure to comply with these regulations could result in financial, criminal or other penalties for Rhodia.

Furthermore, pursuant to certain laws, such as the U.S. Comprehensive Environmental Response, Compensation and Liability Act (known as "Superfund"), Rhodia could be forced to contribute to the clean-up costs of third-party sites or facilities where Rhodia has stored or disposed of its waste. According to these laws, the owner or operator of contaminated properties and the generator of waste sent to these sites could be held jointly and severally liable for the remediation of such properties, regardless of fault (see note 27.4 to the consolidated financial statements in chapter 20.3.1.3 of this reference document).

4.1.2.2 INDUSTRIAL RISKS

Rhodia's business activities create certain inherent significant risks which expose it to health, safety and environmental liability. In particular, Rhodia operates a certain number of "Seveso" installations as defined by Council directive 96/82/CE, or similar facilities outside Europe where hazardous substances such as chlorine, ammonia or phosgene, which can generate significant risks for the health and safety of neighboring populations and for the environment, are used, stored or produced. Indeed Rhodia has been and could be held liable for personal injury (resulting from exposure to hazardous substances used, produced or disposed of by Rhodia or situated at its sites) and damage to property or for damage to natural resources.

4.1.2.3 RISKS RELATED TO THE DISCOVERY OF PAST POLLUTION

Environmental, health and safety regulations concern not only activities at sites currently in operation but may also concern Rhodia's past activities or the sites it has shut down or sold. A large number of Rhodia's current, past or discontinued production sites have a long history of industrial use. As is common for such sites, soil and groundwater contamination has occurred at certain sites in the past and other contamination could be discovered at these sites or other sites in the future. Rhodia could be held liable and incur considerable remediation costs for these sites and for any new obligations in addition to those existing on December 31, 2007.

4.1.2.4 ENVIRONMENTAL RISKS AND POTENTIAL LIABILITIES

The discovery of new facts, events, circumstances or conditions as well as other events such as changes in the law or the interpretation or enforcement thereof, could result in increased costs and liabilities which could significantly affect Rhodia's activities, financial condition or operating profit. For example, current revisions to European directives concerning waste and ground pollution could increase Rhodia's liabilities in these areas. For example, concerning France, the adoption in 2005 of certain provisions contained in the Environmental Code could result in new costs for the Group. The provisions of Article R.515-39 and following of the Environmental Code regarding technological risk prevention plans created measures for monitoring urbanization around the most hazardous sites. A technological risk prevention plan should be implemented for approximately 10 sites that Rhodia or one of its Enterprises operates in France. Additionally, the provisions of Article R.512-1 and following of the Environmental Code provide for new procedures for securing and remediating a closed site. These provisions could, in certain cases, generate additional costs, depending on the outcome of discussions with relevant authorities.

Compliance with laws and regulations related to environmental protection may limit Rhodia's ability to modify or develop its facilities, prevent the production of certain products, require it to install anti-pollution equipment or incur significant remediation costs, including fines and penalties. Potential liabilities, estimated at approximately €146 million on December 31, 2006, were re-estimated at approximately €158 million on December 31, 2007 (gross amount without financial updating), an increase essentially linked to the Freeport site in the United States. These potential liabilities primarily concern the sites in La Rochelle and Pont de Claix (France), Silver Bow (Montana, USA) and Cubatao (Brazil), with respect to possible obligations to store or remediate waste or materials off-site, as well as possible containment of an internal landfill in France. No provision was recognized as of December 31, 2007, to cover these items in the absence of any obligation on this date (see note 28.4 to the consolidated financial statements in chapter 20.3.1.3 of this reference document).

4.1.2.5 PRODUCT RISKS AND RISKS RELATED TO THE IMPLEMENTATION OF THE EUROPEAN REGULATION CONCERNING THE REGISTRATION, EVALUATION AND AUTHORIZATION OF CHEMICALS ("REACH")

In most of the regions in which Rhodia operates, industrial activities are subject to first obtaining permits or licenses.

The markets in which Rhodia operates are, for the most part, regulated, such as, pesticides, food packaging materials, cosmetics, and pharmaceuticals. In addition, each geographic area or country, particularly Europe, the United States, Japan and China, has its own regulations with respect to chemical products.

Rhodia works both locally to identify the restrictions of each country and globally with its team of scientific experts to satisfy the requirements of these regulations.

In Europe, the REACH regulation ((EC) Regulation 1907/2006) came into force on June 1, 2007. It aims to establish a European regulatory framework for the registration, evaluation and authorization of chemical products. Its implementation will have a financial impact for Rhodia and could affect its ability to market certain chemical products in Europe.

Rhodia had been actively preparing for the REACH regulation for the past five years. The Group estimates that it markets 450 substances that are regulated by REACH, which could represent more than €80 million in expenses for testing, to be conducted between 2008 and 2018.

Rhodia's Purchasing & Procurement support function, in conjunction with its operational units, evaluates the risks that this regulation may create for raw material supplies, such as, unforeseen use by a supplier (equivalent to a ban on use or a need for Rhodia to proceed with registration), production shutdown of an item in the upstream chain and non-registration of the substance by a non-European supplier.

Convinced early on of the need for regulation in this area and strongly adhering to its long-established culture of *Responsible care®*, Rhodia has anticipated the implementation of REACH since 2005 particularly through its red line, which concerns CMR substances (Carcinogens, Mutagen and substances toxic to Reproduction) and controlling risks related to the use and marketing of these products.

The Group created a project team, consisting of business units and affected activities, such as purchasing, information technology, legal, and industrial, to oversee the internal implementation of the regulation. Furthermore, a project director was appointed at the end of 2007.

The Group also works alongside the European Commission and the European Agency for Chemical Products to provide the entire industry with tools, guides and procedures making it possible to achieve the REACH objectives, particularly through its involvement with the RIP 3.2 working group "Guide for chemical risk evaluation and reporting."

It also contributes actively to making sure that its suppliers and customers implement REACH by providing them with the necessary documents to register substances (chemical safety and risk evaluation report).

Rhodia's support for the European REACH regulation program is consistent with the Group's commitment toward sustainable development and its reputation as a responsible chemical producer.

4.1.2.6 RISKS RELATED TO OCCUPATIONAL DISEASES

Rhodia now owns and operates sites that have successively belonged to Stauffer Chemical Inc. and Rhône-Poulenc, where asbestos was sometimes used as insulation in pipes, boilers and furnaces. However, asbestos was not used directly in the production process. As a consequence, Rhodia has been involved in a limited number of lawsuits connected with asbestos exposure.

Two Rhodia sites in France have been registered on an official list of industrial sites that manufactured asbestos-containing materials, which entitle workers to claim early retirement, and Rhodia cannot exclude the possibility that other sites will also be included on this list in the future.

Considering the asbestos-related diseases brought to its attention, and although it is not possible to estimate the liabilities that may result from all the complaints that could be filed against Rhodia, Rhodia believes, based on available information and on its experience in this area, that its future risk with respect to asbestos-related claims is limited.

4.1.3 FINANCIAL RISKS

For more detailed information on risks related to financial markets, see Note 26 to the consolidated financial statements on "Financial risk management and derivatives" in chapter 20.3.1.3 of this reference document.

4.1.3.1 RHODIA'S FINANCIAL RESOURCES

At December 31, 2007, Rhodia had a net financial debt of €1.484 million. Rhodia thus attained one year early its target net debt/recurring EBITDA ratio of less than 2.0, with a ratio of 1.9 compared to 2.8 on December 31, 2006. The Group presently has sufficient financial flexibility to meet its obligations and current needs.

Additionally, at December 31, 2007, expenses and income from net debt totaled a net cost of €144 million.

Rhodia's improved profitability allowed it to implement a refinancing strategy aimed at reducing its cost of borrowing improving its flexibility and extending its maturity.

In 2007, Rhodia:

- repaid $415 million of its debt at the beginning of the year following divestments that were finalized at the end of 2006 and the beginning of 2007; and
- issued bonds convertible into new shares and/or exchangeable for existing shares (OCEANE) for a total nominal value of €595 million, which allowed it to redeem "High Yield" bond loans with a principal of $305 million and €332 million.

These refinancing operations allowed the Group to reduce its full year financial expenses by approximately €55 million.

In 2007, Rhodia generated positive "free cash flow" [(1)] of €161 million before financial expenses related to refinancing, compared to (€139) million in 2006. This performance can be explained primarily by a €169 million increase in cash flow for operating activities before any change in the working capital requirements and expenses related to refinancing, and by an improved working capital requirements of €142 million.

4.1.3.2 RESTRICTIONS IMPOSED BY LINES OF CREDIT AND OTHER LOANS

Rhodia is subject to restrictions and to compliance with certain financial ratios for its lines of credit and other loans. However, the refinancing operations carried out in 2006 and 2007, particularly the renegotiation of the "RCF" (Revolving Credit Facility) significantly reduced such restrictions.

The RCF and other outstanding loans, particularly the Floating Rate Note ("FRN") bond loan, which are described in chapter 10.3 "Liquidity and capital resources", contained various covenants at December 31, 2007, limiting the ability of Rhodia and certain of its subsidiaries to:

- borrow money;
- repay in advance certain portions of its debt;
- pay dividends on, repurchase or cancel its shares;
- make investments;
- create or modify certain securities;
- conduct sale or lease transactions;
- substantially modify its area of activity; and/or
- consolidate, merge or sell all or a significant part of its assets.

Furthermore, most of Rhodia's existing financing agreements contain cross-default provisions and/or cross-acceleration clauses,

(1) *Free Cash Flow is defined as net cash from operating activities, excluding non-recurrent refinancing expenses, less the acquisition of tangible fixed assets and other non-current assets.*

pursuant to which a payment default, payment acceleration or failure to respect a financial covenant under one agreement could in some cases cause a default or acceleration of all or a significant portion of Rhodia's debt.

4.1.3.3 DEBT RATING

Some outstanding debt instruments are rated by the independent rating agencies Moody's Investor Service and Standard & Poor's.

Moody's Investor Service gave a rating of Ba3 (positive outlook) to Rhodia (Corporate Family Rating) and a rating of B1 to its senior unsecured notes and to the OCEANE issue. Standard & Poor's assigned a rating of BB- (stable outlook) to Rhodia (Corporate credit rating), and a rating of BB- (March 18, 2008) to Rhodia's long-term debt. These ratings limit Rhodia's access to the commercial paper market.

4.1.3.4 RETIREMENT OBLIGATIONS

Rhodia's commitments with respect to retirement and other similar obligations are not fully financed.

Rhodia has obligations toward its employees and retirees related to severance pay and other end-of-contract benefits in most of the countries in which it operates. In the United States and in the United Kingdom, these obligations result from employment contracts, retirement plans and other employee benefit plans some of which are accompanied by an obligation to allocate assets in order to finance these benefits. In France, retirement compensation and supplemental retirement benefits are defined by collective bargaining agreements, internal agreements and French legal provisions. Expenses for the year are financed from current cash flows. In France there is no legal obligation to make provisions for these obligations. At December 31, 2007, Rhodia's contractual liability with respect to its retirement plans in France amounted to €825 million.

Rhodia's projected benefit obligations are based on end-of-career wages using certain actuarial assumptions that vary from country to country, particularly with respect to discount rates, long-term rates of return on invested plan assets and also rates of increase in compensation levels. If actual results, especially discount rates and/or rates of return on invested plan assets differ from Rhodia's assumptions, its pension, retirement and other retirement-related commitments could be higher or lower and its cash flows could be favorably or unfavorably affected by financing these obligations.

Rhodia cannot guarantee that it will not be required to make additional contributions in the future. Such contributions could have a negative impact on Rhodia's financial position and liquidity. Concerning foreign retirement plans, on December 31, 2007, Rhodia estimated that the current value of the payment obligations pursuant to its retirement obligations amounted to €1,573 million (including €150 million related to countries that, like France, do not require companies to allocate separate assets to finance these obligations) and the value of its assets allocated to these plans was estimated at €1,234 million. See Note 27 to the consolidated financial statements in chapter 20.3.1.3 below.

4.1.4 RISKS RELATED TO FINANCIAL MARKETS

For a description of the risks related to financial markets, see Note 26 to the consolidated financial statements on "Financial risk management and derivatives" in chapter 20.3.1.3 of this reference document.

Equity risk

As of the date of this reference document, not holding any of its own shares or significant equity interests in other listed companies (a legal proceeding with SEBI is described in Note 32 to the consolidated financial statements in chapter 20.3.1.3 of this reference document), Rhodia is not exposed to any equity-related risks. As part of its ongoing cash flow management policy, it only subscribes to monetary instruments that are not subject to equity-related risks.

4.1.5 LEGAL AND CONTRACTUAL RISKS

4.1.5.1 LEGAL AND ARBITRATION PROCEEDINGS

Rhodia is involved in lawsuits arising in the normal course of its business involving primarily buyers of businesses previously sold by Rhodia or related to environmental claims or civil liability compensation claims related to chemical products sold in the marketplace. Rhodia is also involved in a certain number of claims that arise outside of the scope of its normal business operations, the most significant of which are summarized in Note 32 to the consolidated financial statements in chapter 20.3.1.3 of the present reference document.

4.1.5.2 PATENT RISKS

In 2007, Rhodia filed 112 patent applications for a range of products and procedures that have been added to its already considerable global trademark and patent portfolio. Depending on its operating needs, the Group may also acquire patent licenses or grant such licenses. All of the Group's patents and trademarks are essential assets for its business activity.

However, the individual loss of a patent or trademark for a product or procedure would not have material adverse effect on Rhodia's earnings, financial condition or cash flow.

4.1.5.3 JOINT VENTURE RISKS

A number of Rhodia Enterprises are subject to risks related to the operations they carry out through joint ventures in which Rhodia holds a stake but does not have an exclusive controlling interest. Certain joint venture partners are also significant Rhodia customers and/or suppliers. A list of joint ventures consolidated by Rhodia is provided in Note 36 to the consolidated financial statements in chapter 20.3.1.3 of this reference document.

In accordance with the contracts and agreements regulating the control and financing of these entities, certain key matters such as new financing, capital expenditures, approval of business plans and decisions as to the timing and amount of dividend distributions require agreement by the partners. There is a risk of disagreement or deadlock among the partners of these joint ventures. It is also possible that decisions will be made that are contrary to Rhodia's interests. Furthermore, Rhodia's investments in these joint ventures, both in general and as a result of arrangements with their joint venture partners, may require new capital expenditures or sales or purchases of holding companies. Rhodia considers that these agreements contain standard clauses and conform to standard practice in international contract, commercial and corporate law. As of the present, Rhodia does not have a minority shareholder or management position in its material joint ventures. In the event of any deadlock in the decision-making process in these joint ventures, in most cases the shareholders' agreements binding Rhodia contain deadlock clauses aimed at ending the deadlock.

4.1.5.4 RISKS RELATED TO FAILURES IN THE INTERNAL CONTROL SYSTEM

If the internal control system related to gathering financial information were to fail, Rhodia could be unable to provide accurate financial earnings or prevent fraud.

Rhodia has developed and continues to develop its internal control systems with the aim of providing reasonable assurance that (1) its transactions are properly authorized; (2) its assets are protected against improper or unauthorized use; and (3) its transactions are properly recorded and reported in the appropriate written documents so as to assure that financial statements conform to applicable accounting standards. These internal control systems are designed using internal resources, outside consultants and, if necessary, certain of Rhodia's joint venture partners.

Any system of control, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based at least in part on certain assumptions about the likelihood of future events. Because of these and other limitations inherent to control systems, no absolute guarantee can be given that any of the control systems will succeed in achieving their stated goals in the future.

The internal control system is described in the Chairman's report pursuant to Article L. 225-37 of the Commercial Code, included in chapter 16.5.1 of this reference document.

4.2 Risk Management

4.2.1 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Rhodia has a matrix organization that operates transversally, which strengthens managerial performance while incorporating the Group's commitment to sustainable development, as well as the demands expected from a publicly traded company with respect to corporate governance. The organizational structure has three main poles:

- worldwide Enterprises that are responsible for their operating results. They operate globally with extensive autonomy in managing their operating activities and are responsible for strategy, marketing & sales, industrial, innovation and the supply chain;
- support functions (finance, legal, purchasing & procurement, information technology, human resources, communications, research & development and manufacturing) organized into shared services that offer their support to the Enterprises; and
- the Management Committee, which supervises the Enterprises and support functions and defines and implements the Group's strategy and policies.

The material internal control procedures implemented in the Rhodia Group are described in the Chairman's Report pursuant to Article L. 225-37 of the Commercial Code, in chapter 16.5.1 of this reference document.

Rhodia's principal risk management tools are described below.

4.2.1.1 MANAGEMENT BOOK

Rhodia's risk management system corresponds to its organizational structure, thus, within Rhodia there is no single individual responsible for risk management. The president of each Enterprise, functional director or manager of a geographic zone is responsible for managing the risks falling within their responsibility.

Ten processes are presented in the Rhodia Management Book, and, for each of these, a description of functional risks is presented. These include:

- the Spring system, a dynamic management projections process;
- Marketing & Sales;
- Industrial;
- Finance;
- Legal;
- Information Systems;
- Purchasing & Procurement;
- Human Resources;
- Communication & Public Affairs; and
- Research & Development.

At the end of 2007, a working group met to review the Management Book. It proposed modifications to the wording which take into account developments in the Group. This new version of the Management Book, once approved by the Management Committee, should be distributed during the second half of 2008.

The design, development, distribution and control of each process are the responsibility of an expert at the highest level of the group called the Corporate Process Owner (CPO), who is a member of either the Management Committee or the Executive Committee. CPOs have full authority to make decisions concerning their area of expertise. They ensure that sub-processes and internal controls for a given process are applied. CPOs are supported by a network of internal experts, the Corporate Process Experts (CPE), who are responsible for key sub-processes

The objectives to be achieved, the risks associated with the process, the red lines and the rules to be obeyed, the audit standards and/or the bodies responsible for internal control are described for each process.

Red lines are mandatory rules that must be applied regardless of the circumstances in order to limit the Group's exposure to major risks. They define the limits of the managers' autonomy. Failure to adhere to these rules results in penalties, administered by the Management Committee.

Furthermore, a set of additional rules corresponding to good practices is defined by each support function. Their application seeks to improve discipline or align practices at each level of the organization. The support functions are responsible for disseminating these rules and for ensuring compliance. Failure to apply these rules may result in penalties administered by the concerned CPO in cooperation with superiors.

4.2.1.2 COMPLIANCE POLICY

This risk management system includes a compliance policy that defines the principles of individual behaviour in the various situations of daily professional life. This policy aims to prevent certain legal risks that Rhodia employees may encounter and, therefore, evolves with the Group's industrial and regulatory environment. The challenges, recommendations and prohibitions related to the following areas are presented in a document available in French and in English on the Group's Intranet site: insider trading/buying and selling shares (and other financial instruments), protection of confidential information, protection of the legal entity, conflicts of interest, using information systems, respect for free competition, good commercial practices, prevention of bribery (offers of gifts – invitations – financing) and responsible influence. It is regularly updated.

Failure by an employee to comply with the Rhodia compliance policy may result in penalties.

4.2.1.3 WHISTLEBLOWING PROCEDURE

The Whistleblowing procedure, established by Rhodia in July 2005, is an additional mechanism that exclusively concerns accounting and finance areas. It allows each employee throughout the world, whether anonymously or not, to exercise his right to inform an ethics committee by mail or e-mail of any failure to comply with accounting and finance rules. Respecting confidentiality, the ethics committee, made up of five Group employees, investigates the allegations received before sending the files to the Management Committee, which must decide on measures to be taken. The National Commission for Data Protection and Liberties (*Commission Nationale de l'Informatique et des Libertés* or CNIL) guidelines were analyzed and taken into consideration when setting up this procedure.

4.2.1.4 CRISIS MANAGEMENT

A crisis is defined as any established or supposed event that may, through its potential effects or its media coverage, adversely affect Rhodia's image and its strategic interests vis-à-vis customers, personnel, shareholders or the general public. This event may be industrial, commercial, logistical, legal, financial, political or social in nature.

Rhodia's crisis management procedure aims to disseminate and share information concerning a potential crisis situation, identify the individuals responsible for managing the situation, and ensure effective decision-making and communication throughout the various entities of the Rhodia Group vis-à-vis the public.

The crisis is managed by the crisis units closest to the events and players involved, by the site managers, commercial entities, corporate divisions, countries or areas concerned.

4.2.1.5 FRAUD MANAGEMENT

Rhodia has developed a fraud prevention plan that allows fraud prevention and detection. For the most part, this plan structures actions already set up or initiated within the Group and is based on the main tools conveying the Group's internal control culture. In the area of fraud prevention it is particularly important to mention:

- the Management Book;
- the compliance policy;
- the code of ethics for financial managers;
- the whistleblowing procedure set up for accounting and financial information;
- the fraud information and tracking procedure;
- more generally, all of the rules, procedures and controls; and
- the role of the internal control and internal audit department.

The main references mentioned above are presented in this chapter 4.2.1 and in the Chairman's report pursuant to Article L. 225-37 of the Commercial Code included in chapter 16.5.1 of this reference document.

As part of this plan, a fraud mapping exercise was conducted in 2006 that did not show bribery to be a risk with a high impact and probability of occurrence, particularly due to the markets in which the Group operates and the anti-fraud environment that exists within the Group.

The Management Committee is attentive to compliance with these rules and sanctions perpetrators of proven frauds. Fraud awareness training is offered and a fraud review is a routine component of management reviews.

4.2.2 MANAGEMENT OF INDUSTRIAL AND ENVIRONMENTAL RISKS

Controlling its industrial risks and taking into account the environmental consequences of its activities are among Rhodia's commitments concerning sustainable development. Rhodia's sustainable development approach, presented in chapter 5.3 of this reference document, provides additional information, particularly the main actions undertaken in 2007 to continuously improve control of its industrial and environmental risks.

4.2.2.1 MANAGEMENT SYSTEM

Managing industrial and environmental risks entails identifying and prioritizing these risks in order to implement the necessary preventive and protective measures based on systematic reviews of processes, installations and workstations.

Rhodia has developed its own safety and environmental management system, SIMSER +, which integrates the requirements of the ISO 14000 or OSHA 18000 standards and the principal international regulations. This system, or its simplified version for smaller sites (Rhodia Rules and Recommendations/3RHSE), is implemented at all of Rhodia's sites worldwide.

According to this system, each site is audited every three years. Furthermore, all installations and processes are subject to a security review adapted to their risks. These reviews are updated every five years to reflect changes in the laws, developments in scientific and technological knowledge, analysis methods and impact modeling tools.

If a significant event occurs at an installation, these reviews are carried out or updated immediately. Rhodia has recognized methods and a network of trained experts to perform these reviews. Particular attention is given to "top-tier" Seveso sites (as defined in European directive 96/80/CE of December 9, 1996, called the "Seveso" directive, that includes installations likely to present significant risks for the health or safety of neighboring populations and for the environment due to explosions or emissions of harmful products), or equivalent installations for sites outside Europe, that is, 35 sites with a historical reporting environment [(2)] (a site being defined as the geographic location that may belong to or be operated by several subsidiaries of the Rhodia Group) on a global level (15 in Europe, including 10 in France). These safety reviews make it possible to identify the dangers, whether these dangers are physical or chemical, and to evaluate the risks, taking into account factors relating to the occurrence of accidents and the potential targets. They make it possible to classify risk into three categories. Rhodia's objective is to eliminate the highest category risk in the year following their identification.

Rhodia also encourages exchanges of experience between its sites, which for the most part, have systems for compiling incidents. A monthly letter called "Safety Procedures" helps develop these exchanges.

4.2.2.2 COOPERATION WITH THE AUTHORITIES AND THE COMMUNITY

Rhodia cooperates with public authorities through the Union of Chemical Industries (*Union des Industries Chimiques*) and the French Business Confederation *(Le Mouvement des Entreprises de France)* for enforcement of the decrees implementing law 2003-699 of July 30, 2003, on industrial risks, and in particular addressing urban areas surrounding sites that pose risks and affect the remediation of polluted sites. Rhodia helps communicate this

(2) The historical reporting environment being defined as the reporting environment on December 31st of each year.

information through the Local Information and Consultation Committees (*Comités Locaux d'Information et de Consultation*). With procedure DRC 40, Rhodia uses a methodology recognized by INERIS.

At the European level, Rhodia participates in the Strategy Implementation Groups *(Stakeholders Dialogue, Responsible care®* and *Climate Change*) of the European Chemical Industry Council (CEFIC), which work to implement the principles aimed at promoting the transparency and the dialogue between the European chemical industries and their parties, thus seeing to safety, people's health, respect for the environment and reduction of the climate effects from greenhouse gas emissions.

4.2.2.3 INTERNAL POLICY FOR CONTROLLING PROFESSIONAL RISKS

Additionally, the Group's policy incorporates the prevention of professional risks in its safety approach.

The signing of the *Responsible care®* Global Charter in November 2006 reinforces the *Responsible care®* commitment (Progress Commitment) in place for more than thirty years. This risk control policy is one of the three pillars of the Group's sustainable development policy and is reflected in continuous performance improvement. As demonstrated by the work accident frequency rate, 2007 was marked by the continued improvement in results as indicated in chapter 17.1.2, below.

4.2.2.4 CAPITAL EXPENDITURES AND PROVISIONS BASED ON AVAILABLE DATA

As in the past, Rhodia intends to continue to invest each year in order to comply with the regulations, norms and standards in force. Given presently available information, capital expenditures are planned to carry out improvement projects related to the environment. Similarly, Rhodia regularly evaluates all of its environmental liabilities and the means for dealing with them. Rhodia sets up provisions for environmental risks when it is legally, contractually or implicitly obligated to do so, when it is probable that this obligation will translate into an expenditure of resources and when this obligation can be assessed reliably. Rhodia evaluates these provisions in light of its knowledge of the applicable regulations, the nature and extent of pollution, rehabilitation techniques, expenditures schedule and other available information.

On December 31, 2007, the provisions set up by Rhodia for environmental liability expenses (studies, ground and groundwater monitoring, rehabilitation projects and equipment) amounted to €203 million compared to €207 million in 2006 and €232 million in 2005 (see Note 28 to the consolidated financial statements in chapter 20.3.1.3 of this reference document).

Given the information currently available and the provisions set up by Rhodia for environmental problems, the Group's current obligations to comply with the environmental regulations and to undertake remediation work should not have a significant negative impact on its operations and future income.

4.3 Risk Coverage and Insurance

4.3.1 EXPOSURE TO OPERATING RISKS FOR WHICH PRESENT INSURANCE COVERAGE MAY BE INSUFFICIENT

Rhodia uses large quantities of potentially hazardous substances that need to be handled with care. Rhodia is aware of the risks related to its activity and seeks to control them. However, if a major accident occurs, Rhodia's results could be significantly impacted. Accordingly, Rhodia has transferred a portion of these risks to insurers by taking out standard industry policies.

However, Rhodia cannot guarantee that this coverage:

- is exhaustive, as certain insurance policies for the chemicals industry may not be offered or may be offered under prohibitive conditions;
- is sufficient, as claims may exceed coverage limits; and
- can be maintained at the same levels in the future, as unfavorable developments in liabilities and the insurance market could lead to increased costs.

4.3.2 INDUSTRIAL RISK COVERAGE

After analyzing its industrial risks, Rhodia manages them by relying first on a comprehensive prevention policy. With its insurers, Rhodia has set up an important comprehensive industrial risk prevention/protection program. This program includes the organization of inspections that are conducted each year by the insurer's experts and that seek (i) to evaluate the changes that have occurred at a site and the corrective actions carried out since the previous inspection and (ii) to make new recommendations as part of a continuous improvement process. Furthermore, all findings related to these inspections are recorded in an annual assessment performed by Rhodia and its insurers.

Worldwide insurance programs complete this risk control policy in order both to minimize the premiums paid to insurers and to provide strong incentives for prevention since all these insurance programs include relatively high deductibles.

The Rhodia Group only transfers catastrophic losses to the insurance market.

Over and above the deductible amounts borne by each of the operational companies, the Group has set up a retention system:

- for the direct retention of liability claims; and
- for the retention assumed at the central level through consolidated captive insurance companies that assume responsibility for casualty claims.

4.3.3 MAIN WORLDWIDE INSURANCE PROGRAMS

The following description of the principal insurance policies to which Rhodia subscribes is necessarily partial and incomplete in order to comply with the confidentiality requirements and to protect Rhodia's competitiveness.

- the Property and Casualty policy absorbs most of the costs (insurance premiums and prevention program). It is supplemented by business interruption coverage not only for standard fire and explosion risks but also for equipment breakdowns and natural disasters. Coverage amounts are consistent with estimated risks. Most of the industrial sites are currently covered by an umbrella policy with a limit of €300 million per claim. The largest sites benefit from additional coverage of up to €800 million, in line with assessments of maximum possible loss;
- liability insurance includes:
  - a civil liability program covering both operating and product liability,
  - the directors and officers liability program, and,
  - special environmental coverage, particularly in France for high risk sites (sites classified as "SEVESO" sites).

Rhodia believes that the amount of its insurance coverage is consistent with market practice.

- the transport program, with a coverage threshold of €15 million underwritten on the insurance market (without participation by the captive insurance company) covers goods that Rhodia stores as well as goods in transit or stored by third parties.

The Group has set up worldwide programs with a panel of insurers that satisfy the strictest solvency criteria. The cost of more than 85% of Rhodia's premiums corresponds to these programs. However, for legal or economic reasons, some countries do not belong to the worldwide programs. In this case, coverage is provided where necessary by local policies issued by representatives of the leading insurers or, for some countries with special status, by first class local insurers.

The total cost of insurance premiums related to these worldwide programs amounted to approximately €25 million in 2006. Benefitting from a decline in the market, Rhodia reduced this amount to €21 million in 2007, while improving certain terms. These savings offset a significant decrease in activities between 2006 and 2007. These premiums are paid to insurers and reinsurers that are independent from the Group.

On January 1, 2008, Rhodia's property, casualty, general civil and products liability polices were renewed under good conditions, while not affecting the quality of the coverage.

5

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contents

5.1 History and Development of the Company

5.1.1 COMPANY NAME

The Company's name is Rhodia.

5.1.2 COMPANY'S PLACE OF REGISTRATION AND REGISTRATION NUMBER

The Company is registered with the Company and Commercial Registry of Nanterre under number 352 170 161. Its APE code is 6420Z.

5.1.3 DATE OF INCORPORATION AND TERM

The Company was incorporated on September 22, 1989, for a term of 99 years as of its date of registration or until September 21, 2088, barring early dissolution or extension.

The Company's origins date back to the 19th century and more precisely to two chemical companies, Société Chimique des Usines du Rhône and Entreprise de Produits Chimiques Étienne Poulenc, which merged in 1928 to create Rhône-Poulenc. Over the years, Rhône-Poulenc developed its activities in the polyamide, polyester and life sciences sectors and carried out important acquisitions in the chemical industry. During the 1990s, Rhône-Poulenc refocused its strategy on life sciences and specialty chemicals.

Rhodia's current name and organization date from January 1, 1998, and result from restructuring operations carried out by Rhône-Poulenc and its subsidiaries.

Rhodia became a listed company on June 25, 1998, when 32.7% of Rhône-Poulenc's stake in its capital was sold to the public. In October 1999, Rhône-Poulenc sold its remaining 67.3% stake in Rhodia's capital through the sale of 39.1% of the Company's capital and through the issue of convertible bonds representing 25.9% of the company's capital. In December 2002, Rhône-Poulenc, now Aventis, redeemed these bonds early and cancelled them (as a consequence, Aventis' stake in Rhodia's capital on December 31, 2002 was 25.2%). On May 2, 2003, Aventis reduced its stake in the Company's capital from 25.2% to 15.3% pursuant to a purchase and sale contract signed with Crédit Lyonnais (now Crédit Agricole) for 17.8 million shares of the Company, representing at the time 40% of Aventis' stake in the company. On October 17, 2006, Sanofi-Aventis declared that it had sold its entire stake in Rhodia; since such time, 100% of Rhodia's capital is floated.

5.1.4 REGISTERED OFFICE – REGULATIONS – LEGAL FORM

The Company's registered office is located at Immeuble Cœur Défense– Tour A, 110, esplanade Charles de Gaulle – 92400 Courbevoie.

The Company's telephone number is + 33 (0)1 53 56 64 64.

Rhodia is a French business corporation, *société anonyme*, organized under the laws of France subject to all of the laws and regulations governing commercial companies, particularly the provisions of the Commercial Code.

5.1.5 SIGNIFICANT EVENTS IN THE DEVELOPMENT OF THE COMPANY'S ACTIVITIES

In addition to the information contained in chapter 9, below, the significant events that have occurred with respect to the development of Rhodia's activities since December 31, 2007 are:

- on January 15, 2008, Rhodia increased its capital by €8,617,512, corresponding to 718,126 shares, in accordance with its 2006 plan for the free allocation of shares;
- on March 17, 2008, the Board of Directors approved a new program for the free allocation of shares to 342 beneficiaries (2 x 511,980 shares) subject to the performance of Rhodia and the presence of the beneficiaries;
- on March 19, Rhodia entered into exclusive negotiations with the Swedish group Perstrorp with a view to selling its isocyanates activity based primarily in France (Pont de Claix site) and in the United States (Freeport site). This project should be concluded within the next few months.

5.2 Investments

5.2.1 THE COMPANY 'S PRINCIPAL CAPITAL EXPENDITURES DURING THE PERIODS COVERED BY THE HISTORICAL FINANCIAL INFORMATION

See Note 3.1 to the consolidated financial statements in chapter 20.3.1.3 of this reference document for segment reporting information on Rhodia's capital expenditures for the year ended December 31, 2007, Note 3.2 to the consolidated financial statements on pages 150 and following of the reference document filed with the *Autorité des marchés financiers* (the French Financial Markets Authority) under number D.07-0257 for segment reporting information on Rhodia's capital expenditures for the year ended December 31, 2006.

5.2.2 CURRENT CAPITAL EXPENDITURES

Capital expenditures, which include purchases of property, plant and equipment and other non-current assets, amounted to €324 million in 2007.

These capital expenditures primarily involved acquisitions of tangible assets in the amount of €255 million. Acquisitions and installation of other intangible assets amounted to €66 million and concern computer software and development costs.

Fifty three percent of the costs incurred to acquire tangible and intangible assets cover assets located in Europe. This figure includes capital expenditures for information systems acquired in Europe but used worldwide and capital expenditures for R&D (for more detailed information, see Note 3.2 to the consolidated financial statements in chapter 20.3.1.3 of this reference document).

Capital expenditures in 2007 include the following:

- approximately half of the Group's capital expenditures is devoted to the development of the Group's activities;

Projects in Asia and Latin America represent 46% of development expenses, the principal projects being:

- the end of construction of a diphenol production unit in Zhenjiang (China),
- the end of construction of a polymerization unit on the site in Onsan (South Korea),
- the construction of a new unit for the production of high performance silica in Qingdao (China), and
- the construction of a new unit for the production of surfactants in Roha (India).

The principal North American project concerns increasing the regeneration capacity of sulfuric acid at the site in Baton Rouge (United States).

The principal projects in Europe are:

- the creation of a new technology for the production of chlorine at the site in Pont-de-Claix (France), and
- production capacity increases of ADN at the site in Chalampé (France).

- the other half of the Group's capital expenditures concerns investments realized in order to maintain the Group's production assets.

Since December 31, 2007, Rhodia has not made any significant capital expenditures; the principal expenditures were made to maintain the Group's production assets.

5.2.3 FUTURE CAPITAL EXPENDITURES

Capital expenditures for a Group like Rhodia should amount to between 5% and 6% of net sales. Nevertheless, the launch of certain major projects could result in Rhodia surpassing such estimates.

5.3 External Commitments and Sustainable Development Policy

One of the core components of the Rhodia Group's long-term approach is a commitment to sustainable development and awareness of the environmental consequences of its activities. This aspect of Rhodia's approach is presented below. See chapter 17.1 of this reference document for a discussion of Rhodia's assessment of the social consequences of its activities. In this chapter, the symbol ✓ identifies indicators covered by the PricewaterhouseCoopers Audit affidavit appearing in chapter 5.3.4.2 of this reference document.

The listed company Rhodia S.A. is the financial holding company that directly or indirectly holds all of the equity interests forming the Rhodia Group. Unlike its subsidiaries, its own activity is therefore not likely to result in any notable social or environmental consequences. It does not have any direct operational or industrial activities.

5.3.1 SUSTAINABLE DEVELOPMENT

The overall performance of a company is the combined result of its technical, organizational and commercial successes and its ability to assume social and environmental responsibility. This understanding guides the Group's approach to sustainable development.

Undertaken in 2000, as part of the health, safety and environmental policy initiated more than 20 years ago and endowed with dedicated personnel since 2003, this approach to sustainable development is now one of the pillars of the Group's identity.

A new and significant step in Rhodia's commitment to sustainable development, the responsibility framework of reference for the Company's stakeholders (customers, employees, suppliers, shareholders, environment and communities), Rhodia Way began in 2005 and is now operational.

This tool allows the managers of the different support functions and Enterprises to perform their own evaluation of their entity's performance with respect to social and environmental responsibility, to identify limitations and define the corresponding improvements to be made in a spirit of continuous progress.

Incorporated in the managerial processes, the Rhodia Way responsibility reference framework seeks to raise the general level of responsibility for the Group's practices through a dialogue involving all personnel to the greatest extent possible and associating the external stakeholders concerned whenever necessary.

The first self-evaluation cycle conducted from September to mid December 2007 involved 100% of the Group's target entities (industrial sites, business units and research centers), representing 90% of the Group's manpower. Each entity determined its responsibility profile and defined a progress plan. The progress made with respect to these plans will be analyzed during the next evaluation planned for December 2008.

5.3.1.1 EXTERNAL AGREEMENTS EXPRESSING RHODIA'S COMMITMENT

The commitments made by Rhodia with external partners are intended to strengthen and focus the Group's progress objectives. These voluntary commitments go beyond simple statements of intention and are accompanied by measurements of the progress made.

5.3.1.2 PRINCIPAL AGREEMENTS

1997	Signing of the "chemistry industry's commitment to progress," a sector specific initiative internationally known under the name "*Responsible care*®" that seeks to promote respect for the environment and personal safety and health.
2002	The Group's commitment in connection with the Association of Companies for the Reduction of the Greenhouse Effect, *Association des Entreprises pour la Réduction de l'Effet de Serre* (AERES), to reduce its greenhouse gas emissions in France by 30% for the 1990-2010 period.
2003	Adherence to the UN Global Compact.
2004	Signing of the Diversity Charter in France.
2005	Signing of the Global Social and Environmental Responsibility agreement with the ICEM *(International Federation of Chemical, Energy, Mine and General Workers Unions).*
2006	Signing of the *Responsible care*® ***Global Charter.*** Global initiative of the chemical industry (International Council of Chemical Associations), the objective of the Global Commitment Charter for Progress is to go beyond the principles of "*Responsible care*®" concerning health, safety and environmental performance. Improved management of product cycles (Product Stewardship), greater transparency vis-à-vis stakeholders, as well as the evaluation and publication of environmental performance are among the key criteria of this charter, which identifies the conditions for responsible chemistry.
2008	Renewal of the agreement with the ICEM, following updating.

5.3.1.3 A GLOBAL COMMITMENT TO CORPORATE AND ENVIRONMENTAL RESPONSIBILITY

On February 1, 2005, the Rhodia Group signed a global agreement on Social and Environmental Responsibility with the largest international union federation (ICEM). This agreement is applicable to all employees of the Group worldwide.

The first of its kind in the chemistry industry, this agreement establishes the framework for an ongoing dialogue for compliance with international employment standards and a set of commitments specific to Rhodia covering the following areas:

- health and safety;
- mobility and employability;
- social welfare;
- supplier and subcontractor relations;
- risk control and respect for the environment;
- dialogue between labor and management;
- civil dialogue; and
- whistleblowing.

In 2006, the first assessment performed with the ICEM focused on fulfilling commitments made to provide information concerning the agreement including:

- translation of the text into the Group's five main languages;
- availability of the text on the Group's web site;
- providing information to the Group's committee; and
- providing information to the European works council.

In 2007, an evaluation mission was conducted in China by a delegation composed of members of the ICEM and the Group's Management Committee. Visits to two sites and a meeting with their management and employee representatives demonstrated that the agreement was being complied with properly.

The successive annual assessments, as well as the findings of the evaluation conducted in China were presented to the Group's employees' representative bodies (European works council).

In early 2008, Rhodia and the ICEM renewed such agreement for an additional three-year term. The updated, improved text is now an integral part of the Rhodia Way.

5.3.1.4 HEALTH, SAFETY AND ENVIRONMENTAL POLICY

Rhodia has developed its own system for managing the safety of its employees and its sites, and for reducing its impacts on the environment (SIMSER+: System Integrating Management for Safety and Environment, industrial hygiene and transport specific to Rhodia for sites with more than 100 people and 3 RHSE – Rhodia rules and recommendations concerning health, safety and environment – for sites with fewer than 100 people). This system was certified as conforming to the OHSAS 18001 standards in 2005 by the firm DP2i and, with respect to the Environment, is identical to the ISO 14001 standard.

A reporting rate of 100% compliance with "*Responsible care*®" is confirmed for all of Rhodia's entities throughout the world.

With 93.9% ✓ of its sites audited according to its standards (3 RHSE and/or SIMSER+) in less than 3 years [3], Rhodia's performance has been excellent.

(3) Among the sites obligated to perform audits according to the Group's internal procedures.

As for safety and health risks evaluated within the past five years, the rate remained at a good level in 2007 at 79.1% ✓.

The Group's worldwide investments related to health, safety and the environment amounted to €56.3 million in 2007 including €25.7 million for health and safety and €30.6 million for the environment.

5.3.2 RHODIA'S ENVIRONMENTAL COMMITMENTS

Rhodia's environmental policy and related objectives are based on three principles:

- promoting environmental management;
- preserving natural resources; and
- limiting environmental impacts and preserving biodiversity.

5.3.2.1 PROMOTING ENVIRONMENTAL MANAGEMENT

Rhodia uses its own health, safety and environment management system (SIMSER+) which is ISO 14001 compliant with respect to the environment.

Analyses are based on a rigorous identification of the dangers and a precise evaluation of the risks and potential impacts of the Group's activities on the environment. In 2007, 90.2% ✓ of its installations had been the subject of an environmental study that was adapted, performed or reviewed within the past five years compared to a rate of 81% in 2005 and 79.6% in 2006.

Regular site compliance studies are performed which result in corrective upgrades. Our regulatory monitoring allows the Company to perform necessary studies so as to comply with new requirements.

In 2007, reporting of accidents/incidents having an impact on the environment (loss of containment, water, air and ground discharges) was implemented worldwide and an environmental control indicator illustrating these accidents was constructed. This indicator and the associated action plans allow the sites to improve their control of their discharges and emissions.

5.3.2.2 PRESERVING NATURAL RESOURCES (THE FOLLOWING DATA ARE BASED ON THE CURRENT GROUP STRUCTURE [4] AT THE END OF DECEMBER 2007)

Water use

Use of surface and ground water primarily to cool installations decreased in 2007 (-1.3% compared to 2006) despite much higher production levels. This decrease was seen primarily in the use of ground water aquifers.

Use of drinking water was also better controlled in 2007 with a 6.2% decrease compared to 2006.

Energy consumption

In order to optimize the Group's energy supply, on January 1, 2006, Rhodia created a dedicated Enterprise: Rhodia Energy Services.

Rhodia Energy Services (RES) manages energy purchases for the Group and for third parties. In France, RES is the second largest industrial player with respect to gas and is ranked among the 10 largest purchasers of electricity. RES buys and sells energy and optimizes energy production assets. In 2007, in particular, RES reduced specific consumptions of energy.

The Energize project (energy efficiency) launched in 2006 covering all of the Company's French sites was deployed worldwide in 2007, and sites such as Bâton Rouge (United States), Freiburg (Germany), Blanès (Spain) and Oldbury (Great Britain) participated in energy savings projects involving a large number of employees. Savings of €10 million were identified and €2 million were saved in 2007.

In addition, RES is a founding member of Exeltium, the French consortium of electro-intensive industries for purchase of electricity in France in accordance with the French Law on Corrective Financing of December 2005.

RES also manages a pool of industrial consumers in France.

Waste

Recycling, reuse and thermoconversion are the technologies used at the Group's sites.

All of the Rhodia sites use selective sorting. This makes it possible to recycle and reuse a portion of the raw materials and packaging used.

Seventy percent of the waste incinerated in 2007 was incinerated using thermoconversion.

(4) The current group structure at December 31, 2007 corresponds to all sites totally or partially belonging (in accordance with the internal procedure of Rhodia DRC 06) to the Group at December 31, 2007.

5.3.2.3 REDUCING THE IMPACTS OF RHODIA'S ACTIVITIES ON AIR AND WATER (5)

Air emissions

Air emissions are subject to regulatory changes, which are becoming increasingly stringent and more carefully monitored. These emissions affect climate change because they include greenhouse gas as well as have an impact on environmental health due to discharges of volatile organic compounds (VOC), nitrogen oxides and sulfur oxides.

In 2007, the indirect CO_2 emissions connected with electricity purchases were reprocessed by the application of the national emissions coefficients instead of the global coefficient adopted by Rhodia. The total greenhouse gas emissions of the Group in 2007, after the reprocessing, amounted to approximately 8.3 million tons of CO_2 equivalent.

In 2007, Rhodia significantly reducted of greenhouse gas emissions. Without taking into account reprocessing for electricity, the Group's total emissions amounted to approximately 9 million tons compared to 21.9 million tons in 2006, or a 59% decrease. Rhodia monetized a part of its reductions by selling 13.4 million tons of Certified Emissions Reduction (CER) credits in connection with the Clean Development Mechanism projects realized on the Onsan site in South Korea and the Paulinia site in Brazil.

As for ***VOCs*** (volatile organic compounds), the reduction already observed in 2006 continued in 2007. The action plans put into place the Freiburg (Germany), Valencia (Venezuela) and Roussillon (France) sites in particular contributed to a 2.8% reduction.

Concerning ***sulfur oxide emissions***, which decreased by 3.7% in 2007, capital expenditures allocated in 2007 should bear results in 2008.

Finally, with respect to ***nitrogen oxides***, which together with VOCs are precursors of air pollution (ozone), in 2007, Rhodia achieved a significant reduction (8.5%) largely due to improved control of its operations at the Chalampé and Pont de Claix sites in France. These reductions largely compensate for the emissions increases at certain sites such as Paulinia (Brazil) where production increased in 2007.

Water discharges

The laws in certain countries where Rhodia carries out its activities require the establishment of files that include "impacts on fauna and flora" based on the materials used or the products manufactured when an operating permit is requested. In France, potential impacts are examined in regard to the national inventory of natural areas of ecological, faunistic and floristic interest *(inventaire national des zones naturelles d'intérêt écologique, faunistique et floristique)* and significant bird conservation areas (*zones importantes pour la conservation des oiseaux*).

Chemical Oxygen Demand (COD), nitrogen and phosphorous discharges that contribute to the eutrophication of waters, hazardous substances, (halogenated organic compounds and heavy metals), suspended matter, pH and temperatures are the main physicochemical parameters monitored.

The ecotoxicity of aqueous effluents and biotic indicators concerning the receiving environment concerned have been measured at a number of sites, particularly in France.

Reductions in the ***chemical oxygen demand*** of Rhodia's discharges, already significant in 2006, continued in 2007 (-14%). This reduction is due in particular to better control of its operations, primarily at the Chalampé (France) site. In addition, reductions in coefficients at the water reprocessing station situated downstream from the Ruohai (China) site also contributed to such reductions.

Similarly, reductions in ***nitrogen discharges*** (-26.5% compared to 2006) can be attributed to control of the operations at Rhodia's sites, primarily the Paulinia (Brazil), Chalampé and La Rochelle (France) sites, and to the amelioration of water reprocessing stations at the Paulinia (Brazil) site. Reductions in ***phosphorous discharges*** (-20.1% compared to 2006) result from discharges, particularly in Chalampé (France), as well as reducing production of phosphoric acid at the Oldbury (England) site.

Significant reduction in discharges of hazardous substances expressed as emissions of absorbable halogenated organic compounds (AO_X) continued in 2007 (-36.9%) due to improved management of operations at the Salindres (France) site.

Finally, discharges of heavy metals decreased by 35.6%.

5.3.2.4 ACTIONS TO REDUCE THE IMPACT OF GROUND POLLUTION

The Group's policy seeks to improve knowledge about the impacts of its activities on the soil of its contaminated sites in order to provide the most appropriate treatments (particularly with respect to "past pollution" or sites where activities have been discontinued) and to keep use of the "land" for industrial purposes to a minimum. These actions primarily consist of containment, treatment, incineration or regulated disposal at regulated landfills, pumping and groundwater treatment or simple monitoring.

(5) The developments presented in this section refer to data for previous years restated for the perimeter on December 31, 2007.

At the end of the 2007 year, Rhodia's environmental provisions totaled €203 million, making it possible to cover the adjusted value of all expenses that can be reasonably estimated until 2020 and even 2050 for certain sites, as the case may be. Expenditures, which amounted to €25.7 million in 2007, cover the costs of impact control studies and remediation operations as well as the operating costs of treatment plants both at closed sites and at sites operating in Europe, North America and Latin America.

In terms of achievements for the year 2007, installations at the Lille (France) site were completely dismantled and a large portion of the land was sold either to private investors or to municipalities. Furthermore, the Stavely site in Great Britain, which was shut down in early 2007, was also completely dismantled. In Wattrelos (France), planned land remediation was undertaken under the supervision of the Northern Public Land Institution (*Établissement Public Foncier*) of Pas-de-Calais.

5.3.2.5 ENVIRONMENTAL RESULTS

The following environmental results are calculated based on historical group structures [6] and show the Group's annual impact.

Water	**2005**	**2006**	**2007**
Eutrophication – Total phosphorous and nitrogen *(in tons)*	5,082	5,043	3,717
Deterioration of the aquatic environment – chemical oxygen demand (COD) *(in tons of oxygen)*	15,893	13,389	10,289
Water withdrawal *(in thousands of m³)*	464,301	469,482	425,690
Air *(in tons)*	**2005**	**2006**	**2007**
Greenhouse Effect – Total CO2 (after elimination of intra-Group transfers)	23,940,618	22,559,640	8,402,665 [1]
Acidification – Total SO_x + NO_x	31,096	29,093	25,271
Tropospheric ozone – Volatile Organic Compounds (VOC)	6,973	5,939	5,494

(1) *By reprocessing the indirect emissions in 2007 connected with electricity purchases, by the application of the national emissions coefficients instead of the global coefficient adopted by Rhodia. Without this reprocessing, the 2007 emissions would have amounted to 9,051,572 tons.*

All indicators representative of or air and water emissions pollutants improved in 2007 compared to 2006, even when excluding the effect of disposals.

Greenhouse gas emissions significantly decreased in 2007 due to two investments realized in 2006 on the Onsan site in South Korea and on the Paulinia site in Brazil. Rhodia monetized a part of its reductions through sales of 13.4 million tons of CER credits.

Waste	**2005**	**2006**	**2007**
Hazardous waste sent to landfills *(in tons)*	26,082	31,650	7,543
Non-hazardous waste sent to landfills *(in tons)*	39,743	29,270	35,554
Incineration rate with thermoconversion *(as a %)*	67	65	70
Energy *(in tons of oil)*	**2005**	**2006**	**2007**
Total TEP (after elimination of internal transfers)	**2,298,482**	**2,154,735**	**1,913,821**

5.3.2.6 ENVIRONMENTAL INVESTMENTS AND REMEDIATION EXPENSES IN 2007

Environmental investments totaled €30.6 million in 2007, which can be broken down as follows:

- air: €15.3 million (or 50.2%);
- water: €9.3 million (or 30.5%);
- waste: €2.4 million (or 7.9%); and
- dismantling of work shops, soil, noise pollution and landscaping: €3.6 million (or 11.5%).

Remediation expenses amounted to €25.7 million in 2007.

5.3.2.7 RHODIA'S COMMITMENTS TOWARD RESPONSIBLE PRODUCT MANAGEMENT

The Approach Product Stewardship

The Product Stewardship approach consists of managing health, safety and environmental issues throughout a product's life cycle, that is, from design to end-of-life.

Each product is assigned a safety data sheet (SDS in Europe – or MSDS, Material safety data sheet, in North America*)* that provides the necessary information such as health, safety, environmental or transport information, which must be updated at least every three years depending on the Group's rules. This sheet is then sent to customers and to research and production teams who are

(6) *The historical group structure for year N corresponds to sites belonging, or having belonged, totally or in part to (in accordance with the internal procedure of Rhodia DRC 06) to Group during year N.*

informed of the various dangers based on the stage at which they are handling it.

By the end of 2006, 91% of SDSs had been revised within the three previous years, a rate that progressed from 86% compared to the prior year. At the end of 2007, the three zones - Europe, North America and Latin America – exceeded their three-year revision objective for SDS by 25%, or at rates of 139%, 127% and 100%, respectively.

Research and registration of CMR substances (carcinogens, mutagens and substances toxic to reproduction)

Rhodia satisfied the requirement of the European REACH Regulation to register different substances that it produces or imports. Furthermore, with the view of continued progress, the Group also developed in 2006 its own additional standards. These standards apply globally and, therefore, surpass the REACH requirements.

Inventory of CMR substances subject to REACH

In general terms, the European Commission considers that a total of 30,000 substances must be registered within the framework of REACH by all European industrial producers and importers. Out of these 30,000 substances, it considers that 600 CMR substances are subject to authorization. In this respect, Rhodia identified 450 substances that it plans to register. Among these 450 substances, only four have been identified as CMR (a number unchanged from 2006), equal to one percent. These four substances will be subject to authorizations in 2008.

Rhodia's voluntary commitment: the CMR "red line"

Within the framework of its Management Book (an internal control mechanism described in chapter 4.2.1.1, "Management Book", of the present reference document), the Group put into place in 2006 a special procedure concerning CMR substances. This "red line" used at all Rhodia sites requires an inventory of Rhodia's CMR products worldwide; the research of substitutes as well as the management risks inherent to these products.

In 2006, such inventory resulted in the identification of five Rhodia CMR substances that were put on the market alone or as part of another product contributing to the classification of that product as CMR. During the same period, in accordance with its obligations under *Responsible care®*, the Group decided to classify three additional substances.

In 2007, applying the red line, six substances out of eight were subject to a study of substitution and risk management involving clients to be completed in 2008. Furthermore, Rhodia discontinued its production and marketing of one product. At the end of 2007, the number of Rhodia's CMR substances put on the worldwide market alone or as components leading to a CMR classification increased to seven.

Internal organization to prepare for REACH

2007 was a very busy year in terms of REACH preparation, with the:

- continuation of an inventory of substances subject to registration and installation of tracking tools for substances produced and imported by Rhodia in Europe;
- establishment of a REACH action plan for Rhodia's raw materials suppliers; and
- installation of "IUCLID5" registration file preparation modules developed by the Central Helsinki Agency.

5.3.3 RHODIA'S RESPONSIBILITIES TOWARD LOCAL COMMUNITIES

5.3.3.1 CONTROLLING INDUSTRIAL RISKS

Evaluating risks tied to installations and processes

Control of Rhodia's industrial risks is based on a precise evaluation of existing risks. To this end, a safety audit is performed at all of the Group's industrial sites. These extremely detailed "process safety" audits evaluate the potential risks connected with both products and processes and are reviewed every five years. This program relies on a network of process safety experts, supported by process managers who are responsible for validating the transition from one phase to another of a project both with respect to production and safety. The purpose of these procedures is to analyze the prevention and protection measures required for all the sites and installations and analyze all the processes in action in order to evaluate the risks by detecting the key parameters. Rhodia's principle is to maintain a high level of vigilance.

The goal is to have performed or reviewed a safety audit for each installation suited to these risks within the past five years.

An analysis of risks in the area of procedural safety was performed at 86.7% of the installations within the past five years. The effort focused particularly on Seveso or similar installations (for the countries outside the European Union) for which a coverage rate of 96.3% (7) ✓ was achieved.

Furthermore, at the end of December 2007, Rhodia identified in its reporting 35 "top or bottom tier" Seveso or similar sites worldwide likely to present risks for the health or safety of neighboring populations and for the environment due to dangers from explosion or emissions of hazardous products.

All accidents originating from a malfunction related to procedures are recorded and analyzed. Rhodia tracks on a worldwide scale the number of these "accidents," based on their severity: C (catastrophic), H (high), M (medium), and L (low).

(7) Indicator based on the aggregate coverage percentages for each production plant.

	2005	2006	2007*
Number of category C "process" accidents	0	0	0
Number of category H "process" accidents	1	3	2
Number of category M "process" accidents	65	38	37
Number of category L "process" accidents	N/A	N/A	112

* *In 2007, the perimeter of process accident reporting changed. The Group has in fact implemented two reporting methods, that will allow it to gain more visibility concerning the origins of the accidents.*

Improvements in safety procedures resulted from an approach of permanent progress and is subject to the constant efforts on the part of some of the sites of the Group.

In 2007, for the eighth consecutive year, no category C (catastrophic) accidents occurred.

In addition, the number of category H (high) accidents is low and has been constant from year to year for the past three years.

Finally, always conscious of improving safety procedures, Rhodia developed level L (low) accident reporting. Used for all of the Group's sites since the end of 2006, such reporting will improve in the years to come (or a greater number of accidents will be reported) and permit the Company to create a more comprehensive database. It will encourage the implementation of preventative measures at such level, allowing the Company to avoid more serious accidents.

Finally, the risk analysis efforts were continued in France with the continued development of documentation for Technological Risk Prevention Plans (TRPP) pursuant to the law of the same name of July 30, 2003.

Defining emergency plans for managing any type of accidental situation

Rhodia's objective is to produce emergency plans for each entity and activity which are suited to the risks identified. Rhodia has focused on achieving a zero-accident objective. Since zero risk does not exist, the Group is preparing for different types of accidents connected with the industry, transport or products. Given the variety of risks, the Group has established emergency plans at different organizational levels: Group, country, Enterprises and industrial sites. The emergency plans define the roles of each entity depending on the type of crisis encountered and specify how the different entities must coordinate with one another to handle a situation effectively. The objective is for each Enterprise to establish (or revise) an emergency plan suited to its activities.

Since preparing employees to respond to emergency situations is indispensable to ensuring that they will respond appropriately and proactively, training has been undertaken in the main countries in which the Group has an industrial presence. These worldwide crisis management training programs emphasize the importance of coordination, cohesion and the mobilization of expertise (inside and outside the Group) throughout the different stages of crisis situations.

These efforts, continued from 2006, achieved the following results in 2007:

- 98% of the entities had tested their emergency plan within the past three years (100% ✓ reviewed their emergency plan within the past three years). This accomplishment confirms the progress made last year, demonstrating that this is now an ongoing practice at virtually all of the Group's operational entities.

Transport accidents were as follows:

Historical reporting environment	2005	2006	2007
Number of accidents	23	22	25

Close to 50% of accidents are still attributable to events occurring during transport: efforts to raise carrier awareness will continue in 2008. Almost 50% of accidents occur during loading or unloading operations: procedure reminders are present at the sites to help eliminate these problems.

Rhodia pays particular attention to the carriers it selects using the reference framework defined by the CEFIC to audit and evaluate its suppliers as soon as they are selected. All of its European carriers are audited.

The following actions, initiated in 2006, were continued in 2007 in the transport field:

- pursuant to international transport regulations, Rhodia sites established transport security plans for high consequence dangerous goods. "Security" means the measures or precautions to be taken to minimize theft or improper use of hazardous goods that may be a danger to people, property or the environment;
- following the commitment that Rhodia made in 2003 to fight terrorism as part of the voluntary US C-TPAT (Customs Trade Partnership against Terrorism), U.S. customs conducted an audit of three of Rhodia's French sites in 2006. The inspectors felt that certain good practices used at these sites could be considered examples that should be publicized. In 2007, they awarded Rhodia Inc. the highest possible status (tier III);
- a clause related to transport safety vis-à-vis terrorist threats was added to the new transport contracts. It states, inasmuch as the transport volumes entrusted to service providers involve shipments of goods destined for the United States in shipment containers, these shipment containers should satisfy the requirements of the voluntary U.S. C-TPAT initiative.

5.3.3.2 STRENGTHENING EXCHANGES AND DIALOGUE WITH LOCAL STAKEHOLDERS

Proactive information and communication

Since the Company agreed to implement a policy to control its industrial risks, the Group has endeavored to apply it to its entire network and to explain it to its external stakeholders. It is imperative for Rhodia to meet the expectations of its stakeholders so that its activities can be incorporated into its local communities in a sustainable way. Living near Rhodia sites gives residents, local elected officials and associations the right to be heard and informed concerning Rhodia's activities through open, honest dialogue. Open house days like the ones held in France or involvement in local information and consultation committees (CLIC in France, community advisory panels in the United States, etc.) contribute positively to this goal.

In 2007, Rhodia also joined the "emergency communication" initiative launched by the Union of Chemical Industries (UIC) and the Ministry responsible for Environment and Sustainable Development (MEDAD). This initiative provides emergency information about incidents, even minor incidents, occurring at the Group's production sites or during transport of its products. Applicable to all the Rhodia production plants in France, this proactive communication approach strengthens the Group's dialogue with residents, the local press, elected officials and other stakeholders.

Involvement in local life

Another initiative carried out in 2007: in July, during the inauguration of the new greenhouse gas emissions reduction plant at its Paulinia site in Brazil (see chapter 6.7, "Energy Services", of the present reference document), the Group announced the creation of the Rhodia Foundation (*Instituto Rhodia*). Operating as an independent organization, this foundation is designed to develop social and environmental projects in the country. Its funding of $1 million (€735,000) over the next six years, will come in part from the value created by the greenhouse gas emissions reduction project.

This foundation's first project called *Alquimia Jovem* (Young Alchemy), is focused on educating disadvantaged or socially marginalized youths. It involves the communities near the Rhodia research center located in this region. Beginning in 2009, the board of directors of the foundation, composed of Rhodia managers and employees as well as local community members, will look into developing new projects.

Rhodia Brazil's support for the *Museu de Arte Jovem* (program bringing together art and youth) continued in 2007. On the other hand, beginning in March 2008, the Group will develop a new project called *Memoria Local Na Escola.* This project is intended for children age nine to 12 who are enrolled in 15 public schools in Santo André, the city where Rhodia built its first Brazilian manufacturing plant. The objective is to get children and teachers to think about the history of their community and to bring young and old together. At the end of the year, exhibits organized in public places will present the result of this work and a dedicated web site will also be created.

5.4 Report and Certification of One of the Statutory Auditors on Environmental Security Indicators in 2007

5.4.1 REPORT OF ONE OF THE STATUTORY AUDITORS ON ASSESSING ENVIRONMENTAL INDICATORS AND SECURITY IN 2007

Following the request made to us, in our capacity as Statutory Auditors of the Rhodia Group, we have undertaken work with the view of allowing us to express reasonable assurance on the 2007 information presented in chapters 5.3.2.4 and 17.1.2 of the present reference document:

- air: effect of greenhouse gas emissions in terms of CO_2, acidity (nitrogen and sulfur oxides), tropospheric ozone (volatile organic compounds);
- water: water sampling, eutrophication (nitrogen and phosphorus), deterioration of the aquatic environment (chemical examination of oxygen, suspended elements, soluble salts);
- waste: hazardous wastes and non-hazardous waste handled by waste treatment centers;
- safety: Rhodia personnel (TF1, TF2, degree of seriousness, work-related deaths and illness), outside personnel (TF1, TF2 and death) and temporary personnel (TF1, TF2 et death), all personnel (Rhodia, external, temporary: TF1 and TF2).

Such information was prepared under management's supervision in conformity with the *Responsible care®* data reporting procedures (DRC 06 and its accompanying glossary, DR 06-01), which are available for consultation at the Group's headquarters and which are generally considered worldwide to constitute the industry standard for the chemical industry. It is our role to, on the basis of our work, express an opinion concerning this data.

NATURE AND SCOPE OF THE WORK

The work was performed at headquarters and at 17 different significant sites, representing collectively some 32 operational units of the Group and chosen on the basis of statistics from 2006 (units mostly responsible for contributing to environmental indicators, including one unit which presented reporting difficulties in 2006, and which had not been the object of work in prior years). These sites are located in France, Germany, Brazil, the United States, China and South Korea. All of the work was carried out between November 2007 and the end of January 2008.

For each of the following relevant indicators, the environmental data relating to the visited units made up the following percentages as compared to the figures published by the Rhodia Group:

Greenhouse effect (CO2 equivalent, without taking into account intra-group transfers), 2007	86%
Acidification (nitrogen oxide and sulfur oxide emissions), 2007	87%
Tropospherical ozone (VOC emissions), 2007	64%
Water sampling, 2007	82%
Eutrophication (nitrogen and phosphorus emissions), 2007	87%
Degradation of the aquatic environment: COD emissions, 2007	67%
Degradation of the aquatic environment: suspended particles, 2007	62%
Degradation of the aquatic environment: soluble salts, 2007	78%
Hazardous waste placed in landfills, 2007	51%
Non-hazardous waste placed in landfills, 2007 (excluding single product mineral wastes)	52%

As far as the safety indicators are concerned, the data associated with the visited sites accounted for the following percentages in terms of the number of working hours used to calculate the occurrence and severity rates:

Rhodia employees	31%
Non-Rhodia employees	41%
Temporary employees	32%
All employees (Rhodia, non-Rhodia, temporary)	34%

We undertook the following measures in order to attain a reasonable degree of certainty that the data do not include any significant anomalies.

At headquarters prior to the site visits:

- evaluating the reporting procedures with regard particularly to their relevance, reliability, objectivity and comprehensibility.

During the site visits:

- verification of the correct application of the reporting rules set up by the Group, including in particular the definitions relating to the *Responsible care*® indicators falling within the scope of this report;
- relating to environmental and safety indicators (excluding occupational diseases):

– review of the calculation methods used to attain *Responsible care*® reporting data, especially as relates to their consistency and reliability,

– on the basis of sampling, comparison of the data declared by the operating units in the reporting system with that found in varied sources of information (including self-surveillance results, filings made with administrative authorities, reports received from outside service providers prepared in the context of local regulatory schemes, internal tracking and follow-up papers, invoices, and management control follow-up),

– analytical review of the raw data used to calculate indicators in 2007, including a comparison to the data from the previous year,

– in the case of a discrepancy relating to a declared datum, determination, in consultation with the operating unit and the *Responsible care*® Management, of the correct value to be used, and verification of the proper application of the corrected datum in the relevant unit's reporting sheet;

At the Group's headquarters, after the visit:

- regarding the visited sites:

– confirmation of the proper taking into account of the revised data for the operating units visited in the overall consolidation prepared by the *Responsible care*® Management;

- regarding the sites not visited:

– reviewing, on the basis of the sampling method, the follow-up carried out and explanations provided by the team in charge of reporting, regarding the variations observed between the 2006 and 2007 data,

– reviewing, on the basis of the sampling method, the checks for data consistency carried out by the team in charge of reporting,

– reviewing, on the basis of the sampling method, the significant corrections carried out by the sites not visited at the request of the team in charge of reporting;

- work-related illness:

– reviewing, on the basis of the sampling method, analysis and accounting, work-related illness in France and abroad (performed by the *Responsible care*® management in collaboration with a law firm for France). Such review was conducted within the following framework: work-related illnesses validated in 2007 (with the exception of those cases already identified in 2006 as being "likely to be validated in the future") and those which were identified in 2007 and which are likely to be validated in the future (in other words, cases of work-related illness declared during 2007 whose validation decision is not yet known to the Group as of December 31, 2007, relating exclusively to France).

Experts from our Sustainable Development Department assisted us in preparing this review.

Taking into account the work that the Group has undertaken on an annual basis for the past 9 years relating to its significant sites, we believe that our audit of the environmental and safety information set forth in the first paragraph provides a reasonable basis for the conclusion set forth below.

Conclusion

In our opinion, the environmental and safety information set forth in the first paragraph can be confirmed in all material aspects as being in conformity with the procedures defined by the Group and does not contain any material errors.

Neuilly-sur-Seine, February 13, 2008

PricewaterhouseCoopers Audit

Christian Perrier	Sylvain Lambert
Partner	Partner
Statutory Auditor	*Sustainable Development Department*

5.4.2 CERTIFICATION OF ONE OF THE STATUTORY AUDITORS ON DEVELOPMENTS IN HEALTH, SAFETY AND THE ENVIRONMENT

Furthermore, within the scope of our work, the Group requested that we review the degree of implementation of certain of the Group's obligations. The present certification addresses actions undertaken solely in 2007 and indicated by a ✓ sign.

Through site visits, interviews with individuals in charge of health, safety and the environment and on the basis of a document review (site reports, internal follow-up, dashboards, accounting information, etc.), we have verified the adequacy of measures undertaken in 2007 with information reported by the sites, in conformity with the definition of progress measures covered by this certification, as defined in the DRC 06 reporting procedures and its glossary, DRC 06-01.

After visits, at the Group's headquarters, on the basis of polls, we reviewed coherence controls and accountability of sites falling under the team in charge of reporting.

Based on 10 site visits chosen on the basis of their impact on environmental indicators and safety, the numbers provided by the Group identified by a ✓ appear coherent with the results of our work.

Neuilly-sur-Seine, February 13, 2008

PricewaterhouseCoopers Audit

Christian Perrier	Sylvain Lambert
Partner	Partner
Statutory Auditor	*Sustainable Development Department*

6

Summary of Activities – General Information on Products and Markets

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This chapter presents a description of the activities, technologies, strategies, growth levers and market conditions for each of Rhodia's Enterprises. Rhodia has a strategy of profitable growth across four platforms: Polyamide, Novecare, Silcea, and Energy Services. These Enterprises have leading positions in dynamic sectors and fast-growing markets, such as, Latin America and Asia. Through innovative solutions, they respond to strong demand created though new environmental factors. Acetow and Eco Services contribute most significantly to the Group 's profits. Organics, which has a strong and solid position in the diphenols market, is reorganizing other activities in its portfolio.

6.1 Polyamide

The Enterprise had sales of €1,975 million in 2007, representing 39% of Rhodia's consolidated net sales.

With 14 industrial sites and seven research and development centers, Polyamide supplies its clients throughout the world and designs technologies and products adapted to local markets.

According to the Company's estimates, Polyamide is the world's second largest manufacturer of Polyamide 6.6, which represents 90% of its activity. Polyamide also produces Polyamide 6, which represents about 10% of its sales, so as to assure a complete line of services to its clients.

Very few players master the processes for producing the polyamide 6.6 chain, and Polymide's know-how is recognized worldwide. The different products in the polyamide chain (adipic acid, ADN, HMD, nutrient salt, and polymers) provide a major competitive advantage in Polyamide's markets, in its upstream intermediaries and polymers activities, as well as downstream in its engineering plastics position.

- **intermediates and polymers**, manufactured from petrochemical derivatives (natural gas, butadiene, coumene, ammonia, nitric acid and cyclohexane), are essential elements for producing polyamides. They are also used in the manufacture of engineering plastic, industrial fibers and textile yarns. Polyamide offers the polymers brand Stabamid™ on the Polymers PA6.6 market, which brings new functionalities such as UV protection and antistatic functions.
- **intermediates and solvents,** which are exclusively manufactured in Brazil, have a strong competitive position and make Polyamide a recognized leader in Latin America for phenol, bisphenol A, adipic acid and oxygenated solvents:
  - **phenol** is the principal raw material needed to produce the resin used for plywood production (construction), foundries (automotive industry) and abrasives,
  - **oxygenate solvents** (acetone, acetic acid and its derivatives) are used in the automotive industry (paints, metal cleaning) and industrial products (flexible packaging, coatings, adhesives, agrochemistry, textiles and leather) or consumer goods (home and personal care). Such products have a high solvent power, low toxicity and have a low impact on the ozone layer. They are biodegradable and as such, are the primary alternative to chlorinated solvents.
- **engineering plastics** are used for their mechanical and thermal properties in high-tech sectors with strong growth potential, such as the automotive, electrical, and electronics industries and in a number of consumer and industrial goods such as sports and recreational equipment.A business with a high rate of innovation, Rhodia's engineering plastics provide high value-added functional qualities, such as high mechanical, chemical and thermal performance, and excellent surface appearance, which are adapted to meet the specific requirements of applications. Engineering plastics are increasingly used as alternatives to steel and aluminium, which leads to significant weight savings and gives designers greater freedom. The keys to the success of Rhodia's engineering plastics activity lies in the worldwide application of its offer, its capacity to innovate and the competitiveness of its goods and services.

The Enterprise has launched more than 20 new product lines in five years. The Enterprise's flagship brand Technyl®, is being regularly enhanced by innovations, such as Technyl® Alloy, Technyl® Force, Technyl® XCell and Technyl Star™. In 2007, the Enterprise launched Technyl Star™ AFX, a polyamide 6.6 with very high fluidity, which fills the gap between standard polyamides and higher-cost metals or engineering plastics. Technyl® HP, a unique plastic that is resistant to increasingly higher temperatures under automobile hoods (air intake circuits, in particular), was also launched in 2007.

Products	Markets	Trademarks	Competitors
Intermediates and polymers	Downstream polyamide and non-polyamide products (polyurethanes, food additives), Polyamide 6.6	Stabamid™, Dioro™, Adifood™,	Invista, BASF, Solutia, Asahi, Radici
Oxygenated solvents	Industrial paints, leather, automotive, packaging, inks, industrial products, consumer goods	Rhodialsolv®, RhodiaEco®	BP, Celanese, Exxon, Dow, Oxiteno, Shell,
Engineering plastics	Automotive, electrical, electronics, industrial goods, consumer goods	Technyl®, Technyl® Force, Technyl® Alloy, Technyl® Xcell, Technyl® SI, Technyl® XT, Technyl® HP, Technyl Star™, Technyl Star™ AFX, Oromid	Du Pont, BASF, Bayer, DSM, Solutia,
Engineering yarns and fibers	Automotive, tires, filtration, printing, ropes, carpets, furniture, textiles	Sylkharesse®, Noval®, Passoréa™	Invista, Acordis, Asahi, Dusa, Honeywell, Solutia, Toray
Textile yarns	Lingerie, clothing and sportswear	Amni®	Invista, Radici Nilit, TWD, Hyosung,

The world market for polyamide PA 6.6 applications, estimated at 2.5 million tons, has experienced an average annual growth rate of approximately 2%. The polyamide 6.6 market is highly concentrated, with the four major integrated producers and 10 largest producers representing 60% and 80%, respectively, of the market. Strong concentration, which is likely to continue in future years, is reinforced by considerable technological and financial barriers to entry.

With increased demand, Polyamide's growth in 2007 was mostly due to the Enterprise developing its activities in Asia and in engineering plastics. Polyamide's activities are highly sensitive to raw material price evolutions. Its ability to maintain operating margins depends on its ability to pass on increases in raw materials and energy costs through increased selling prices.

Such strategy was effective in 2007, as adjustments enabled the Enterprise to offset the unfavorable effects of price increases for raw materials, thanks to its strong positions in different world markets for polyamide.

With a 5% annual average growth, the world market for engineering plastics is a key factor in Polyamide's success, which for the fourth consecutive year had a growth rate that was more than double the world growth rate of the market.

In 2007, Polyamide continued developing its most growth-producing activities:

- Polyamide's geographic development strategy focuses on taking advantage of very strong growth in the Asian market, which is approximately 5% per year, and the South American market. Polyamide has a historical presence in such markets and has continuously reinforced its industrial presence and increased its production capacities of intermediates and engineering plastics. In 2007, the Enterprise completed construction of a polymerization unit on an existing platform in Onsan (South Korea), South Korea, which became operational in December 2007;

  In April 2007, Polyamide announced its investment to increase phenol and cyclohexanol production capacities at its Paulinia platform in Brazil by the end of 2008, which would allow it to respond to market growth rates of between 5% and 6% per year and to reinforce its leading position in the intermediates market in the region;
- Rhodia Polyamide's refocus on the intermediates and engineering plastics markets led the Group to significantly reduce its positions in the industrial fibers and textile yarns markets. After the sale of its European industrial yarn operations on December 31, 2006, in March 2007, the Enterprise sold its shares in Nylstar N.V, a joint venture with the Italian firm, SNIA, a European producer of textile yarns.

6.2 Acetow

The Enterprise had sales of €441 million in 2007, representing 9% of Rhodia's consolidated net sales.

Acetow is the world's third largest producer of acetate tow, used to make cigarette filters, and one of the principal manufacturers of cellulose acetate flakes.

Cellulose acetate flakes are derived from the chemical reaction of acetic anhydride with wood pulp.

Acetate tow is derived from the physical transformation of cellulose acetate flakes, in which the cellulose acetate is dissolved in acetone, and then spun into tow. The tow is then supplied to tobacco companies to make cigarette filters.. As a result of its technical know-how which enables to provide high quality products, together with client service and the competitiveness of its manufacturing facilities, Rhodia Acetow has become a favored partner of the tobacco industry.

Acetow serves approximately 18% of the world market, with its principal markets in the CIS and in Latin America, and ranks among the three leaders in the market for acetate tow alongside Eastman Chemical and Celanese.

Recognized for its innovation, in close collaboration with its principal customers Acetow has developed new manufacturing methods enabling it to produce an acetate tow suited to a new generation of cigarette filters, such as filters for "super slim" cigarettes. In addition, its new vacuum pack patent in 2006, RHODIA® Tow Cube, specifically designed for RHODIA® Filter Tow acetate tow, received the German packaging prize and the packaging industry world prize in 2007.

Product lines	Markets	Trademarks	Competitors
Acetate tow	Cigarette industry	RHODIA® Filter Tow	Celanese, Eastman, Daicel, Mitsubishi
Cellulose acetate flakes	Textile industry	RHODIA® Acetol	Celanese, Eastman, Daicel, Acetati

In 2007, the market grew by approximately 3.5%, mainly in the CIS, Asia and the Middle East. This growth as well as plant closings following the acquisition of Acordis by Celanese generated an overall global utilization rate that was close to 100% for all market participants.

Acetow, whose markets are denominated in U.S. dollars, is particularly affected by currency depreciation in relation to the euro. To compensate for unfavorable exchange rates, Rhodia Acetow has launched a broad plan to improve its competitiveness, which include improving margins through cost reductions, increasing the productivity of its production and support functions, more effective management and reorientation of research and development activities.

6.3 Novecare

The Enterprise had sales of €931 million in 2007, representing 18% of Rhodia's consolidated net sales.

Novecare provides high performance chemicals to a wide range of industries, from cosmetics and detergent products to the oil industry.

The strategy of the Enterprise is to generate growth that is both profitable and durable by serving niche markets in which it holds solid leadership positions as well as recognized technological expertise. Furthermore, Novecare develops its activities through ambitious innovation projects that it carries out in partnership with its strategic customers. By relying on its strong innovation capacity, the Enterprise undertakes short-term innovation programs for the design of rapidly marketable tailor-made formulations. Simultaneously, it carries out break-through innovation programs involving innovative products and processes designed for high-growth target markets. Medium-term programs ensure it a competitive advantage as well as sustainable growth. In addition, Novecare is developing research partnerships with recognized organizations in order to enhance and increase its innovation potential both at research and technical expertise and market know-how levels.

The Enterprise benefits from a worldwide industrial presence and a research and development department that it strives to reinforce in strong-growth and high-potential markets, particularly, in Asia and Latin America. It ensures local follow-up of its worldwide customers and positions itself as a key player at the local level.

Novecare masters the following technologies:

- **surfactants** are molecules made up of two distinct particles, one with a strong affinity for oils and the other for water. They are used as performance additives in formulations in a large number of industries;
- **phosphorus derivatives** used in numerous applications, from water treatment to agrochemical products and fire protection;
- **natural polymers** and their derivatives are vegetable-based and water soluble. They have properties used to modify texture or rheology, emulsify oils, stabilize complex formulations and prolong the efficacy of active agents or even modify surfaces. They have applications in several markets, such as cosmetics, agrochemical formulations and oil drilling;
- **specialty polymers** are obtained by radicular polymerization or by condensation. The broad range of these products responds to both diverse and specific needs. **Specialty monomers**, used in small quantities, improve the performance of coatings and adhesives on emulsion, solution or polymerization;
- **formulations** are systems with multiple components which bring complementary and synergetic characteristics to application products having multifunctional properties such as detergents, personal care products, metal treatment and agrochemicals;
- **dibasic ester-based solvents** are molecules produced by diacid esterification with a number of alcohols, thus producing a biodegradable, nontoxic and environmentally responsible solvent which is used in several areas, notably, in the treatment of metals and surface coatings and dressings as well as in industrial cleaning.

In 2007, Novecare launched 80 new products and realized more than 20% of its sales through products that were less than five years old. The percentage of its net sales that are allotted to research and development is greater than the average amount invested by other Enterprises of the Group. Emphasis was placed on targeted innovation programs requiring basic competence in rheology, surface modification, active distribution and environmentally responsible formulations, responding to the strong demand generated by environmental factors as well as stricter standards in that field.

On the **personal care and household markets**, Novecare's new products address three strategic segments: hair and skin care, specialty cleaners and specialty polymers for hard-to-clean surfaces. Innovations patented by Novecare provide consumers with multiple benefits, while offering manufacturers competitive solutions (easy formulation and adaptation).

Miracare® SLB, originating from surfactant structured liquid technology, facilitates the formulation of skin and hair care products combining high performance and unique sensory properties. Marketed in North America, Europe and Asia, Miracare® SLB is increasingly used. Polycare® Boost, which was simultaneously introduced on the market in all the geographic zones, is used in formulating shampoos and offers multiple benefits such as shine, texture and volume.

In addition, new grades have been developed in the Mirapol® Surf S line, which facilitate the quick, easy, efficient and durable cleaning of hard-to-clean surfaces and dishes washed in dishwashing machines.

In the field of high-performance solutions:

- in the **petroleum extraction sector,** Novecare offers a broad range of efficient chemical products for the drilling, yield and reinforcement of wells by means of a wide range of technologies including guar-based biopolymers (Jaguar®), synthetic polymers, surfactants, phosphorus derivatives (Aquarite®) and biocides (Tolcide®).

  Rhodia continuously researches innovative and original responses to the complex technological factors of such sector, such as increases of production yields, reduction of environmental impacts and extraction of petroleum under extreme conditions, such as deep water extraction and horizontal extraction;

- on the **agrochemistry market,** Novecare's strategy is aimed at developing new "bioactivators" for liquid glyphosphate-based formulations generally used as herbicides and expanding its supply of ecological solvents for pesticides.

In 2007, Novecare introduced two new surfactants to its Geronol®-AgRho® product line, which are used as bioactivators in order to respond to technological challenges confronting the agricultural sector. Improvements include a better quality to price ratio for highly concentrated formulations, better biological effectiveness, ease of use and handling, ecological products and safety of use.

Through its knowledge of the market and expertise with solvents, Novecare has, furthermore, developed new environmentally responsible formulations, such as Rhodiasolv® Green 21 and Green 25. These are intended to replace existing solvents, which are increasingly being banned in Europe. Marketed as of 2007 in Portugal and Spain, the sale of these products should increase in Europe as they are approved by the authorities of each country.

In the field of industrial formulations:

- in the **industrial solvents sector,** Novecare has strengthened its leadership position in ecological solvents by launching several projects designed to respond to the strong growth of that market, as well as to the growing demand for products to meet stricter environmental and use standards. In 2007, the Enterprise introduced Rhodiasolv® Iris, the first product emanating from a specific research program involving ecological solvents, and expanded its existing line of Rhodiasolv® RPDE, DEE and DIB. The innovative and patented manufacturing process for Rhodiasolv® Iris, which is a dibasic ester-based solvent, will be implemented in the new production unit at the Santo André (Brazil) site in 2008;

- on the **specialty polymer systems market.** Novecare has expanded its Sipomer® line through new monomers which improve the performances of formulations used in automotive, wood paneling and flat water paints.

Products	Markets	Trademarks.	Competitors
Surfactants	Cosmetics, detergents, agrochemical formulations, lubricants, emulsions, polymerization, petroleum	Miranol, Dermalcare, Miracare, Soprophor, Lubrhophos, Supersol, Abex, Rhodafac, Geropon, Antarox, Supragil, Alkamuls, Igepal, Rhodacal	Akzo Nobel, BASF, Clariant, Cognis, Croda, Dow, Evonik, Huntsman, ICI, Sasol (Condea), Shell, Stepan
Phosphorus derivatives	Fine chemistry, agrochemicals, water treatment, fire protection, oil	Proban, Amgard, Tolcide, Briquest, Bricorr, Albrite, Aquarite	Bayer, Solutia, Cytec, Thermphos, Clariant, Ciba Hercules, Lamberti
Natural polymers	Cosmetics, detergents, agrochemical formulations, industrial formulations, oil	Jaguar, Rheozan, Rhodopol, Rhodicare	Hercules, Lamberti
Specialty polymers and monomers	Cosmetics, detergents, agrochemical formulations, industrial formulations, polymerization, emulsions	Geropon, Mirapol, Polycare, Carbomer, Glokill, Albritect, Repel-O-Tex, Sipomer	BASF, Arkema, ISP, Dow-Amerchol, Evonik, Clariant, Rohm & Haas
Formulations	Cosmetics, detergents, agrochemical formulations, industrial formulations	Mirasheen, Supersol, Miracare SLB	Cognis, Clariant, Zeller
Solvents	Foundries, steel sheet casing and lithographic varnish, cleaners, paint additives	Rhodiasolv	Invista, Cytec

Furthermore, in 2007, Novecare made several investments in order to reinforce its geographic presence in strong-growth markets and/or to consolidate existing assets:

- in India, the Enterprise began construction of a new surfactants production unit which will meet growing demand for personal care and household products. Such unit should become operational in the second half of 2009;
- in the United States, capacity was increased at sites in Blue Island, Baltimore and Winder;
- in France, large investments were made to reduce the environmental impact, improve safety and increase the productivity of the Clamecy site, which produces specialty products;

- in the field of solvents, Novecare increased the production of its Rodiasolv® line in France and in South Korea. The Enterprise also invested in a new production unit at Santo André (Brazil) and concluded a partnership in China for the production of its new Rhodialsolv® Iris solvent. The Enterprise plans to increase production of its dibasic esters by 40%.

In 2007, demand remained stable, in particular on the body care products, agrochemical and oil excavation markets. However, demand decreased in the construction material sector, in particular during the second half of 2007 due to a slow down in the American housing market.

Within the scope of its operational excellence programs, such as Six Sigma, World Class Manufacturing, Quality System, Purchasing Productivity, Novecare undertook several initiatives aimed at improving its competitiveness and productivity. These initiatives, represented by approximately 200 different projects involving industrial operations, customer service, supply chains and R&D, made it possible to generate significant savings in raw materials, energy and fixed costs. In addition, in 2007, the Enterprise obtained ISO 9001 world certification for all of its sites, including 22 industrial sites, three regional corporate headquarters located in Cranbury (United States), Aubervilliers (France) and Sao Paulo (Brazil), as well as for its European sales service platform. Novecare demonstrated its capacity to provide the same level of service and the same quality of products in all the geographic zones in which it operates.

The Enterprise also offset increased raw material and energy costs through price increases and product mixes.

6.4 Silcea

The Enterprise had sales of €463 million in 2007, representing 9% of Rhodia's consolidated net sales.

The Silcea Enterprise consolidates the Group's inorganic chemistry expertise, which since the sale of its silicone activity at the beginning of 2007, consists of two activities: high-performance silicas (silica systems) and rare earths (electronics & catalysis).

Silcea is the world leader in each of these domains. The Enterprise has 13 production units, located in Europe, North America, Latin America and Asia.

Silcea's strong growth continued in 2007, as a result of its determination to position itself in markets with strong global demand resulting from high tech environmentally responsible products.

Based on its technological leadership and presence in expanding markets, Silcea's strategy is to pursue profitable and durable growth:

- by differentiating itself through a complete and innovative product portfolio, responding to increasingly strict environmental and regulatory constraints;
- by creating unique partnerships with certain major customers; and
- by reinforcing its worldwide presence through geographic growth.

Silcea's **silicas** are amorphous precipitation-generated silicas, which are obtained from a process that includes mixing sand and sodium carbonate and baking such mixture at 1,400 degrees Celsius to obtain a silicate of sodium. After dissolution and dilution, the resulting sodium silicate is neutralized through precipitation with sulfuric acid, which is a significant stage in the production of high performance silicas. A filtration process eliminates by-products. The high performance silicas are thereafter washed, dried, crushed and stored.

As the inventor of high-performance silicas in the 1990s and the world leader of such technology, the Enterprise primarily services the tire industry. Silcea has developed products that are part of numerous innovations, such as high-performance, low energy consuming "green" tires, which are used by most of the world's tire manufacturers and which are also used in the animal nutrition and toothpaste markets.

Rare earths are natural elements, like iron or oxygen, present in large quantities in the earth's crust. Rhodia Silcea is involved in the processes of separating and finishing these elements to a high degree of purity. Rhodia Silcea then uses them to produce high value-added compositions used in the automobile catalysis sector (reducing pollution from gas- and diesel-driven vehicles) and electronics (luminescence, for low energy light bulbs, for LCD and plasma flat screen televisions, high precision optics, polishing, electronic components and semiconductors).

Products	Markets	Trademarks	Competitors
High-performance silicas	Tires, footwear soles and rubber technical parts, paper industry, nutrition, oral and dental hygiene	Zeosil®, Tixosi^{l}®, Tixole^{x}®, Silo^{a}®	Evonik, Huber, PPG, OSC
Rare earth-base compositions and alumina washcoats	Electronics: luminescence for new flat screens, energy saving lamps, precision optics, polishing, electronic components, semiconductors Catalysis: automotive pollution abatement for gasoline and diesel powered vehicles	Luminostar™Cerox™, Opaline™Superamic™, Neolor™ Eolys™, Actalys™, Optalys™	AMR, DKK, MEL, Chinese producers, Innospec, Infineum Sasol

In 2007, Silcea benefited from positive conditions in its four principal markets, including:

- strong worldwide growth in the high-performance silica market for low energy consumption tires (Zeosil® line), sustained by:
  - increased penetration of such technology in Europe, and
  - dynamic growth in Asia and North America, including increased environmental awareness in such regions.

  In order to meet demand in the Asian market, particularly for low energy consuming tires, at the end of 2007, the Enterprise announced plans to construct a new factory for high-performance silicas in China;
- an automotive catalysis market that experienced rapid increases in regulations and demand for technologies to control emissions, which accelerated:
  - deployment on the European level of "particle filters" for private diesel vehicles, for which its Eolys™ "soluble catalyst" is the undisputed reference with over three million vehicles equipped to date,
  - increased sales of Actalys™ and Optalys™ catalytic materials, which are used by manufacturers in their development of "clean" vehicles (one catalytic converter out of three in the world today contains rare earths from Rhodia).

Silcea's growth strategy resulted in the acquisition, in August 2007, of the alumina Washcoat line from the company WR Grace that complements its line of materials for the treatment of emissions and provides innovative solutions by taking advantage of the synergies between alumina and rare earth oxides:

- a significant rebound in the energy saving lamp market ("Green Switch": replacement of incandescent lamps) generating an acceleration of demand for luminescent materials (Luminostar™ line);
- marked growth of the flat screen market, generating an acceleration of demand for luminescent materials (Luminostar™ line) and polishing glass powders (Cerox™ line);
- increases of portable electronic devices (I-pods, telephones, etc.) on the electronics market, resulted in increased demand and higher performance of materials for processing semiconductors and electronic components (Superamic™ line).

Silcea is not significantly exposed to demand cycles. The high-performance silica market for replacement tires (70% of sales) reduces the impact of eventual cycles linked to the sale of new vehicles. Furthermore, significant growth in the electronics and automotive catalysis markets driven by increased regulation significantly diminishes the Enterprise's exposure to market cycles.

Although Silcea's activities are subject to the volatility and price trends of raw materials, the Enterprise once again demonstrated throughout 2007 its ability to compensate for the increased cost of raw materials and energy through its expertise, product mix and selling prices. However, the significant increase in the prices of sulfur and natural gas in Europe during the fourth quarter required an additional increase in selling prices during the first quarter of 2008.

On March 19, 2008, the Group announced that its strategic "diphenols" operations, which benefit from strong management and high profitability, would be integrated into Rhodia Silcea as from the first quarter of 2008.

6.5 Eco Services

The Enterprise had sales of €218 million in 2007, representing 4% of Rhodia's consolidated net sales.

Eco Services produces and regenerates sulfuric acid. The Enterprise is the world leader in the regeneration of sulfuric acid.

Sulfuric acid is one of the most widely used chemical products and is applied in a large range of industrial applications. Oil refiners and other manufacturers of chemical products are the Enterprise's principal clients, and such client relationships are generally based on long-term contracts. Eco Services operates exclusively in North America and has a network of eight production units in six different sites along the American Gulf Coast, in California and the Midwest, where one production unit also serves certain Canadian customers. In addition, two sites offer treatment services for dangerous chemical wastes.

In the **regeneration field,** Eco Services has a strong reputation for its technical abilities. The reliability of its products, manufacturing flexibility, and distribution network are essential for its clients, which include primarily North-American energy infrastructures.

Sulfuric acid is used as a catalyst for refining and for producing alkylate, an essential component of high-octane gasoline. During the production of alkylate, sulfuric acid gathers impurities that reduce its catalytic properties. Once the catalysis process has been completed, the used acid is transported to Eco Services sites, where the impurities are removed. The purified acid is then returned to clients to be used again.

The Enterprise also produces **sulfuric acid** from sulfur. Eco Services has long been considered an expert relating to the manufacture, transportation and applications of sulfuric acid. Eco Services produces different concentrations of its products depending on its clients' individual specifications.

Eco Services aims for excellence in its operations through programs such as its Reliability Strategy. The objective of this long-term program is to ensure uninterrupted service to clients without regard to fluctuating seasonal demand or production cycles. The program has brought about increased profitability for the Enterprise over the course of the past several years. In addition, the quality of its service and manufacturing has improved due to the implementation of the Six Sigma program.

Product Line	Markets	Brands	Competitors
Sulfuric acid, regeneration services and other sulfur derivatives	Oil refining, chemical and petrochemical manufacturing	-	Du Pont, Marsulex, General Chemical, Chemtrade

In 2007, Eco Services became the first producer of sulfuric acid to reach agreement with the United States Environmental Protection Agency aimed at reducing sulfuric dioxide emissions at its eight production facilities by 90% between now and 2014. This agreement falls squarely within the spirit of Rhodia's worldwide sustainable development endeavors. It also allowed Rhodia to simultaneously expand several facilities.

Growth of Eco Services markets is typically tied to growth in North American gross domestic product and gasoline consumption. In 2007, Eco Services benefited from high demand for regeneration and an increase in demand for sulfuric acid. In the fourth quarter, the cost of raw materials increased due to increases in the price of sulfur, the raw material for sulfuric acid. Price increases were set in place during the fourth quarter in order to offset increased costs. However, due to the time lag associated with the entry into effect of these increases under customer contracts, the effect of these price adjustments will not be fully seen until the first quarter of 2008. They should result in a strong increase in the Enterprise's net sales.

6.6 Organics

The Enterprise had sales of €842 million in 2007, representing 17% of Rhodia's consolidated net sales.

The Organics Enterprise brings together Rhodia's organic chemistry expertise.

The strategy of Organics is to develop world leadership positions in growing markets, while continuing to restructure low profitability or low growth potential activities, with a view to refocusing its portfolio on key technologies. Such strategy is expressed around the following four poles:

- achieving operational excellence by reinforcing the performance of its industrial installations and commercial activities as well as the quality of its customer relations;
- reinforcing and developing its leadership in strategic product lines;
- repositioning its portfolio by finding solutions for nonpermanent activities;
- acting in a responsible manner by making sustainable development the mainspring of the Enterprise, on the safety, employee and environmental levels.

The activities of the Organics Enterprise are organized around "technological lines" or "branch products" which are applicable on the markets of aromas and perfumes, pharmaceuticals, performance products and intermediates for agrochemistry as well as paints and industrial resins.

Diphenols

Organics is the primary world producer of diphenols and the sole player to have three world production sites: St Fons (France), Baton Rouge (United States) and Zhenjiang (China), which began production in 2007.

With more than a 40% market share for the entire diphenol branch and various other products (hydroquinone, catechol and derivatives, vanillin and ethylvanillin), its world leadership is founded on competitive processes, significant technological progress and strong customer relations.

Emanating from the diphenol branch, Organics produces hydroquinone, which is used for photography and polymerization inhibitors.

Through its size, Rhodia Organics is also an important player in the catechol market, which is used in aromas, particularly vanillin and ethylvanillin. The Enterprise is the principal partner of major customers in this sector.

Vanillin is a product that is used daily in the aroma and perfume market. Rhodia Organics is its undisputed world leader and its products are recognized for satisfying all regulations, notably with regard to food hygiene and environmental constraints.

Salicylics and allied Products

Organics is the primary world producer of acetylsalicylic acid. The salicylic technological branch based on phenol is used in pharmaceuticals with aspirin, in the perfume industry and in synthesis intermediates with methyl salicylate and esters.

With more than a 30% market share, the Enterprise is recognized for its upstream technological expertise (salicylic acid), though it faces strong competition downstream, particularly with esters and aspirin.

Fluorination

Organics is the world leader in hydrofluoric acid technology, offering positive growth potential.

Fluorination is carried out at two industrial sites: the Salindres site (France), specializing in trifluoroacetic acid (TFA) and triflic acid (TA) derivatives for use in the agrochemistry, pharmacology and electronics markets and the Avonmouth site in the United Kingdom, (closing announced for 2008), specializing in chemistry of fluoroaromatics used to produce coolant gases and molecules made for agrochemistry.

Isocyanates

In the technological line of isocyanates, Organics is the second largest European producer of aliphatic isocyanates and has strong innovation capacity with, in particular, water-based products accompanied by related products or those resorting to the same production capacities.

The Enterprise is positioned on specialty segments with strong added value, notably on the markets of industrial coatings, particularly in the automotive industry, with products recognized for their UV resistance, quality of finish and longevity.

Operations are essentially centered on the Pont de Claix site (France), which consist of three parts that, in light of the processes used and use of by products, are related.

- an upstream activity, comprising the fabrication of chlorine and soda from bittern salt;
- the TDI activity in which the Enterprise works on behalf of an industrial partner for the transformation of TDA and TDI (aromatic isocyanates) for the polyurethane foam markets;
- an HDI activity (aliphatic isocyanates) with products directed at the paint and industrial coatings markets. According to its estimates, Organics is the second largest European producer in that segment, the market share of the leader being estimated at over 40%, which includes polyols and additives.

Product lines	Markets	Trademarks	Competitors
Diphenol product branch	Aromas for the food industry, synthesis olfactory notes for formulation of fragrances for fine perfumes, detergents and cosmetic products, performance products for industry: polymerization inhibitors, pigments, photography, anti-ozonants	Rhovanil®, Rhodiarome®, Rhodiantal™, Rhodiaflor™, Rhodiascent™, Petunial™, Rosilial®, Carnaline®	Borregard, Jiaxing, Mitsui, Ube, Eastman, Goodyear
Product branch of salicylics and allied products	Pharmaceutical ingredients (aspirin, paracetamol), synthesis olfactory notes	Rhodine, Rhodapap, A-Tab, Di-Tab, Tri-Tab, Calipharm	Jilin, ShandongTyco, Mallinckrodt, Weifang, Budenheim, Astrarin, Yeou-Fa
Product branch of fluorinated products and derivatives	Performance products for industry: acid catalysis, electronic applications, intermediates for the agrochemical market	Acilys™	Solvay, Central Glass, Halocarbon, Miteni, Chinese and Indian competition
Product branch of isocyanates and derivatives: aromatic isocyanates (TDI); aliphatic isocyanates (HDI, IPDI)	Polyurethane foams: manufacture of car seats, mattresses, cushions Intermediates for industrial coatings: paints, varnishes for motor vehicles	Tolonate®, Rhodocoat™	BASF, Bayer, Evonik, Dow, Borsodchem, Zachem Acide nitrique: BASF, Kemira Chlorine: MSSA, Albemarle, Caffaro, Dona

In 2007, Organics pursued a strategy aimed at developing its key technologies in high growth markets.

In the diphenol sector, the Enterprise increased its production capacities in order to meet strong growth in the Asian market and in November 2007 inaugurated its third world production platform in Zhenjiang (China). With its two other sites located at Saint-Fons (France) and Baton Rouge (United States), Organics is thus the sole player with three world sites close to its markets.

In addition, Organics has continued to improve the operational performance of its existing capacities. In an environment characterized by robust demand and a tight market, the Enterprise has further continued to increase prices of vanillin. Such price increases made it possible to offset the increased cost of raw materials and energy, as well as the negative effect of currency fluctuations and the depreciation of the US dollar in relation to the euro.

Organics has, furthermore, continued its strategy of repositioning its operations portfolio. Such strategy was implemented by the following site closings or sales:

- closing of the nitrophenol plant on the Roussillon site (France) announced in May 2007;
- discontinuation of activities on the Mulhouse Dornach site (France) which took effect on December 31, 2007;
- closing of the Orgachlor plant on the Pont de Claix site (France) in the course of 2007;
- discontinuation of activities on the Avonmouth site (United Kingdom) in the course of 2008;
- the planned closing of the paracetamol plant on the Roussillon site (France) scheduled for the end of 2008;
- transfer to Adisseo of the sulfur products activities based on the Roches de Condrieu site (France) in February 2007;
- the plan to sell its isocyanates activity, which include aliphatic isocyanates and aromatic isocyanates for the polyurethane foam markets, to Perstorp, was announced on March 19, 2008. These operations are to be recognized as "discontinued operations" as from the first quarter of 2008.

In the sector of salicylics and similar products, the Enterprise continued the restructuring of its paracetamol activity in a market environment of overcapacity accompanied by strong competition, notably from Asia and America.

In general, the profitability level of salicylics remains below the Group's objectives in despite selling price increases being successfully implemented in the fourth quarter, particularly in the aspirin and methyl salicylate activities.

Despite a continuing improvement in the last few years, the level of performance and profitability **of the fluorinated products sector** remained below the objectives of Rhodia. That situation was accompanied in 2007 by a decline in demand in a strongly competitive environment.

Finally, **in the isocyanates sector,** the level of profitability of that technological line remains linked to the industrial performance of TDI and its upstream activities. In 2007 Rhodia Organics continued its ambitious plan of improvement of competitiveness with the goal of making the Pont de Claix platform one of the most competitive in Europe. Within that framework, large investments have been made.

Demand was sustained in spite of a slight slowdown in the United States. Price increases were applied for aliphatic isocyanates (Tolonates).

The plan to sell the Company's isocyanates activity, which was announced on March 19, 2008, is the last major step in refocusing the

Group's operating portfolio, and will result in Rhodia discontinuing its Organics Enterprise as from the first quarter of 2008:

- strategic "diphenols" operations, which benefit from strong management and high profitability, will be integrated into Rhodia Silcea; and
- other fine chemicals activities, for which strategic solutions are currently being examined or for which reorganization or closing measures have already been announced, will be incorporated into a specific business unit integrated into "Corporate and Other."

6.7 Energy Services

The Enterprise had sales of €202 million in 2007, representing 4% of Rhodia's consolidated net sales.

Energy Services manages the Group's energy purchases as well as greenhouse gas emissions.

In the energy sector, Energy Services manages worldwide energy purchases for the Group and third parties, of which 55% is for natural gas and 30% for electricity. In France the Enterprise is the second largest buyer of gas and is ranked among the 10 largest electricity buyers.

Energy Services has developed energy business activities and optimized its energy production assets. The Enterprise is also a member of Exeltium, the consortium of energy-intensive industrial buyers of electricity in France within the framework of the Amended Finance Act of December 2005.

In the field of greenhouse gas emissions, Energy Services' mission consists of ensuring the development and production of emission credits within the framework of the Kyoto Protocol.

The manufacture of adipic acid, of which Rhodia is the world's second largest producer, and its use as a raw material for Polyamide 6.6, generates nitrogen protoxide. Nitrogen protoxide or N_2O is one of the greenhouse gases identified by the Kyoto Protocol.

Within the framework of the Clean Development Mechanisms (CDM) of the Kyoto Protocol, Rhodia developed two plans of reduction of its greenhouse gas (N_2O) emissions on its sites at Onsan in South Korea and Paulinia in Brazil.

The treatment units have been operational since the end of 2006 (September for Onsan and November for Paulina).

In 2007, strong and consistent activity for CO_2 emissions credits contributed to the recurrent EBITDA of €135 million.

The installations proved very reliable and efficient and widely met the emission reduction goals that had been announced in the *Project Design Document*. The volumes of CER received by Rhodia represented 23% of all the CERs issued in the world in 2007. In addition, Energy Services started a new MDP project on the platform of Paulinia in Brazil, based on the abatement of N_2O emitted during the production of nitric acid. That project, of a far more modest size than previous ones, should make it possible to obtain approximately 80,000 tons of CER per year from 2008 and for a period of seven years.

Through Energy Services, the Group partnered with Société Générale Énergie (a 100% owned subsidiary of the Société Générale group) to reduce the risks associated with the volatility and fluctuation of the emission credit market and to maximize the value of its CERs. In 2006, Rhodia created ORBEO, a company it owns in equal partnership with Société Générale Énergie.

Each company has granted ORBEO the exclusive rights to its emission credit activities: for Rhodia its CERs, and for Société Générale Énergie, its experience and emission credit trading capacity.

ORBEO operates across the entire carbon chain, from projects to market, and is one of the leading, buyers and sellers of CO_2 products. ORBEO offers origination, financing, advice, trading, optimization of carbon credit portfolios and structuring of personalized transactions for all types of customers (voluntary buyers, industry, governments and investors). ORBEO is an investment company certified by the Committee of Credit Institutions and Investment Enterprises (CECEI).

7

Organizational Chart

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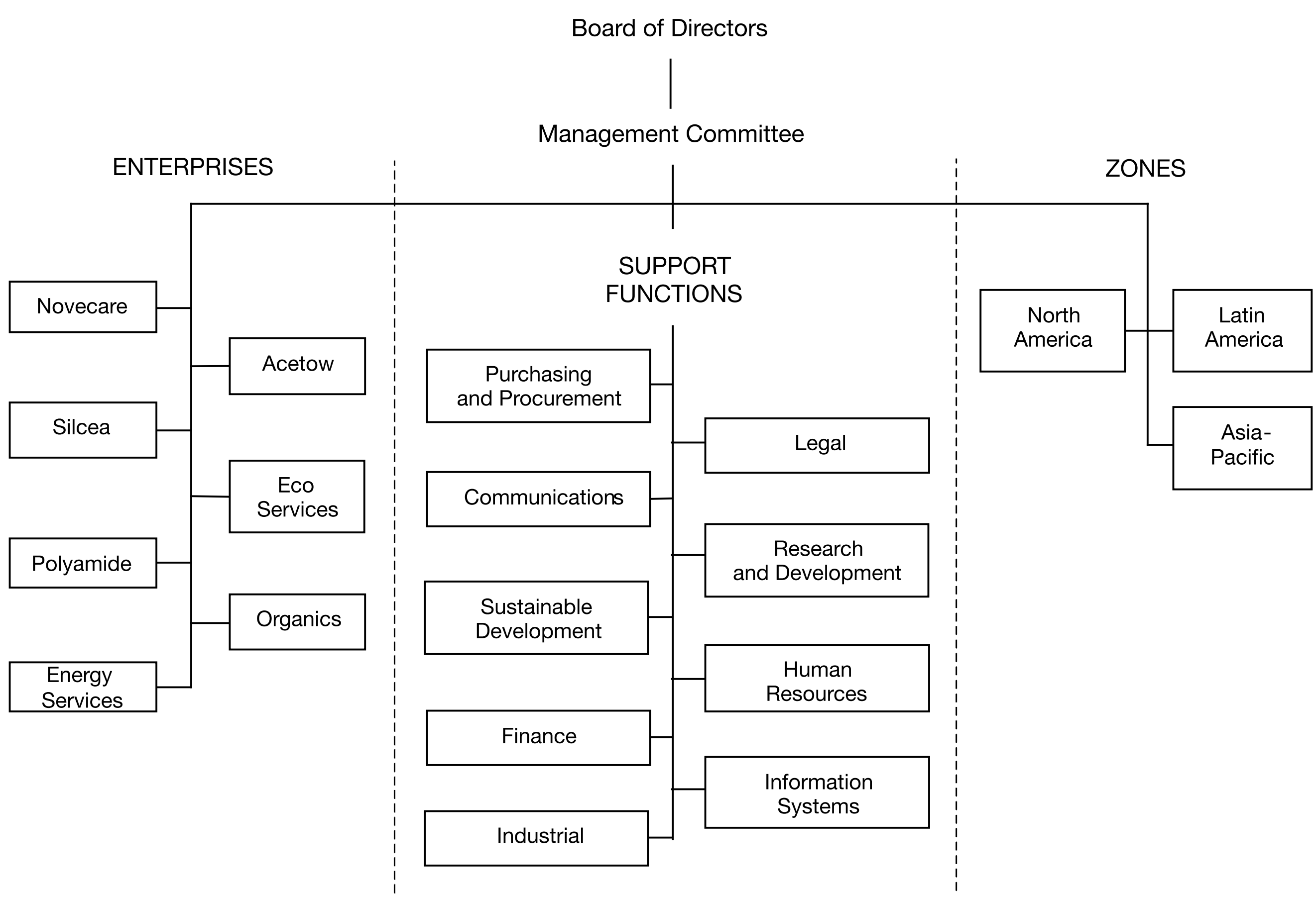
7.1 The Group

7.1.1 ORGANIZATIONAL CHART IN PLACE IN 2007



7.1.2 OPERATION OF THE GROUP

7.1.2.1 THE MANAGEMENT COMMITTEE

The Management Committee, described in chapter 14.1.2 below, oversees the Enterprises, support functions and zones. It contributes to the defining of and implements the strategy of the Group decided by the Board of Directors and defines the policies at the Group level. It resolves differences and allocates resources. It relies on a small operating team in the fields of strategy, industry, marketing and sales, and on the skills and expertise of the support functions.

Beyond this inner circle of the Group's Management Committee, the purpose of the Executive Committee (Comex), composed of members of the Management Committee, presidents of the Enterprises and directors of support functions and geographical zones, is to establish trends with respect to the general policies of the Group (organization, methods for allocating investments, rules of variable compensation plans, etc.). It ensures the establishment of priorities among the various entities that make up Rhodia (Enterprises, support functions, geographical zones) and coordinates the action of the Group on transversal subjects (innovation, communication, development of Rhodia in high-growth countries, etc.). It also aims at being the "champion" and sets the company's culture, defining the values and identity of the Rhodia Group.

In addition, in 2008, the Management Committee sought to enhance its work by integrating the skills and experience of the operations management with varied profiles. This led to the creation of an extended Management Committee that will meet every month and will be responsible for determining the scope and ensuring the implementation of the Group's strategies, which are determined by the Board of Directors, the allocation of resources among various Enterprises and support functions and ensuring adequate functioning of the Group's operational processes.

7.1.2.2 RHODIA'S BUSINESSES

Since January 1, 2006, Rhodia's operational activities have been organized into the following seven Enterprises:

Enterprises
Polyamide
Acetow
Novecare
Silcea
Eco Services
Organics
Energy Services

The Enterprises have a global presence. They benefit from broad autonomy in the management of their operational activities and full responsibility in the fields of marketing and sales, industrial manufacturing, innovation and production lines. They propose their strategy to the Management Committee. To this end, they have dedicated resources and are responsible for their operating profits. For further information on the activities of the Enterprises, see chapter 6 above.

As part of its reorganization, on March 19, 2008, Rhodia announced that its Organics Enterprise will be discontinued as from the first quarter of 2008, following a plan to sell its isocyanates activity. These operations are to be recognized as "discontinued operations" as from the first quarter of 2008.

Strategic "diphenols" operations will be integrated into Rhodia Silcea. Other fine chemicals activities, for which strategic solutions are currently being examined or for which reorganization or closing measures have already been announced, will be incorporated into a specific business unit integrated into "Corporate and Other."

Rhodia will thus be composed of six Enterprises.

7.1.2.3 SUPPORT FUNCTIONS

The Enterprises rely on the following support functions: procurement and supply, communication, sustainable development, finance, industrial, legal, research and development, human resources and information systems. These support functions are to efficiently supply services to the Enterprises at an optimal cost. They are responsible for their costs and have their own resources (staff, organization, etc.) enabling them to render services and allocate according to an efficiency criterion, cost and service level. They are organized as shared services but can also decide to dedicate specific personnel to one of the Enterprises.

7.1.2.4 THE ZONES

The North America, Latin America and Asia/Pacific zones are each supervised by a zone director. Their role is to facilitate the implementation of the policies and practices of the Group, to monitor compliance with laws and local regulations and to directly or indirectly represent Rhodia before the board of directors of local entities and joint ventures.

7.1.3 PARENT COMPANY/AFFILIATE RELATIONS

Rhodia is the holding company of the Group and does not directly exercise any operational or industrial activities.

Since its direct participation in activities is limited, it operates through other holding companies situated in different zones. Such organization, partly resulting from the Group's history, responds geographical and organizational needs.

Rhodia maintains a "Mother-Daughter" type relationship with its subsidiaries, the principal characteristics of which in 2007 are described in Rhodia's financial statements in chapter 20.3.2 . These include:

- centralized management of the Group's treasury ensured by Rhodia and organized through a bank;
- re-invoicing of certain charges to operating subsidiaries related to the Group's refinancing for an amount of €107 million in 2007;
- re-invoicing of common services and assistance by the Enterprises related to Rhodia for a total of €9 million in 2007;
- granting of guarantees by Rhodia in the framework of certain bank financings and/or operations contracts in favor of its subsidiaries;
- centralization of exchange and interest rate risks of the Group;
- centralized management of risks related to the commodities market; and
- management of French fiscal integration.

For additional information regarding the activities of its subsidiaries, see chapters 6 and 9.1 of the present reference document.

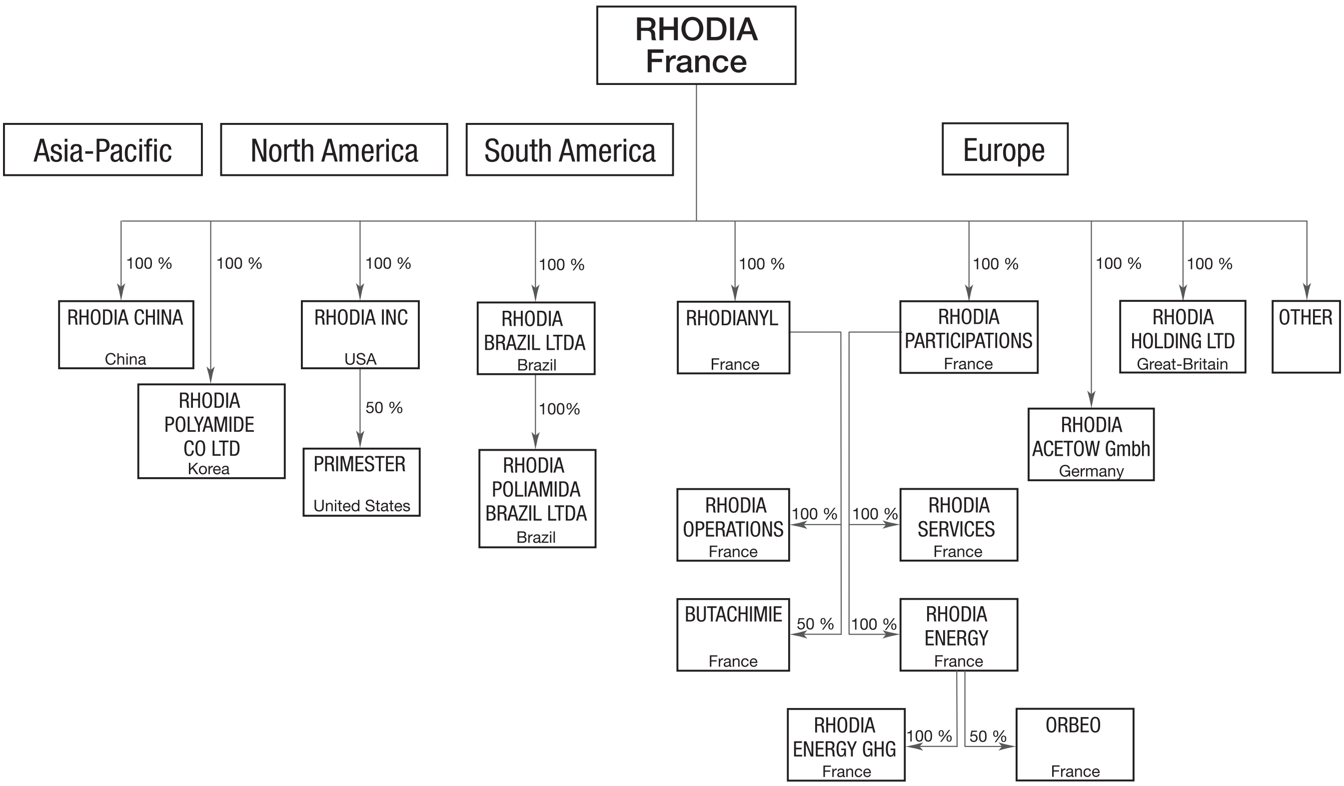
7.2 Subsidiaries and Equity Holdings of the Company

The table of the subsidiaries and equity holdings of the Company is shown in Note 24 to the parent company financial statements in chapter 20.3.2.3 of this reference document.

The scope of consolidation of Rhodia as of December 31, 2007, is shown in Note 36 to the consolidated financial statements in chapter 20.3.1.3. of this reference document.

In 2007, Rhodia did not establish an equity position in a French company within the meaning of Article L.233-6 of the Commercial Code.

The organizational chart below shows the simplified corporate structure of the Group in 2007 (including the main companies of the Group).



8

Property, Plant and Equipment

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8.1 Significant or Planned Tangible Assets

The total gross value of the Group's property, plant and equipment at December 31, 2007 reached €5,440 million. This amount principally includes the value of machinery and equipment worth €4,333 million and buildings worth €819 million.

The total net value of the Group's tangible assets amounted to €1, 686 million, or approximately 37.7% of the total consolidated balance sheet at December 31, 2007. It principally includes the value of machinery and equipment worth €1,172 million and buildings worth €255 million.

Form of Assets Holding

At December 31, 2007, Rhodia's property, plant and equipment in full ownership and acquired under finance leases were as follows:

(in millions of euros)	Land and Buildings	Materials and Equipment
Net value of property, plant and equipment	363	1,172
In full ownership		
Gross value	956	4,333
Depreciation	(593)	(3,161)
Total property, plant and equipment in full ownership	363	1,172
Acquired under finance leases		
Gross value	4	29
Depreciation	(4)	(16)
TOTAL PROPERTY, PLANT AND EQUIPMENT ACQUIRED UNDER FINANCE LEASES	**-**	**13**

Location of the Sites

The table below shows the number of Rhodia sites, by Enterprise and geographical zone at December 31, 2007. The size of these sites can vary considerably in terms of number of employees and production capacity. Out of these 71 sites, 11 are shared by several Enterprises. Each site listed in the table below is classified as a function of the Company that uses it the most. The table does not include sites not consolidated at the Group level, which are essentially held in joint ventures.

	As of December 31, 2007				
Companies	**Europe**	**North America**	**Latin America**	**Asia/Pacific**	**Total**
Polyamide	6		5	2	13
Acetow	2	1	1		4
Novecare	4	8	1	11	24
Silcea	3	2	1	5	11
Eco Services		7			7
Organics	7	1		4	12
TOTAL	**22**	**19**	**8**	**22**	**71**

8.2 Environmental Restrictions that Could Influence Use of these Assets by Rhodia

Environmental information is included in chapters 4.1.2 and 5.3 of this reference document.

9

Operating and Financial Review

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9.1 Consolidated Financial Condition

9.1.1 MANAGEMENT ANALYSIS CONVENTIONS

This section contains information comparing year to year in the performance of Rhodia and its Enterprises, 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 acquisitions, divestitures, changes in consolidation and, with respect to comparisons of the results of operations at the Enterprise or business level, transfers of businesses or activities between Enterprises or businesses);
- 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 selling prices;
- changes in volumes; and
- the transactional effect of exchange rate changes (defined as the difference arising from the exchange into local currency from sales and purchases made in another currency).

Rhodia has implemented this measure 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 communication. Within the framework of the comparison of profits from operations during two periods (the "prior" period, for example, 2006, and the "latter" period, for example, 2007), Rhodia calculates the impact of these changes as follows:

The impact of changes in the newly acquired scope of consolidation is calculated by (i) in the case of acquisitions, including in the subsequent period's results the activities included in the consolidated financial statements for all or part of the prior period only for the same portion of such subsequent period as they were included in the prior period, and (ii) in the case of divestitures, excluding from the results of the prior period any activities which were included in the consolidated financial statements during all or any portion of the prior period but which were not included for any portion of the subsequent period.

The impact of fluctuations in exchange rates is calculated by adjusting the prior period's results for fluctuations in exchange rates arising from the conversion into euros of items in the income statement denominated in currencies other than the euro at average exchange rates during the subsequent period.

The impact of changes in average selling prices is calculated by comparing the current weighted average net unit selling prices for each product in the subsequent period (for example, the euro cost per ton) against the weighted average net unit selling prices in the prior period, multiplied in both cases by volumes sold during the subsequent period.

The impact of changes in volumes is calculated by comparing quantities shipped in the subsequent period against quantities shipped in the prior period, multiplied in both cases by the weighted average net unit selling price in the prior period.

Rhodia believes these measurements are useful tools for analyzing and explaining changes and trends in its historic results of operations, as they allow performance to be compared on a regular basis. They are not, however, subject to audit and are not performance measurements with regard to regulations or IFRS. They should not be considered as replacing performance measurements within the framework of regulations or IFRS. The methods of calculating changes used by Rhodia may differ from those used by other companies.

Moreover, Rhodia uses for its analyses and financial communications pro forma indicators such as recurring EBITDA, defined as operating profit or loss prior to depreciation and impairment, restructuring costs and other operating income and expenses.

9.1.2 ACCOUNTING ASPECTS

The Group's consolidated financial statements for the year ended December 31, 2007 were prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union and applicable for the year ended December 31, 2007.

IFRS standards are available at the European Commission internet site at the following address:

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

These consolidated financial statements are also consistent with IFRS adopted and published by the IASB (International Accounting Standards Board) and applicable to the year ended December 31, 2007.

Preparation of financial statements in accordance with the IFRS conceptual framework requires making estimates and assumptions that affect the amounts shown in the financial statements. The final amounts are likely to differ from the estimates used when preparing the financial statements that are ultimately presented. Management also exercises judgment in applying accounting methods. Areas involving a high level of judgment or complexity or for which the assumptions and estimates are significant with regard to the consolidated financial statements are described in Note 2.2 to the consolidated financial statements in chapter 20.3.1.3.

9.1.3 CONSOLIDATED OPERATING RESULTS FOR 2006 AND 2007

The following table sets forth Rhodia's operating profit for the years ended December 31, 2006 and 2007.

(in millions of euros)	2006	2007	Change in %
Net sales	4,810	5,081	5.6%
Other revenue	451	475	5.3%
Cost of sales	(4,261)	(4,437)	(4.1%)
Administrative and selling expenses	(518)	(517)	(0.2%)
Research and development expenditure	(103)	(96)	6.8%
Restructuring costs	(21)	(55)	(161.9%)
Other operating income/(expenses)	1	(3)	
OPERATING PROFIT/(LOSS)	**359**	**448**	**+24.8%**

9.1.3.1 NET SALES

Rhodia's 2007 net sales increased by 5.6% over 2006, to €5,081 million. This was primarily due to organic growth favored by the Group's solid positions in its various markets. Fluctuations in exchange rates (conversion effect and transaction effect) had a negative impact of (4.8)%, primarily because of the weakness in the US dollar against the euro.

9.1.3.2 OPERATING EXPENSES

Cost of sales

The cost of sales increased by €(176) million, or (4.1)%, from €(4,261) million in 2006 to €(4,437) million in 2007. This significant change in costs reflects the increased volumes sold as well as higher prices of raw materials and energy. This change also includes conversion effects, which had a favorable impact totaling €88 million, primarily due to the dollar's depreciation against the euro, and changes in the scope of consolidation totaling €73 million, primarily corresponding to the divestment of the sulfur operations in France.

Administrative and selling expenses

Administrative and selling expenses were stable at €(517) million in 2007, compared to €(518) million in 2006. The favorable conversion and structural effects were largely neutralized by the creation, in late 2006, of the new CER production and marketing activity, and the impact of the 2007 free allocation of shares program to group management employees.

Research and development expenditure

Research and development expenditure declined 6.8% in 2007 as compared with 2006. This decline of €7 million was due principally to the reduction of costs of the support functions resulting from the programs for reorganization undertaken since 2003.

Restructuring costs

Restructuring costs totaled €(55) million, compared to €(21) million in 2006.

The new measures represented a total estimated cost of €(51) million and primarily involved Organics and Acetow, as well as Corporate & Other.

The most significant measures in 2007 in France concerned the plan to suspend operations at the Mulhouse Dornach (Organics) site, and the plan to cease paracetamol operations at the Roussillon (Organics) site. Outside of France, the largest projects were the plan to cease operations at the Avonmouth site (Organics) and the plan to improve productivity of Acetow's Fribourg, Germany site.

Note 6 to the consolidated financial statements in chapter 20.3.1.3 of this reference document provides detailed information on this section.

Other operating income and expenses

Other operating profits and expenses amounted to €(3) million in 2007, compared with €1 million in 2006.

At December 31, 2007, net capital gains and losses from sales of activities (€27 million in 2007, compared with €33 million in 2006) specifically included proceeds from the sale of sulfur operations in France to the company Adisséo, a subsidiary of China National Bluestar Corporation, as well as proceeds from the sale of the di-calcium phosphates business to Innophos. Profit from divestments recognized in 2006 included a profit of €27 million (net of expenses) from the divestment of 50% of the shares held by Rhodia in Orbeo, to *Société Générale Énergie* (see Note 7 to the consolidated financial statements in chapter 20.3.1.3 of this reference document).

Other operating income and expenses totaled €(16) million in 2007, compared with €(28) million in 2006, and primarily consisted of write-downs on receivables owed by the Nylstar group, whose principal subsidiaries declared a termination of payments in July 2007. Given previous write-downs and those recorded in 2007, the residual book value as of December 31, 2007 of Rhodia's receivables against the Nylstar Group is not significant.

In 2006, other operating income and expenses primarily included provisions for the depreciation of receivables.

Note 7 to the consolidated financial statements in chapter 20.3.1.3 of this reference document provides detailed information on this section.

9.1.3.3 OPERATING PROFIT/(LOSS)

Rhodia's operating profit increased by 24.8% to €448 million in 2007, compared with €359 million in 2006.

The "Cash Flow Return on Investment" (CFROI) of the Group's activities after tax increased significantly to 8.2% in 2007, compared with 6.6% in 2006.

9.1.3.4 ANALYSIS OF NET SALES AND OPERATING PROFIT

The following table **sets forth an analysis of change in net sales** in 2007 compared to 2006:

Evolution of the net sales *(in millions of euros)*	Net sales 2006	Structure	Exchange rate impact (conversion)	2006 net sales at constant structure and exchange rate	Volume & mix	Selling price	Exchange rate impact (transactions)	Net sales 2007	Change in net sales from 2006 to 2007	Change in net sales from 2006 to 2007 at constant structure and exchange rate
Rhodia	**4,810**	(31)	(110)	**4,669**	343	189	(120)	**5,081**	**5.6%**	**8.8%**
Polyamide	**1,922**	(41)	(7)	**1,874**	82	98	(79)	**1,975**	**2.8%**	**5.4%**
Acetow	**447**	0	(7)	**440**	5	22	(26)	**441**	**(1.3%)**	**0.2%**
Novecare	**936**	(5)	(41)	**890**	38	6	(3)	**931**	**(0.5%)**	**4.6%**
Silcea	**412**	12	(15)	**409**	31	28	(5)	**463**	**12.4%**	**13.2%**
Eco Services	**230**	0	(19)	**211**	5	2	0	**218**	**(5.2%)**	**3.3%**
Organics	**875**	(42)	(20)	**813**	5	30	(6)	**842**	**(3.8%)**	**3.6%**
Energy Services	**25**	0	0	**25**	175	2	0	**202**		
Corporate & Other (after elimination of inter-company sales)	**(37)**	45	(1)	**7**	2	1	(1)	**9**	**(124.3%)**	**28.6%**

The following table sets forth **net contribution by Enterprise to Rhodia's net sales** in 2006 and 2007:

(in millions of euros)	2006	2007
Rhodia net sales	**4,810**	**5,081**
Net contribution to Rhodia's revenue by Enterprise (as a %):		
Polyamide	40%	39%
Acetow	9%	9%
Novecare	19%	18%
Silcea	9%	9%
Eco Services	5%	4%
Organics	18%	17%
Energy Services	1%	4%
Corporate & Other (after elimination of inter-company sales)	(1)%	0%
TOTAL	**100%**	**100%**

The following table sets forth **the contribution by geographic region to total net sales and other revenue** in 2006 and 2007:

(in millions of euros)	2006	2007
Rhodia net sales	**4,810**	**5,081**
Net contribution to Rhodia's revenue by Enterprise (as a %):		
France	11%	11%
Europe (excluding France)	29%	30%
North America	17%	17%
Latin America	16%	16%
Asia and other countries	27%	26%
TOTAL	**100%**	**100%**

The following table sets forth **changes in operating profit** in 2007 compared to 2006:

Change in operating profit *(in millions of euros)*	Operating profit/(loss) 2006-12	Structure	Exchange rate impact (conversion)	Volume & mix-revenue	Price	Foreign exchange/ Price	Price/Raw materials & energy	Foreign exchange/ Raw materials & energy	Fixed expenses	Other operating revenue and expenses	Restructuring excluding Amortization	Amortization & Depreciation	Operating profit/(loss) 2006-12
Rhodia	**359**	(11)	(12)	202	180	(114)	(125)	50	(44)	(3)	(34)	0	**448**
Polyamide	**172**	(8)	(1)	21	94	(75)	(79)	50	(7)	(5)	1	(7)	**156**
Acetow	**78**	(2)	(1)	2	21	(25)	(21)	9	(7)	0	(9)	(3)	**42**
Novecare	**76**	(4)	(6)	18	6	(3)	4	(1)	(13)	(1)	(2)	(3)	**71**
Silcea	**33**	8	(1)	18	26	(4)	(18)	(3)	(3)	(5)	(1)	0	**50**
Eco Services	**58**	(1)	(6)	3	2	0	1	0	(6)	2	0	1	**54**
Organics	**31**	(9)	(3)	(7)	29	(6)	(6)	(6)	16	25	(28)	(1)	**35**
Energy Services	**76**	0	0	154	2	0	(6)	0	(29)	(31)	0	(1)	**165**
Corporate & Other	**(165)**	5	6	(7)	0	(1)	0	1	5	12	5	14	**(125)**

Consolidated net sales

Rhodia's 2007 net sales increased 5.6% over 2006 to a total of €5,081 million. Changes in structure (activities that modified the Group's scope of consolidation but that were not categorized as "discontinued operations" within the meaning of IFRS 5, plus changes in accounting methods) had a negative impact of (0.6)% and corresponded primarily to the divestment of the sulfur products operations at the Roches de Condrieu (France) site. Fluctuations in exchange rates, resulting primarily from the depreciation of the US dollar against the euro and, to a lesser extent, the depreciation of the Korean won and Japanese yen against the euro, had a negative effect of (2.3)% in 2007 compared to 2006. This negative effect was partially offset by the appreciation of the Brazilian real against the euro.

At a constant scope and exchange rate, net sales increased 8.8%, due to an increase in volumes sold of 7.3% due to increases in selling prices of 4.0%, and suffered from a negative effect of exchange rates of (2.6)%, arising primarily from the transactional impact of the depreciation of the US dollar against the euro and the Brazilian real.

Operating profit/(loss)

Rhodia's operating profit totaled €448 million in 2007, compared to €359 million in 2006, an increase of 24.8%.

This significant improvement resulted primarily from a 17% increase in recurring EBITDA, which increased from €683 million in 2006 to €799 million in 2007. The recurring EBITDA margin also increased from 14.2% in 2006 to 15.7% in 2007.

Volume increases had a favorable effect of €202 million, €141 million of which corresponded to the success of the new emission credits sales activity (CER), as well as solid volume growth at Polyamide, Novecare, and Silcea.

Rhodia also successfully continued its policy of price increases in 2007, resulting in a positive effect, in local currency, of €180 million. These price increases more than offset the increased cost of raw materials and energy, the negative effect of which, in local currency, totaled €(125) million. While price increases were affected by a negative transactional foreign exchange impact of €(114) million, purchases of raw materials and energy benefited from a positive transactional foreign exchange impact of €50 million.

Finally, recurring EBITDA was affected by a negative structural impact totaling €(15) million, as well as a negative conversion impact totaling €(18) million.

Other factors explaining the change in the Group's operating profit between 2006 and 2007 were the following:

- in 2007, fixed expenses increased by €(44) million. This change resulted specifically from certain growth projects launched in 2007 and continuing improvement in its information management systems. At the same time, ongoing initiatives aimed at optimizing the Group's operations, as well as restructuring, generated savings in fixed costs that allowed inflation to be offset. Finally, fixed expenses were negatively impacted by the decline in inventory;
- moreover, the continuing restructuring of Organics, as well as a plan to improve competitiveness launched by Acetow in the fourth quarter of 2007, resulted in increased restructuring costs totaling €(34) million;
- other operating income and expenses and depreciation were largely unchanged.

Polyamide

Net sales

Polyamide's net sales increased by 2.8% to €1,975 million. Intra-group transfers had a negative structural effect of (2.1)%. Changes in exchange rates had a negative effect of (0.4)%, resulting primarily from the depreciation of the Korean won and US dollar against the euro, partially offset by the appreciation of the Brazilian real against the euro.

At a constant structure and exchange rate, Polyamide's net sales increased 5.4%. Volume growth totaled 4.4% due to sustained demand for, on the one hand, intermediate products (particularly in Brazil), and on the other hand, engineering plastics in all regions (especially Asia). The level of demand for the majority of key polyamide 6.6 intermediate products, particularly ADN, remained stable in 2007. Demand for engineering plastics remained stable, particularly in high-growth regions, particularly because of the increasing substitution of metals by engineering plastics. Finally, increased selling prices had a positive impact of 5.2%, partially offset by the negative impact of exchange rates of (4.2)% arising primarily from the transactional impact of the depreciation of the US dollar against the Brazilian real.

Operating profit/(loss)

Polyamide's operating profit amounted to €156 million in 2007, as compared with €172 million in 2006, or a decline of (9.3)%.

This decline resulted from a slight decrease of (1.4)% in recurring EBITDA, which decreased from €284 million in 2006 to €280 million in 2007. The recurring EBITDA margin thus totaled 14.2% in 2007, compared to 14.8% in 2006.

The positive impact of volume increases totaled €21 million despite maintenance every three years at the Chalampé (France) site, the negative effect of which totaled some €(10) million.

Polyamide continued its trend of price increases with a view to offsetting the increased cost of raw materials and energy. In local currency, the increase in selling prices of €94 million more than offset the negative effect of the increased cost of raw materials and energy, for a total of €(79) million. However, these price increases did not completely offset the negative transactional foreign exchange effect [8] of €(25) million from the depreciation of the US dollar against the Brazilian real.

Other factors that negatively affected Polyamide's operating profit were an unfavorable structural effect of €(8) million resulting primarily from intra-group transfers, an increase of €(7) million in fixed expenses, resulting primarily from inflation and growth plans, an increase of €(7) million in depreciation related to growth projects, and finally, an increase of €(5) million in other operating expenses resulting from provisions for doubtful debt, following the court-ordered reorganization of Nylstar France.

Acetow

Net sales

Acetow's net sales declined slightly by (1.3)% to a total of €441 million. Fluctuations in exchange rates, resulting primarily from the depreciation of the US dollar against the euro, had a negative effect of (1.6)%.

At a constant structure and exchange rate, Acetow's net sales were stable. Volume growth volumes had a positive effect of 1.1%. The ongoing trend of higher selling prices had a positive effect of 5.0%. This increase, however, was offset by a negative effect of exchange rates of (5.9)% arising from the transaction impact of the continuing depreciation of the US dollar against the euro. This impact was accentuated by the expiration of foreign currency hedges in effect in 2006, which were taken at rates more favorable than the renewal rates in 2007.

Operating profit/(loss)

Acetow's operating profit totaled €42 million in 2007, compared to €78 million in 2006, or a decline of (46.2)%.

This change resulted from a decline of (23.1)% in recurring EBITDA, which declined from €108 million in 2006 to €83 million in 2007. The recurring EBITDA margin thus declined from 24.2% in 2006 to 18.8% in 2007.

Volume increases had a positive effect of €2 million.

Increased selling prices, the positive impact of which, in local currencies, totaled €21 million, offset the negative impact of €(21) million caused by the increased cost of raw materials and energy. However, since a significant part of Acetow's sales are in US dollars, the Enterprise was affected negatively by the continuing depreciation of the US dollar against the euro, which resulted in a negative effect [9] of exchange rates of €(16) million. Moreover, primarily due to inflation, fixed expenses increased by €(7) million. To offset these increases, Acetow launched a plan to improve its competitiveness with the goal of reducing costs throughout the entire process. The implementation of this plan caused an increase in restructuring costs, totaling €(9) million. Finally, depreciation increased by €(3) million.

(8) Sum of the transactional foreign exchange effect on selling prices, and the transactional foreign exchange effect on the purchase of raw materials and energy.

(9) Sum of the transactional foreign exchange effect on selling prices and the transactional foreign exchange effect on the purchase of raw materials and energy.

Novecare

Net sales

Novecare's net sales declined slightly by (0.5)% and totaled €931 million. Fluctuations in exchange rates, resulting primarily from the depreciation of the US dollar against the euro, had a negative effect of (4.4)% corresponding primarily to the share of the Enterprise's activities based in the United States.

At a constant structure and exchange rate, Novecare's net sales increased by 4.6%. Volumes increased by 4.3%, due to the upward trend in demand for the majority of Novecare's products and formulations, specifically in the markets for personal care, agrochemicals, and oil extraction. The decline of the construction materials and automobile sectors in the United States (paint and varnish additives), which represented approximately 10% of the Enterprise's revenue, however, decreased the rate of volume growth in the second half of the year. Increases in selling prices continued in 2007 and resulted in a positive effect of 0.7% on net sales.

Operating profit/(loss)

Novecare's operating profit totaled €71 million in 2007, compared to €76 million in 2006, or a decline of (6.6)% resulting primarily from an increase in fixed expenses and a negative foreign exchange rate (conversion effect and transactional effect).

Recurring EBITDA declined slightly to €109 million in 2007, from €110 million in 2006. The recurring EBITDA margin was thus 11.7% in 2007, compared to 11.8% in 2006. With a significant portion of Novecare's operations based in the United States, recurring EBITDA was affected by a negative conversion effect of €(8) million.

Volume growth had a positive effect of €18 million. The Enterprise continued its trend of price increases, causing a positive effect of €6 million. Moreover, initiatives aimed at improving the performance and competitiveness of manufacturing processes generated savings in raw materials and energy that had a positive effect of €4 million.

Fixed expenses increased by €(13) million, primarily as a result of growth projects and inflation.

Other factors that had a negative effect on Novecare's operating profit resulted from a negative structural effect of €(4) million, increased depreciation totaling €(3) million, increased restructuring costs of €(2) million and increased other operating expenses totaling €(1) million.

Silcea

Net sales

Silcea's net sales increased by 12.4% to a total of €463 million. The purchase of the Washcoat Alumina business, the operations of which were successfully integrated in 2007, resulted in a positive structural effect of 2.9%. Fluctuations in exchange rates, resulting primarily from the depreciation of the US dollar and yen against the euro, accounted for a negative effect of (3.6)%.

At a constant structure and exchange rate, Silcea's net sales increased by 13.2%. Silcea is continuing to benefit from strong worldwide growth in the high-performance silicas market for low-energy consumption tires, growth in the automobile catalyzer market, and growing demand for high-tech products in the electronics market. This vigorous growth yielded a 7.6% increase in volumes in the Enterprise's two activities, high-performance silicas and rare earths, and resulted in a 6.8% increase in selling prices.

Operating profit/(loss)

Silcea's operating profit totaled €50 million in 2007, compared with €33 million in 2006, an increase of 51.5%.

This increase is primarily the result of an increase of 37.7% in recurring EBITDA, which increased from €61 million in 2006 to €84 million in 2007. The recurring EBITDA margin also increased from 14.8% in 2006 to 18.1% in 2007.

Volume increases had a positive effect of €18 million.

The Enterprise also successfully continued to increase its selling prices, which accounted for a positive impact of €26 million. These price increases more than offset the increased cost of raw materials and energy, the negative effects of which totaled €(18) million, as well as a negative transactional foreign exchange effect [10] of €(7) million.

The acquisition of the Washcoat Alumina business in early August 2007, which supplements the rare earths-based offering for the treatment of automobile emissions, as well as intra-group transfers, accounted for a positive structural effect of €8 million.

Fixed expenses increased by €(3) million, primarily due to inflation.

The Enterprise recorded an increase of €(5) million in other operating expenses, resulting mainly from a one-off expense in Latin America.

(10) Sum of the transactional foreign exchange effect on selling prices and the transactional foreign exchange effect on the purchase of raw materials and energy.

Eco Services

Net sales

The net sales of Eco Services, whose operations are based in the United States, declined (5.2)% to a total of €218 million. Fluctuations in exchange rates, resulting from the depreciation of the US dollar against the euro, had a negative effect of (8.3)%.

At a constant structure and exchange rate, net sales increased 3.3%. Higher selling prices contributed 0.9% and volume growth 2.4%, primarily through increasing demand for sulfuric acid.

Operating profit/(loss)

Eco Services' operating profit totaled €54 million in 2007, compared to €58 million in 2006, or a decline of (6.9)%.

This change resulted from a decline of (11.4)% in recurring EBITDA, which fell from €79 million in 2006 to €70 million in 2007. The recurring EBITDA margin thus declined from 34.3% in 2006 to 32.1% in 2007. With Eco Services operating solely in the United States, recurring EBITDA was affected by a negative exchange rate, in the amount of €(8) million.

Volume increases had a positive effect of €3 million, and increased selling prices yielded a positive effect of €2 million, offsetting the higher cost of raw materials and energy.

Fixed expenses increased €(6) million, primarily because of non-recurring factors and inflation.

Organics

Net sales

In 2007, Organics continued to refocus its portfolio on activities in which it holds sustainable leadership positions.

Organics' net sales declined (3.8)% to €842 million. This decline resulted largely from a negative structural effect of (4.8)%, resulting from the sale of the sulfuric products business at the Roches de Condrieu (France) site. Fluctuations in exchange rates, resulting primarily from the depreciation of the US dollar against the euro, had a negative effect of (2.3)%.

At a constant structure and exchange rate, Organics' net sales increased 3.6% through a volume increase of 0.6%, specifically in its diphenols operations, which continued to grow in 2007 and benefited from the startup of a new production unit in China, and increased selling prices of 3.7%.

Operating profit/(loss)

Organics' operating profit totaled €35 million in 2007, compared with €31 million in 2006.

This improvement resulted from an increase in recurring EBITDA from €74 million in 2006 to €82 million in 2007. The recurring EBITDA margin increased from 8.5% in 2006 to 9.7% in 2007.

Volumes declined slightly despite a significant increase in diphenols operations. The positive impact of the growth of this activity was offset by the end to the sale of surplus European emissions credits in the United Kingdom.

The Company successfully pursued its trend of increasing selling prices, resulting in a positive effect of €29 million. These price increases also offset the increased costs of raw materials and energy, of €(6) million, as well as the negative transactional foreign exchange effect [11] of €(12) million.

The improvement in operating profit also resulted from the decline in fixed expenses totaling €16 million, following the restructuring and organization undertaken by the Enterprise.

In 2007, the Enterprise announced new reorganization and restructuring measures in France, particularly the plan to suspend operations at its Mulhouse Dornach site and to suspend paracetamol operations at its Roussillon site. These plans increased restructuring costs by €(28) million compared to 2006.

The sale of the sulfuric products business also caused an improvement in other operating income and expenses, primarily because of the capital gain from the sale, totaling €25 million. Finally, this sale resulted in a negative structural effect of €(9) million to Organics operating profit.

Energy Services

Net sales

Because of the opening of the facilities intended to reduce greenhouse gas emissions at Onsan, South Korea, and Paulinia, Brazil, at the end of 2006, 2007 was the first year of full activity for Energy Services in the area of marketing of emissions credits. In 2007, 13.4 million metric tons of emissions credits (CER) were received and sold at an average price of €14.10 per ton, representing net sales of €189 million. The significant increase in net sales, to a total of €202 million in 2007, resulted primarily from the success of this new activity.

Operating profit/(loss)

Energy Services' operating profit also increased significantly to a total of €165 million in 2007, compared to €76 million in 2006.

This improvement resulted from a significant increase in recurring EBITDA, which increased from €60 million in 2006 to €181 million in 2007.

(11) Sum of the transactional foreign exchange effect on selling prices and the transactional foreign exchange effect on the purchase of raw materials and energy.

Volumes increased by €154 million primarily due to the sale of emissions credits (CER) received in 2007. The Enterprise's other operations, specifically related to optimizing the Group's energy supplies, contributed to volume increases of €13 million.

The increased cost of raw materials and energy, as well as fixed expenses, resulted from the startup of the new production activity and the marketing of CER emissions credits. On the one hand, the costs of raw materials linked to the reduction of greenhouse gas emissions and energy increased by €(6) million, while fixed expenses linked to the organization of the CER marketing activity generated a negative effect of €(29) million.

Other operating income and expenses resulted in a negative effect of €(31) million, resulting primarily from the recording in 2006 of capital gains from the sale of 50% of the shares of Orbeo to *Société Générale Énergie*.

Corporate & Other

Net sales

Net sales from Corporate & Other totaled €9 million. This primarily consisted of sales of the Group's trading activity and of sales made by Rhodia on behalf of third-party partners.

Operating profit/(loss)

Corporate & Other operating profit consisted of an expense of €(125) million in 2007, compared with €(165) million in 2006.

Recurring EBITDA declined slightly, to €(90) million in 2007, compared with €(93) million in 2006.

Corporate & Other operating profit is made up of the margins made on trading activities, expenses related to the Group's corporate services and functions, restructuring costs related to the Group's reorganization launched at the end of 2003, expenses related to the additional item of environmental provisions relative to suspended sites and activities, and capital gains from divestments.

A decrease in Corporate & Other operating profit of €14 million resulted from the decrease in the depreciation expenses on information technology hardware, account reclassifications, and other movements of offices and sites. The conclusion of its 2003-2006 restructuring plan caused a reduction in restructuring costs of €5 million. Finally, other operating income and expenses represented a positive impact of €12 million, resulting from the favorable change in provisions for pending litigation, specifically tax audits and certain other litigation.

9.1.3.5 OTHER INCOME STATEMENT ITEMS

(in millions of euros)	2006	2007	Change in %
Operating profit/(loss)	**359**	**448**	**24.8%**
Profit/(loss) from financial items	(305)	(294)	
Share of profit/(loss) of associates		2	
Income tax benefit /(expense)	57	(83)	
Profit/(loss) from continuing operations	111	73	
Profit/(loss) from discontinued operations	(45)	58	
Net Profit/(loss) for the period	66	131	
Attributable to equity holders of Rhodia SA	**62**	**129**	**108.1%**
Attributable to minority interests	4	2	

Profit/(loss) from financial items

Profit/(loss) from financial items totaled €(294) million, compared to €(305) millions for the year ended December 31, 2006. This change corresponded, on the one hand, to increases in non-recurring expenses related to refinancing activities, and on the other hand, to the reduced recurring interest expense following this refinancing.

In 2007, refinancing-related expenses included expenses recorded for the repurchase of high yield notes, totaling €(96) million:

- €(47) million for the early redemption premium concerning the purchase of $(415) million of the high yield senior 10.25% dollar-denominated notes maturing in 2010, and €(12) million in accelerated depreciation of portion of issuance expenses relating to the repurchased notes;
- €(25) million for the early redemption premium for the high yield senior and subordinated notes maturing in 2010 and 2011, as well as €(9) million in accelerated depreciation of issuance expenses and settlements from covered hedging swaps;
- €(3) million in accelerated depreciation of expenses from renegotiating the syndicated credit facility (RCF of March 20006) after its replacement by a new syndicated credit facility of €600 million in April 2007.

In 2006, €77 million in losses were recorded from the November 2006 purchase of €720 million and $197 million of high yield notes.

The recurring interest expense totalled €(154) million in 2007, compared to €(198) million in 2006, a decrease of €44 million, following the decline in the Group's net debt and various refinancing activities since October 2006, which allowed the cost of debt to be significantly reduced. The issuance of convertible bonds (OCEANES) totaling €595 million had a positive impact on the cost of debt, with a gross annual yield of 2.35%, corresponding to the cost of this debt in the case of non-conversion, but with an annual cash coupon of 0.5%.

Profit/(loss) of associates.

Profit/(loss) of associates totaled €2 million in 2007..

Income tax benefit /(expense)

For the year ended December 31, 2007, the Group recognized an income tax expense of €(83) million. This tax expense largely corresponded to the tax recognized for the US, Brazilian, and Italian entities. For the French and British tax businesses, the Company has not changed its estimate of the likelihood of recovery of deferred tax assets. Consequently, no new deferred tax asset was recognized for the year ended December 31, 2007.

In 2006, tax revenue was recognized in the United States totaling €84 million, because of the prospects for future taxable earnings, which were confirmed.

Assets held for sale and discontinued operations

See Note 10 to the consolidated financial statements in chapter 20.1.3.3 of this reference document.

Minority interests

The share of income corresponding to minority interests represented a total of €2 million, compared to €4 million at the end of December 2006.

Income attribuable to Rhodia 's equity holders

Earnings attributable to Rhodia's equity holders totalled €129 million as of December 31, 2007, compared to €62 million as of December 31, 2006, or an increase of 108.1%.

10

Cash and Capital Resources

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10.1 Information on the Group's Capital Resources

This paragraph provides an analysis of the consolidated balance sheet at December 31, 2007, compared to that of December 31, 2006.

10.1.1 WORKING CAPITAL

Operating working capital requirements totaled €587 million at December 31, 2007, compared with €662 million at December 31, 2006. The ratio of operating working capital requirements to net sales was 10.4% at the end of 2007 compared with 12.3% at the end of 2006.

10.1.2 CONSOLIDATED NET DEBT

In 2007, Rhodia pursued its refinancing strategy. The Group was thus able to refinance almost all of its bonds maturing in 2010 and 2011.

Total borrowings, defined as the sum of current and non-current borrowings and financial debt, totaled €1,918 million at December 31, 2007, compared with €2,435 million at December 31, 2006.

This reduction was principally due to the repurchase of high yield notes prior to maturity, partially offset by the issuance of a convertible bond (OCEANE). This was recognized as debt after separate recognition in shareholders' equity of the share conversion option for €124 million.

Cash and cash equivalents and other current financial assets declined from €486 million at December 31, 2006, to €434 million at December 31, 2007.

Consolidated net debt (defined as non-current and current borrowings less cash and cash equivalents and other current financial assets) was reduced to €1,484 million at December 31, 2007, compared with €1,949 million at December 31, 2006.

10.1.3 RETIREMENT BENEFITS AND SIMILAR OBLIGATIONS

Rhodia's obligations were measured and entered at December 31, 2007 in accordance with amended IAS 19 – Employee Benefits.

Retirement obligations relate to complementary retirement programs and early retirement payments, severance pay, and the like.

Other benefits granted to employees primarily consist of bonuses related to length of service of employees serving in France, the United States of America and the United Kingdom.

Total obligations corresponding to liabilities on the balance sheet amounted to €1,246 million at December 31, 2007, compared to €1,325 million at December 31, 2006.

A detailed description of the analysis of retirement benefits and similar obligations is provided in Note 27 to the consolidated financial statements in chapter 20.3.1.3 of this reference document.

10.1.4 PROVISIONS

Provisions classified under current and non-current liabilities totaled €456 million at December 31, 2007, compared with €453 million at December 31, 2006.

These provisions are analyzed by type as follows:

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

A detailed description of the analysis of provisions by type is provided in Note 28.3 to the consolidated financial statements in chapter 20.3.1.3 of this reference document for the restructuring portion, and in Note 28.4 for the environmental portion.

10.1.5 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities totaled €29 million at December 31, 2007, compared with €43 million at December 31, 2006.

10.1.6 SHAREHOLDERS' EQUITY

Shareholders' equity was negative in the amount of €(368) million at December 31, 2007, compared with the negative amount of €(628) million at December 31, 2007.

As approved by the combined annual shareholders' meeting of May 3, 2007, on June 12, 2007, Rhodia undertook a reverse share split by exchange, at the rate of one new share of €12 par value each, for 12 old shares of €1 par value each. After this date, the consolidated shares were listed on the Euronext Eurolist (Compartment A) in Paris.

At December 31, 2007, the share capital consisted of 100,367,831 shares.

10.2 Group's Consolidated Cash Flows

The following table sets forth consolidated cash flows at December 31, 2007, compared to December 31, 2006.

(in millions of euros)	**December 31, 2006**	**December 31, 2007**
Cash flows		
Net income (loss)	62	129
Net cash flow from operating activities before changes in working capital	244	413
Net cash from operating activities	102	413
Net cash from/(used by) investment activities	(170)	(52)
Net cash from/(used by) financing activities	(376)	(412)
Effect of foreign exchange rate changes	(9)	(1)
Net increase/(decrease) in cash and cash equivalents	(453)	(52)

10.2.1 NET CASH FLOW FROM OPERATING ACTIVITIES

Net cash from operating activities amounted to €413 million in 2007, compared with €102 million in 2006.

This performance results, on the one hand, from an increase of €169 million in net cash flow from operating activities before changes in working capital, which increased from €244 million in 2006 to €413 million in 2007, and on the other hand, from stable working capital requirements (defined the change in clients and other debtors, plus change in inventory less change in suppliers and other creditors plus change in other current assets/liabilities), which went from an increase of €142 million in 2006 to being stable in 2007. This stability demonstrates good management of the working capital requirements.

10.2.2 NET CASH FLOW FROM INVESTING ACTIVITIES

Net cash flow from investing activities accounted for an outflow of €52 million in 2007, compared with an outflow of €170 million in 2006.

The factors explaining this €118 million reduction were:

- a decrease of €5 million in acquisitions of property, plant, and equipment and an increase of €18 million in acquisitions of other assets of a non-recurring nature (in particular, capitalized development expenditures went from €23 million in 2006 to €24 million in 2007 as well as the acquisition of and installation of software that went from €10 million in 2006 to €24 million in 2007);
- a strong increase of €133 million in income realized from the divestment of assets, which amounted to €273 million in 2007, as compared with €140 million in 2006. In 2007, Rhodia completed in particular the divestment of its silicones operations to China National Bluestar Corporation, as well as its phosphates operations in Spain to Misa Inc.;
- an increase of €18 million in acquisition of businesses, in particular due to the purchase of the Washcoat Alumina business from the US group Grace & Co-Conn in 2007;
- an increase of €16 million from the repayment of non-current loan, resulting in an inflow of €16 million in 2007 compared with zero cash inflow in 2006.

10.2.3 NET CASH FLOW FROM FINANCING ACTIVITIES

Net cash from financing activities represented an outflow of €(367) million in 2007, compared with €(390) million in 2006. This net consumption was linked to the fund raised through the repurchase prior to maturity of most of the remaining "High Yield" notes remaining in February and May 2007, partially offset by OCEANE issuance in April.

10.3 Liquidity and Capital Resources

10.3.1 DEBT REFINANCING

Given the refinancing undertaken in 2006 and completed in 2007, essentially the €1,100 million of Floating Rate Notes due in 2013 and a convertible bond (OCEANE) totaling €595 million maturing in 2014, Rhodia expects its liquidity requirements to be assured until maturity of the syndicated credit line in June 2012.

The Group's capacity to repay and/or refinance its debts at maturity will depend on its ability to generate positive operating cash flows and on certain key external factors (the prices of raw materials and exchange and interest rates) which may significantly influence its financial and operating situation.

10.3.1.1 REVOLVING CREDIT FACILITY

In March 2007, Rhodia entered into a multi-currency syndicated credit facility with a limited number of lending banks for €600 million ("Multicurrency Revolving Credit and Guaranty Facility" or "RCF") maturing on June 30, 2012. This new syndicated credit facility replaced the €300 million RFA ("Refinancing Facilities Agreement" or "RFA") maturing on June 30, 2008. The interest rate applied to the borrowed sums corresponds to the bank discount rate according to the currency of the borrowing plus the applicable margin. The applicable margin is reduced based on an improvement in the net consolidated indebtedness/adjusted EBITDA ratio. In addition, Rhodia pays a commitment fee corresponding to 40% or 35% of the applicable margin depending on its level. The syndicated credit facility is usable in the form of bank loans and/or guarantees.

For further information, see Note 24.1 to the consolidated financial statements in chapter 20.3.1.3 of this reference document.

10.3.1.2 HIGH YIELD NOTES

In 2006 Rhodia refinanced a significant portion of its bond debt by executing the following transactions:

- the issuance of €1,100 million in high yield notes due October 15, 2013, bearing interest at three month Euribor plus 2.75%; and
- the early repurchase of the following notes:
  - 99.4% of the outstanding principal amount of its euro-denominated 10.5% Senior Notes due 2010 that remained outstanding after the early redemption of January 24, 2006,
  - 86.1% of the outstanding principal amount of its euro-denominated 8% Senior Notes due 2010,
  - 99.5% of the outstanding principal amount of its dollar-denominated 7.625% Senior Notes due 2010.

The principal amounts reimbursed amounted to $197 million and €720 million. This early redemption resulted in the payment of a premium of €70 million.

The transaction allowed Rhodia to extend its maturity profile, provided greater flexibility, in particular with the possibility of repurchasing the new high yield debt issuance following the one-year anniversary of its issuance, and reduced Rhodia's interest expenses.

In 2007, Rhodia continued to restructure its debt by performing the following transactions:

- early redemption in February of 98.7% of the dollar-denominated High Yield Notes bearing interest at 10.25% and maturing on June 1, 2010. The principal redeemed amounted to $415 million;
- the issue on April 27 of OCEANE bonds (bonds that can be converted or exchanged for new or existing shares) for a nominal amount of €595 million, maturing on January 1, 2014 and bearing interest at 0.5%. OCEANE bonds carry a 13.22% redemption premium. A buyback option may be exercised by Rhodia under certain conditions;
- implementation of a new syndicated credit facility with a limited group of banks for a total of €600 million maturing June 30, 2012, to replace the syndicated facility of €300 million maturing June 30, 2008.

The completion on June 1, 2007 of the early redemption of the following High Yield debts:

- dollar-denominated Senior 7.625% High Yield Notes and euro-denominated Senior 8% High Yield Notes, both maturing in 2010, for respective amounts of $3 million and €97 million;
- dollar-denominated Senior Subordinated 8.875% High Yield Notes and euro-denominated Senior Subordinated 9.25% High Yield Notes, both maturing in 2011, for respective amounts of $302 million and €235 million.

10.3.1.3 TRADE RECEIVABLE SECURITIZATION AGREEMENTS

Rhodia has another source of financing consisting of the monthly or quarterly sale of some of its non-hedged trade receivables.

Certain Group companies dispose of their non-hedged trade receivables within the framework of multi-year asset securitization agreements entered into with various financial establishments or within the framework of agreements for the sale of trade receivables. These sales are performed either on a recourse basis or directly to *ad hoc* entities mainly controlled by Rhodia which retain the risks and rewards inherent to the ownership of the divested assets. As a result, these receivables appear on its balance sheet.

Two securitization programs were implemented in 2005, one in Europe and the other in North America.

The financing amounts available through these securitization programs total €235 million plus £15 million for the pan-European program and $100 million for the North American program.

Neither of the two European and North American securitization programs contain financial covenants based on Rhodia's financial performance. They do, however, provide for cross-acceleration upon the acceleration of debt incurred under the Revolving Credit Facility or any other debt of Rhodia in an amount in excess of €10 million.

The pan-European program also provides for cross acceleration in the event of enforcement of security provided by Rhodia S.A. to the lenders under the Revolving Credit Facility or any other financing arrangement involving an amount greater than €10 million.

These two programs were renegotiated in 2007, specifically to reduce financial costs.

At December 31, 2007, the amount of uncollected trade receivables sold by Group companies as part of the securitization programs and assignment of trade receivables agreements amounted to approximately €237 million, for which Rhodia received a net financing of approximately €127 million. The difference corresponds to over-collateralization.

10.3.1.4 UNCOMMITTED CREDIT FACILITIES

Rhodia and certain of its subsidiaries, including unconsolidated subsidiaries, have entered into a number of uncommitted facilities, overdraft authorizations and letters of credit with various financial institutions. The majority of these facilities exist to finance working capital requirements and for general corporate purposes. These facilities do not typically have a specified maturity and the lenders may generally cancel these facilities with relatively short notice.

The uncommitted credit facilities and overdraft authorizations of consolidated subsidiaries amounted to €112 million at December 31, 2007.

10.3.1.5 GUARANTEES

As of December 31, 2007, guarantees corresponding to unconsolidated subsidiaries or affiliates of Rhodia amounted to €6 million.

10.3.2 BORROWINGS

See Note 24.3 to the consolidated financial statements in chapter 20.3.1.3 of this document.

10.3.3 OFF-BALANCE SHEET COMMITMENTS

Note 30 to the consolidated financial statements, in chapter 20.3.1.3, provides detailed analysis of off-balance sheet commitments and contractual obligations.

During the March 2007 implementation of the "RCF" Multicurrency Revolving Credit and Guaranty Facility, Rhodia S.A. provided collateral security in connection with the implementation of this syndicated credit line. Such collateral security is made up of a pledge of the securities of one of its subsidiaries and a pledge of a secured loan of another of its subsidiaries. At December 31, 2007, this surety largely covered amount drawn under the RCF, which amounted to €63 million at such date.

10.3.4 LIQUIDITY

Rhodia had €415 million in cash and cash equivalents at December 31, 2007, compared to €467 million at December 31, 2006.

Rhodia also had €7 million in other liquid, current financial assets at December 31, 2007.

The Rhodia Group also had €537 million in available credit facilities.

The Group's liquidity was €959 million at December 31, 2007, compared to €721 million at December 31, 2006.

10.4 Information on Any Restrictions on the Use of Capital Resources

See chapters 4 and 10.3 above.

10.5 Information on Anticipated Sources of Funds Needed to Fulfill Commitments

Information concerning financing sources expected or needed to meet commitments, as described in chapters 5.3 and 8.1, appear in chapter 10.3, above.

11

Research and Development

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KEY FIGURES 2007

R&D Personnel	1,045
Number and locations of research and technologies centers	5 (Aubervilliers, Lyon, Shanghai, Paulinia, Bristol)
Expenses dedicated to R&D (cash-flow total)	€119 million
Capitalization R&D	€24 million
Number of registered patents	112

These numbers include one month of the R&D activity of Silicones, which was sold at the end of January 2007.

The primary goals of the R&D department are to improve profitability of existing operations and develop new opportunities. The department includes a solid, dynamic and international network of experts who ensure technical support for marketing activities, improve the performance of industrial processes and launch new products.

In 2007, Rhodia continued to concentrate on its portfolio of innovative products by focusing on projects with the highest value based on technical and economic performance indicators. Projects have been prioritized with regard to the value creation based on future cash flow generation and the Group's sustainable development goals, taken into account when choosing projects and throughout the research and development process.

Rhodia also strengthened the principle of centralization of its intellectual protection with a systematic policy of taking out patents for inventions of products or processes in its laboratories. In 2007, 112 patent applications were filed.

Lastly, Rhodia Operations (France) is currently the economic and legal owner of the majority of the technological assets of the Group, which is administered entirely from France.

11.1 An International and Dynamic R&D Organization

The Group has five modern, well equipped and competitive research centers in France, China, Brazil and in the United States. These research centers have the most modern tools for communicating and sharing data for effective project management at a global level. This is the way one of the Group's major projects for new solvents with an excellent environmental profile is handled.

To consolidate this system, in 2007, the Group renewed and extended its investment in R&D equipment for the equivalent of €8 million along two major lines: the strengthening of the Asia zone and the creation of the Pierre-Gilles de Gennes Innovation Center. This effort will be reinforced in 2008, particularly in Asia.

With regard to its development strategy in Asia, Rhodia has decided to build a new extension of its research and technological center in Shanghai. This new R&D unit, which is to begin operating in summer 2008, will make it possible to increase the number of researchers to 150. Beyond their current activities of development and customer services, these R&D teams will be responsible for the following:

- improving processes in order to support the rapid growth of industrial operations in the Asia/Pacific region;
- develop new products from key technologies (polyamide, rare earths and chemical formulas), adapted to the Asian consumer, particularly in cars, electronics, personal care and household, oil deposits and agrochemical markets.

All these research and development activities will be conducted by respecting the global commitments of Rhodia in terms of sustainable development for the protection of the environment, the control of energy, safety and globalization.

On December 11, 2007, Rhodia created the Pierre-Gilles de Gennes Innovation Center on its site in Pessac, near Bordeaux. This center is aimed at becoming the platform for large innovation projects. It will benefit from the expertise and the worldwide influence of the Laboratory of the Future (LOP), a joint Rhodia/CNRS/Université de Bordeaux I project, already set up on the site, and will benefit from the extensive young talent in the field of physics, chemistry and microtechnologies.

The first project based on the Pierre-Gilles de Gennes Innovation Center concerns petroleum-assisted recovery. Currently, technologies make it possible to extract no more than 35% of the petroleum in geological formations and the development of new, more productive technologies represents a challenge to meeting future energy needs. Rhodia has committed itself to technologies of surfactants and water-soluble polymers, its skills in physics/chemistry of surface fluids and on the use of microfluidics and robotics developed in the Laboratory of the Future.

11.2 New Products to Strengthen Rhodia's Leadership Positions

11.2.1 CAR MARKET: NEW POLYAMIDES

Rhodia has set its sights on being the worldwide technological leader of polyamide 6.6, a polymer with unique mechanical, thermal and chemical-resistant properties. In particular, Rhodia focuses on the market for engineering plastics for cars, by developing a product offering that meets the large needs of this industry: reduction of greenhouse gas emissions, improvement in the perceived quality and recyclability.

An entirely new polyamide with a very high fluidity was launched in 2007, the Technyl Star ™ AFX. Covered by a wide-ranging portfolio of patents, this product provides significant gains in productivity for clients. It also makes it possible to envision new polyamide-based materials that can compete with metal in the production of parts, thereby contributing to the weight-reducing program of vehicles to cut down on gas consumption and greenhouse gas emissions.

Rhodia has also launched new products with improved performance, such as Technyl® HP. This unique plastic, used for applications under the hood, offers good performance in terms of temperature resistance compared to more expensive high-performance polymers.

11.2.2 AUTOMOBILE MARKET: NEW SILICAS AND PROCESSES

As the inventor of high-performance silicas for energy-efficient tires, Rhodia is the market leader and is working with leading tire manufacturers throughout the world to increase use of this technology to all types of vehicles.

In 2007, Rhodia introduced its Zeosil® Premium line to its privileged clients, a new generation of highly dispersible silicas. This unique-shaped innovative silica will be the first to offer the strengthening properties of silica with no degradation to its dispersibility and its processability in rubber. It makes it possible to significantly reduce rolling resistance in vehicles, decreasing the environmental impact, while offering better performance on the highway and an increased life span for tires. Due to its ease of implementation in production, it makes it possible to optimize productivity.

Teams have also continued work on increasing the productivity of existing industrial tools and optimizing investment costs of future units planned to meet the very high demand of the tire market.

11.2.3 AUTOMOBILE MARKET: AUTOMOBILE CATALYST

The integration of the R&D teams and the technology of aluminas acquired from Grace, a US company is now complete. Research programs include new potential products provided by this technology, which supplements mixed oxides of rare earths. The main activity of the teams is to follow the development of the regulatory requirements of auto emission standards and to make the Rhodia offering evolve in accordance with the introduction of Euro V and Euro VI standards. New generations based on new mixed-oxide structures have been patented and introduced on the market through its Optalys line. They make it possible to improve the thermal stability of the catalyst supports and to optimize precious metals, active catalysts, filed by clients.

11.2.4 INNOVATION FLUIDS AND SURFACES

Applications in the Personal Care market of patented technologies of specific structured lipid (SSL) fluids continue to be extended through projects in joint ventures with clients.

The market of assisted recovery of petroleum continues to demand technical solutions adapted to the specific needs of new drilling technologies or increasingly demanding reserves. Rhodia's portfolio of technologies (surfactants, polymers, phosphorus-derived pesticides) and its experience in the field of fluid and surface physics/chemistry enable it to work in partnership with service companies in this industry and to quickly develop the desired solutions. Thus, the technological platform of viscoelastic surfactants continues to develop quickly in this market. In 2007, new generations of functional additives based on polyamide technologies were introduced on this market and are in the testing phase on pilot wells.

Moreover, Rhodia has significantly reinforced its resources in the Pierre-Gilles de Gennes Center and its alliances to develop the solutions needed for the assisted recovery of oil.

11.2.5 "GREEN" SOLVENTS

Because oxygenated solvents are environmentally responsible (biodegradable and non-toxic) compared to traditional aromatic petroleum-based solvents or chlorinated solvents, the Group is basing itself on two important strategic positions for the development of new "green" solvents:

- its positions in Brazil and its capacities for local sourcing of raw materials such as ethanol; and
- its chain of polyamide intermediaries.

2007, saw the development of significant intellectual property rights on the new derivatives, and led to the launching of a new line product line, Rhodiasolv® Iris. The first industrial units that have come out of this research began operating in 2008 in Brazil (Santo Andre) as well as in other countries, such as China.

Moreover, Rhodia experts renowned for their industrial skills in the development of solvents published in 2007 a technical paper *Industrial Solvents – Selection, Formulation and Application* that has quickly become a reference for the various industries, in Latin America, where it was initially distributed.

11.3 Building a Lasting Future

The chemical industry worldwide faces very high societal, environmental and economic expectations from all those directly involved. There is a rapid increase in awareness and information concerning the impact on the health and environment of products and processes. Controlling these aspects as well as monitoring and anticipating regulatory changes have become essential.

The R&D support function, highly committed to sustainable development, evaluates - before committing itself to any project and for the duration thereof – the advantages in terms of competitiveness but also, and at the same level of importance, in terms of its societal and environmental impact.

In 2007, a special effort was made in conjunction with the R&D and the industrial management of the Group, to clarify and prioritize the portfolio of projects based on these criteria. The aim of the Group is to have, in particular, for its key technologies reference processes both on the economic and sustainable development level. This is important with regard to its existing plants whose competitiveness has improved by its incremental improvement actions. This is even more critical for new industrial investments of capacity that must be done on the basis of modernized and competitive processes. Thus, a dozen projects for new generation processes were launched by pursuing efforts concerning the intensification of these processes, particularly in mineral chemistry and polymers. They aim at providing breakthroughs (Step Change) in the three fundamental axes which are the reduction of production costs, reduction of the units' capital intensity and sustainable development.

Also in 2007, a team evaluating processes (economic, energy and eco-efficiency evaluations) was set up. It is responsible for evaluating the competitiveness of Rhodia's solutions compared to top competitors but also to measure the energy efficiency of the processes, to quantify the impact of the products and processes on the environment and human health, the use of resources and greenhouse gas emissions. This team aims to put into context the eco-design approach and analysis of the life cycle with the main European regulations and directives on the environment and with international changes (REACH life cycles, analysis etc).

Rhodia is reinforcing its strategy, considering sustainable development to be one of the pillars of the Group's innovation approach in together with its Rhodia Way collective commitment.

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Trend Information

At the beginning of 2008, demand remains stable in the markets which the Group serves. Rhodia Expects new growth in its sales volumes in 2008, in particular in the dynamic Asian and Latin American markets. Of Rhodia's 13 million tons of Certified Emission Reduction (CER) credits allocated for 2008, 9 million tons have already been sold for €15 per ton.

Raw material and energy costs increased rapidly in the start of 2008. Rhodia is confident that over the course of 2008 it will be able to maintain its operating profit by passing on cost increases to its selling prices. However, in the first quarter, certain discrepancies may exist between the effect of cost increases and the effective incorporation of such cost increases into selling prices, due to the rapidity of cost increases of raw materials and energy.

In spite of this challenging environment, Rhodia is confident of further progression of its performance in 2008 and anticipates further growth of its recurring EBITDA and earnings per share.

In the mid-term, Rhodia expects its top line growth to exceed the market average. Free Cash Flow generation will increase, and Rhodia aims to achieve a CFROI above the cost of capital for all businesses, allowing for increasing dividends.

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Forecasts or Estimates of Profits

In its reference document for 2006, Rhodia announced the following forecasts for 2007:

- a significant increase of recurring EBITDA, resulting primarily from the sale of CERs, but also from the improvement of EBITDA generated by its chemicals operations: as noted in chapter 3, recurring EBITDA increased from €683 million in 2006 to €799 million in 2007;
- return to a positive "Free Cash Flow" at the end of 2007: as described in chapter 3, "Free Cash Flow" at the end of 2007 amounted to €161 million;

In the same reference document, Rhodia announced the following forecasts for 2008:

- reaching a net consolidated indebtedness [12]/recurring EBITDA ratio of less than 2.0.: at December 31, 2007, this ratio was 1.86. Rhodia has thus effectively attained levels that were estimated for 2008, a year in advance;
- achieving a margin of more than 15% for recurring EBITDA for its chemical operations.

Rhodia no longer retains this indicator, which does not reflect changes in its operational performance in the current context of significant cost increases for raw materials and energy. Increases in its selling prices, which compensate for higher raw material and energy costs, enable Rhodia to maintain its level of recurring EBITDA, while increasing net sales. Recurring EBITDA margins are therefore automatically lower.

(12) Defined as the sum of long-term borrowings, short-term borrowings and the current portion of long-term borrowings less cash and cash equivalents and other current financial assets.

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Administrative and Management Bodies

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14.1 Information on the Administrative and Management Bodies

14.1.1 THE BOARD OF DIRECTORS

14.1.1.1 COMPOSITION AND DEVELOPMENT OF THE BOARD OF DIRECTORS SINCE THE BEGINNING OF 2007

There are currently 11 members of Rhodia's Board of Directors. The Company bylaws state that the Board must have a minimum of three and a maximum of 18 members.

Since the beginning of 2007, no modification has been made to the composition of the Board of Directors.

Mr. Jean-Pierre Clamadieu and Mr. Jacques Khéliff are the only two Directors who hold executive positions within the Group.

There is no non-voting Director on the Board of Directors.

14.1.1.2 INFORMATION ABOUT DIRECTORS

Names	Position (Appointment/ renewal/ termination of the position)	Positions and other offices in French or foreign companies during the last five years	Number of Rhodia shares held[(1)]	Professional activity during the last five years
Mr. Yves-René Nanot (born on March 27,1937)	Appointment by the Board of Directors meeting dated October 25, 2002 Ratification of the appointment by the general shareholders' meeting dated April 29, 2003 Renewal of the position by the general shareholders' meeting dated March 31, 2004 Termination of the position after the general shareholders' meeting called to approve the financial statements for 2007.	*Current positions:* *In France:* Chairman and Chief Executive Officer of Ciments Français Director of Provimi *Abroad:* Director of Italcementi (Italy), Centre Technique Groupe S.P.A. and of the subsidiaries of Ciments Français: Essroc (USA), Cimar (Morocco), Zuari Cement Ltd (India), Set Group Holding (Turkey), Asia Cement Public Co Ltd (Thailand), Suez Cement Co (Egypt) *Positions during the last five years, no longer exercised:* Director of Cereol, Cerestar and Imerys	11,000	Chairman and Chief Executive Officer of Ciments Français (since July 1993) Chairman of the Board of Directors of Rhodia (from March 31, 2004 to March 17, 2008) Vice President of Rhodia (from October 3, 2003 to March 30, 2004)
Mr. Jean-Pierre Clamadieu (born on August 15, 1958)	Appointment by the Board of Directors meeting dated October 3, 2003 Ratification of the appointment by the general shareholders' meeting dated March 31, 2004 Renewal of the position by the general shareholders' meeting dated June 23, 2005 Termination of the position after the general shareholders' meeting called to approve the financial statements for 2008.	*Current positions:* *In France:* Delegate of the Manager of Rhodia Participations (Rhodia) Director of Faurecia and SNCF *Positions during the last five years, no longer exercised:* Directors of subsidiaries of Groupe Rhodia	53,934 He also holds 18.085 shares in the mutual fund "Actions Rhodia" from the Employee Stock Ownership Program corresponding to the same number of Rhodia shares	Chairman and Chief Executive Officer of Rhodia since March 17, 2008 Chief Executive Officer of Rhodia from October 3, 2003 to March 17, 2008 Chairman of Rhodia from October 3, 2003 to March 30, 2004 Chief Executive Officer of Pharmacy and Agrochemicals Division (from April to October 2003) Chief Executive Officer of Fine Organics Division (from January 2002 to April 2003)
Mr. Aldo Cardoso (born on March 7, 1956)	Appointment by the Board of Directors meeting dated July 28, 2004 Ratification of the appointment by the general shareholders' meeting dated June 23, 2005 Renewal of the position by the general shareholders' meeting dated June 23, 2005 Termination of the position after the general shareholders' meeting called to approve the financial statements for 2008.	*Current positions:* *In France:* Director of Gaz de France, Imerys and Accor Censor of Bureau Véritas and Axa Investment Managers *Abroad:* Director of Mobistar (Belgium) *Positions during the last five years, no longer exercised:* Director of Penauille Polyservices (from June 2004 to June 2005), of Axa Investment Managers and Orange	2,156	Executive Chairman of Andersen Worldwide (2002-2003)

(1) Article 11 of the bylaws of the Company requires that each Director hold at least 100 shares, the Board of Directors' regulations recommend that each Director hold a significant number of shares of the Company equivalent in value to one year of Director's compensation.

Names	Position (Appointment/ renewal/ termination of the position)	Positions and other offices in French or foreign companies during the last five years	Number of Rhodia shares held[(1)]	Professional activity during the last five years
Mr. Pascal Colombani (born on October 14, 1945)	Appointment by the general shareholders' meeting dated June 23, 2005 Termination of the position after the general shareholders' meeting called to approve the financial statements for 2008	*Current positions:* *In France:* Director of Alstom SA, Technip SA and Valeo SA *Abroad:* British Energy Group plc (United Kingdom *Positions during the last five years, no longer exercised:* Chairman of the supervisory board of Areva (from 2001 to 2003) Director of EDF (from 2000 to 2003), Cogema (from 2000 to 2003) and of Institut Français du Pétrole (2001-2006) Chairman of Association Française pour l'Avancement des Sciences (2003-2006) Chairman of the board of directors of ENS Cachan (from 2001 to 2003)	157	Senior Advisor of A. T. Kearney since 2003 Senior Advisor of Detroyat & Associés
Mr. Jérôme Contamine (born on November 23, 1957)	Appointment by the general shareholders' meeting dated March 31, 2004 Termination of the position after the general shareholders' meeting called to approve the financial statements for 2007	*Current positions:* *In France:* Director of Veolia Transport, Veolia SA Propreté, VE Services-RE, VEETRA, Veolia PPP Finance and Valeo Chairman of VE IT Member of the supervisory board of A&B of Dalkia and Dalkia France and Veolia Eau *Abroad:* Chairman of VENAO (United-States) Director and Chief Executive Officer of Veolia UK (United-Kingdom), Director of Veolia Environmental Services UK Plc (United-Kingdom), Veolia ES Holdings (United-Kingdom), *Positions during the last five years, no longer exercised:* *In France:* Member of the executive board of Vivendi Environment (from September 8, 2000 to April 30, 2003) Chairman of the board of directors of VE Services Ré (from September 19, 2001 to June 2, 2003) *Abroad:* Chairman of VENAO (United-States), of FCC Spain (from September 27, 2000 to September 15, 2004,Cementos Portland (Spain – from November 13, 2002 to September 15, 2004) and of VENAC (United-States, from August 31, 2001 to August 28, 2006)	1,563	Chief Executive Officer of Veolia Environment (since May 2003) Deputy Executive Officer and member of the executive board of Vivendi Environment (from January 2002 to April 2003)

(1) Article 11 of the bylaws of the Company requires that each Director hold at least 100 shares, the Board of Directors' regulations recommend that each Director hold a significant number of shares of the Company equivalent in value to one year of Director's compensation.

Names	Position (Appointment/ renewal/ termination of the position)	Positions and other offices in French or foreign companies during the last five years	Number of Rhodia shares held[(1)]	Professional activity during the last five years
Mr. Michel de Fabiani (born on June 17, 1945)	Appointment by the Board of Directors meeting dated April 29, 2003 Ratification of the appointment and renewal of its position by the general shareholders' meeting dated March 31, 2004 Termination of the position after the general shareholders' meeting called to approve the financial statements for 2007	*Current positions:* *In France:* Vice-President of the Franco-British Chamber of Commerce and Industry; Chairman of Hertford British Hospital Corporation Director of BP France Member of the supervisory board of Vallourec *Abroad:* Director of Star Oil Mali SEMS Morocco and EB Trans Luxembourg *Positions during the last five years, no longer exercised:* *In France:* Director of Institut Français du Pétrole	3,125	Chairman and Chief Executive Officer of BP France (from 1995 to 2004) Vice-President of Europe Groupe BP (from 1999 to 2004)
Mr. Jacques Khéliff (born on October 19, 1953)	Appointment by the general shareholders' meeting dated June 23, 2005 Termination of the position after the general shareholders' meeting called to approve the financial statements for 2008		9,256 He also holds 356 shares in the mutual funds "Actions Rhodia" under the Employee Stock Ownership Program corresponding to the same number of Rhodia shares	Manager of Sustainable Development of Rhodia since October 2003 Deputy Director of Rhodia and consultant of the Chairman from November 2002 to October 2003
Mr. Olivier Legrain (born on September 30, 1952)	Appointment by the general shareholders' meeting dated June 23, 2005 Termination of the position after the general shareholders' meeting called to approve the financial statements for 2008	*Current positions:* *In France:* Chairman and Chief Executive Officer of Materis since January 2001, Chairman of Materis SAS, Materis Corporate Services SAS, Materis Corporate SAS, Materis Adjuvants SAS, Materis Aluminates SAS, Parex Group SAS, Materis Paints SAS, Chryso SAS, Materis Peintures SAS, Chairman and Chief Executive Officer of Kerneos SA, Director of ParexLanko SA, Parrot, Terreal *Abroad:* Chairman of Materis Holding Luxembourg SA, Manager of Materis Luxembourg SARL, member of the managing board of Materis Parent SARL (Luxembourg)	2,031	Chairman and Chief Executive Officer of Materis since January 2001
Mr. Pierre Lévi* (born on February 19, 1955)	Appointment by the general shareholders' meeting dated October 25, 1999 Ratification of the appointment by the general shareholders' meeting dated April 18, 2000 Renewal of the position after the general shareholders' meeting dated June 23, 2005 Termination of the mandate after the general meeting called to approve the financial statements for 2008	*Current positions:* Abroad: Director of Deutsch (United States) *Positions during the last five years, no longer exercised:* *In France:* Chairman and Chief Executive Officer of Faurecia SA Chairman of Faurecia Automotive Holdings Chairman of the executive board Faurecia Investissements *Abroad:* Director Faurecia Exhaust Systems, Inc. and Faurecia Exhaust Systems, LLC (United States)	4,279 He also holds 1,551 shares in the mutual funds "Actions Rhodia" and "Rhodia 2000" under the Employee Stock Ownership Program corresponding to the same number of Rhodia shares	Chairman and Chief Executive Officer of Faurecia from May 22, 2000 to August 2, 2006

(1) Article 11 of the bylaws of the Company requires that each Director hold at least 100 shares, the Board of Directors' regulations recommend that each Director hold a significant number of shares of the Company equivalent in value to one year of Director's compensation.

** Following a lawsuit against him in his capacity as the chairman and chief executive officer of Faurecia in a case of corruption, Mr. Pierre Lévi entered into a settlement agreement with the public prosecutor in Frankfort (Germany) in June 2007, involving a payment of 300,000 euros to charitable associations and a one-year suspended sentence.*

Names	Position (Appointment/ renewal/ termination of the position)	Positions and other offices in French or foreign companies during the last five years	Number of Rhodia shares held (1)	Professional activity during the last five years
M. Francis Mer (born on May 25, 1939)	Appointment by the Board of Directors meeting dated May 13, 2004 Ratification of the appointment by the general shareholders' meeting dated June 23, 2005 Renewal of the position by the general shareholders' meeting dated June 23, 2005 Termination of the position after the general shareholders' meeting called to approve the financial statements for 2008	*Current positions:* *In France:* Chairman of the supervisory board of SAFRAN *Abroad:* Director of Adecco (Switzerland) *Positions during the last five years, no longer exercised:* *In France:* Chairman of the supervisory board of the Foundation for Innovation Policy *(Fondation pour l'Innovation Politique)*, Director of Alstom *Abroad:* Director of Inco (Canada)	116	Minister of Economy, Finance and Industry (from May 7, 2002 to March 30, 2004)
Mr. Hubertus Sulkowski (born on April 1, 1943)	Appointment by the Board of Directors meeting dated October 20, 1999 Ratification of the appointment by the general shareholders' meeting dated April 18, 2000 Renewal of the position by the general shareholders' meeting dated March 31, 2004 Termination of the position after the general shareholders' meeting called to approve the financial statements for 2007	*Positions during the last five years, no longer exercised:* Director of Rhodia ChiRex (from September 20, 2000 to February 20, 2003)	3,732	Partner in the law firm Shearman & Sterling LLP (since 1987)

(1) Article 11 of the bylaws of the Company requires that each Director hold at least 100 shares, the Board of Directors' regulations recommend that each Director hold a significant number of shares of the Company equivalent in value to one year of Director's compensation.

The Directors' professional address for the purposes of their functions in Rhodia is the registered office of Rhodia

14.1.1.3 MANAGEMENT PRACTICES

The Company 's Board of Directors, at its meeting of March 31, 2004, decided to separate the duties of the Chairman of the Board of Directors from those of the Chief Executive Officer, thus using the power authority offered by the NRE law [13].

Since then and within the framework of this dissociation of the duties of Chairman of the Board of Directors and the Chief Executive Officer, Yves René Nanot served as the Chairman of the Board of Directors, and Jean-Pierre Clamadieu as the Chief Executive Officer, while also being a member of the Board of Directors.

At the time of the meeting of the Board of Directors on March 17, 2008, Mr. Yves René Nanot, pursuant to the statutory provisions concerning the age limit of Chairman, resigned as Chairman of the Board (maintaining his position as Director). Considering this situation and the development of the Company, the Board of Directors, at the same meeting, decided to reunite the functions of the Chairman and the Chief Executive Officer and to confer to Mr. Jean-Pierre Clamadieu the position of the Chairman of the Board of Directors assuming the direction of the Management Committee of the Company.

This choice to reunite the functions of the Chairman of the Board of Directors and the Chief Executive Officer has been made to the streamline decision-making and accountability. The presence of a majority of independent Directors on the Board as well as the internal rules of the Board of Directors offer the guaranties necessary to ensure the kind of management that respects good practices of corporate governance.

(13) Law no. 2001-420 of May 15, 2001 related to new economic regulations and incorpored into the bylaws of Rhodia.

14.1.1.4 TERM IN OFFICE OF DIRECTORS

The bylaws provide that each Director is elected for a term of four years, as recommended in the consolidated AFEP-MEDEF report.

The table below shows the term in office of each Director:

Term in office	Names of Directors
The general shareholders' meeting called to approve the 2007 financial statements	Yves René Nanot, Jérôme Contamine, Michel de Fabiani, Hubertus Sulkowski
The general shareholders' meeting called to approve the 2008 financial statements	Jean-Pierre Clamadieu, Aldo Cardoso, Pascal Colombani, Jacques Khéliff, Olivier Legrain, Pierre Lévi, Francis Mer

The renewal of terms for Mr. Yves René Nanot, Mr. Jérôme Contamine and Mr. Michel de Fabiani will be voted on at the shareholders' meeting that is to be held on May 16, 2008 (upon second notice of meeting).

Detailed information on the status of the Directors' terms can be found in chapter 14.1.1.2, above.

14.1.1.5 MANAGEMENT SKILLS AND EXPERIENCE OF THE MEMBERS OF THE BOARD OF DIRECTORS

The criteria considered for the selection of Directors include their management skills and experience. The tables shown in chapter 14.1.1.2 above show the professional activity of the Directors and thus provides information on their respective experiences. Brief biographies illustrating their respective experiences are also provided below.

Yves René Nanot has been a Director of Rhodia since October 25, 2002. He served as the vice president of the Board of Directors from October 3, 2003 to March 30, 2004, and as Chairman of the Board of Directors from March 31, 2004 to March 17, 2008. He is also the chairman of the board of directors and chief executive officer of Ciments Français, director of Provimi and Italcementi (Italy), Centre Technique Groupe S.P.A. and foreign subsidiaries of Ciments Français in the United States of America, Morocco, India, in Thailand, in Turkey and in Egypt. He was appointed the chairman and chief executive officer of Total France, then the chairman of Total Refining and Marketing and a member of the Total Group Executive Committee. Mr. Nanot joined the Total Group in 1983, and was the chairman and chief executive officer of Hutchinson SA from 1983 to 1989. Mr. Nanot started his career at Du Pont de Nemours in the United States of America, holding various positions in that company in France and in Europe between 1962 and 1983. Mr. Nanot is a graduate of the *École Nationale Supérieure des Arts et Métiers* of Paris and holds an MBA and PhD from the University of California at Los Angeles (UCLA). Mr. Nanot was born on March 27, 1937.

Jean-Pierre Clamadieu is the Chairman and Chief Executive Officer of Rhodia since March 17, 2008. Prior to that, he served as the Chief Executive Officer since October 2003. He is also a director on the board of directors of Faurecia since May 29, 2007 and of SNCF since February 21, 2008. Mr. Clamadieu was the president of the Pharmacy and Agrochemicals Division from April to October 2003, president of the Fine Organics Division from January 2002 to April 2003, senior vice president of Corporate Purchases in 2001 and president of Rhodia Eco Services between 1999 and 2000. From 1996 to 1999, he served as the president of the chemical sector responsible for chemical activities of the Rhône-Poulenc Group for the Latin America zone of Rhodia. Mr. Clamadieu came to Rhône-Poulenc in 1993 to develop new activities in the field of automobile pollution control. Before joining Rhône-Poulenc, Mr. Clamadieu was a technical advisor to the Minister of Labor from 1991 to 1993. Mr. Clamadieu started his professional career in 1984, occupying various positions in French governmental agencies such as the Regional Industry and Research Office (DRIR) and the French Delegation for Territorial Development and Regional Action (DATAR). Mr. Clamadieu was born on August 15, 1958; he is a graduate of the *École des Mines* of Paris.

Aldo Cardoso has been a Director of Rhodia since July 28, 2004; he is currently the chairman of the Group's Audit Committee and member of the Compensation and Selection Committee. Mr. Cardoso is also a director of Gaz de France, Imerys, Accor, Mobistar (Belgium) and censor of Bureau Veritas and Axa Investment Managers. Mr. Cardoso was the executive president of Andersen Worldwide from 2002 to 2003, the chairman of the supervisory board of Andersen Worldwide from 2000 to 2001, and the chief executive officer of Andersen France from 1998 to 2002. Mr. Cardoso began his career in 1979 as a consultant auditor in the Andersen Group, was named a partner in 1989 and was a director of the audit department in France in 1993, prior to taking responsibility for the European audit department and financial consultancy in 1998. Mr Cardoso was born on March 7, 1956, and is a graduate of the *École supérieure de commerce de Paris.*

Pascal Colombani was appointed Director of Rhodia during the shareholders' meeting of June 23, 2005, and currently serves as member of the Strategic Committee. Mr. Colombani is a senior advisor of the strategy consulting office A.T. Kearney since 2003 and director of Alstom, Technip, Valeo, and the British Energy Group. Mr. Colombani held the chair of the supervisory board of Areva until 2003 and was a general director and the chairman of the board of directors of the Atomic Energy Commission Commissariat (CEA) from 1999 to December 2002. Mr. Colombani is also the senior advisor of Detroyat et Associés. From 1998 to

1999, he was the director of technology at the French Ministry of Education, Research and Technology, after working almost 20 years for Schlumberger in various positions in Europe, the United States, and Asia, presiding notably over a Japanese subsidiary of the group in Tokyo. He began his career at France's CNRS Nuclear Physics Institute. Mr. Colombani was born on October 14, 1945, and graduated from the *École Normale Supérieure* in France, with a degree in physics (*Aggrégation*) (1969), and holds a doctorate in physics (1974).

Jérôme Contamine has been a Director of Rhodia since March 2004, and is currently a member of the Audit Committee. He is the chief executive officer of Veolia Environment since 2003, responsible for transfunctional activities. Mr. Contamine is currently the chairman of VENAO (United States), a director and the chief executive officer of Veolia UK, and a director of Veolia Environmental Services UK plc and Veolia ES Holdings (Great Britain). In France, Mr. Contamine is also a director of Veolia Transport, Veolia Propreté, VE Services-RE, VEETRA, Veolia PPP Finance and Valeo. Mr. Contamine is also a member of the supervisory boards of A&B of Dalkia, Dalkia France and Veolia Eau. Finally, he is the chairman of VE IT. In 2000 he was named a director for the Europe/central Asia region of the Exploration/Production region of TotalFinaElf. The same year, he joined Vivendi Environment as the executive vice president, Finance (from 2000 to 2001), where he then served as director of the management board (January 2002 to April 2003) and then as the chief executive officer. He became the chairman and chief executive officer of Elf Norway in 1995, after being named deputy of the vice president of Elf Exploration-Production Division for Europe and the United States. Mr. Contamine began work in the Elf Aquitaine group in 1988, where he occupied several positions within the Finance Department. He started his career as a public auditor at the French Accounting Court, where he worked from 1984 to 1988. Mr. Contamine was born on November 23, 1957; he is a graduate of the *École Polytechnique* (1979) and of the *École Nationale d'Administration* (1984).

Michel de Fabiani was appointed to the Board of Rhodia in April 2003, and currently serves as the chairman of the Compensation and Selection Committee and a member of the Audit Committee. He is also the vice president of the Franco-British Chamber of Commerce and Industry and a chairman of Hertford British Hospital Corporation, a director of BP France, and a member of the supervisory board of Vallourec. Abroad, he is a director of Star Oil Mali, SEMS Morocco and EB Trans Luxembourg. He was the chairman and chief executive officer of BP France from 1995 to 2004 and the regional president of Europe BP Group from 1999 to 2004. He also previously served as the chief executive officer of BP Oil Europe. Mr. Fabiani was born on June 17, 1945; he is a graduate of the *École des Hautes Études Commerciales* (1967).

Jacques Khéliff was appointed Director at the shareholders' meeting of June 23, 2005, upon voluntary proposal of the Board of Directors due to its interest in having a representative of employee shareholders. Since October 2003, he has been Rhodia's Vice President for Sustainable Development, after having joined the Group in November 2002 as Assistant and Special Advisor to the President for Sustainable Development. Mr. Khéliff was the general secretary of the CFDT Federation of Chemical and Energy Industry Workers from 1997 to 2002, after having risen to the position of the general secretary of the Unified Federation of Chemical Industry Workers in 1984. At the same time, he became a member of the CFDT trade union's national bureau. He also was the vice president of the European Mine, Chemical and Energy Workers Federation (EMCEF). He started his career with Rhône-Poulenc at the Chalampé factory in 1972, where he was involved in CFDT trade union activities. Mr. Khéliff was born on October 19, 1953.

Olivier Legrain was appointed Director at the shareholders' meeting of June 23, 2005, and currently serves as a member of the Compensation and Selection Committee. Since January 2001, he is the chairman and chief executive officer of Materis, which was created out of Lafarge's specialty materials business, as well as the chief executive officer and director of a number of various companies of the Materis group. He joined the Lafarge group in 1994 where he was the group's chief operating officer, and afterwards managed the specialty materials division in 1995, and strategy materials division in 1997. He had previously held a number of senior executive positions in various divisions of the Rhône-Poulenc Group. He joined Rhône-Poulenc in 1986 as the chief operating officer of the Basic Chemicals Division. Mr. Legrain was born on September 30, 1952, and is a graduate of *École Civile des Mines.*

Pierre Lévi has been a Director since October 1999 and also currently serves on the Strategic Committee. He is a director of Deutsch (USA). He served as the chairman and chief executive officer of Faurecia SA from May 22, 2000 to August 2, 2006. Prior to 1999, he held executive positions at Rhodia, Rhône-Poulenc and Carnaud Metalbox. Mr. Lévi was born on February 19, 1955; he is a graduate of the *École des Mines* and received an MBA from Wharton Business School.

Francis Mer has been a Director since May 13, 2004 and currently serves as the chairman of Rhodia's Strategic Committee. He is also the chairman of the supervisory board of SAFRAN, and a director of Adecco (Switzerland) and Inco (Canada), and, since June 1988, has been the chairman of the French Steel Federation (*Fédération française de l'acier*). Mr. Mer served as Minister of Economy, Finance and Industry in the French Government from May 7, 2002 to March 30, 2004, and the chairman of the board of directors of Usinor-Sacilor then Arcelor from 1986 to 2002. In July 1982, he became the chairman and managing director of Pont-à-Mousson SA and director of the Saint-Gobain Group's Pipelines and Mechanical Engineering Division, after having served as the deputy managing director in charge of industrial policy. He acted as the managing director of Saint-Gobain Industries (1974-1978), prior to which he was the planning director at Saint-Gobain Pont-à-Mousson (1973). He started working for the Saint-Gobain group in 1970.

Mr. Mer was born on May 25, 1939; he is a graduate of the *École Polytechnique and École des Mines*.

Hubertus Sulkowski has been a Director since October 20, 1999. He is currently a senior partner at the Paris office of Shearman & Sterling LLP. He was born on April 1, 1943.

14.1.1.6 SANCTIONS APPLICABLE TO DIRECTORS AND EXECUTIVES

To the knowledge of the Company, and except for information concerning Mr. Pierre Lévi provided in the table in chapter 14.1.1.2 above, none of the persons indicated in such table has been subject over the past five years:

- to a ruling for fraud, or associated with a bankruptcy, placed under seizure or liquidation;
- of an accusation or an official public sanction handed down by legal or regulatory authorities or professional organizations or has been barred by a court from acting as a member of an administrative body, management or auditing of an issuer, or to intervene in the management or running of the business of an issuer.

14.1.2 MANAGEMENT

14.1.2.1 THE MANAGEMENT COMMITTEE

The Chief Executive Officer has established the Management Committee, a small team that collaborates with the Group's Management.

As of December 31, 2007, this Committee was composed of:

- Jean-Pierre Clamadieu, Chief Executive Officer (Chairman and Chief Executive Officer since March 17, 2008);
- Gilles Auffret, Chief Operating Officer;
- Pascal Bouchiat, Group Executive Vice President and Chief Financial Officer;
- Bernard Chambon, Group Executive Vice President, Human Resources, Communications and Sustainable Development;
- Jean-Pierre Labroue, Group Executive Vice President, General Counsel and Corporate Secretary.

The five members of the Management Committee and the 17 other members who represent all the operating components of the Group make up the Group's Executive Committee (COMEX).

On February 11, 2008, Marc Chollet, Vice President, Strategy, joined the Management Committee, which, from that date, is composed of six members.

In addition, on that same date, the Management Committee decided to enrich its work by integrating the skills and experience of the operations management to the varied profiles. This led to the creation of an extended Management Committee that will meet monthly and be responsible for contributing to the definition of and ensuring the implementation of the Group's strategies decided by the Board of Directors, for allocating the resources among various Enterprises and support functions and for ensuring adequate functioning of its operational processes.

14.1.2.2 LIMITATIONS OF POWERS OF THE CHIEF EXECUTIVE OFFICER

As indicated in the Company's bylaws, the Chief Executive Officer is vested with the broadest powers to act in any circumstance in the name of the Company, within the limits of its corporate purpose, and subject to the powers expressly conferred by law upon shareholders' meetings and upon the Board of Directors.

The internal rules of the Board of Directors indicate that while exercising his duties, the Chief Executive Officer, with assistance from the Chairman, is responsible for creating an ongoing and favorable relationship with the Board, aimed at allowing:

- the Board to make its decisions based on solid knowledge and to fully perform its role; and
- adequate consideration of the guidelines and decisions of the Board.

The same internal rules establish the Board's right of examination, specifically providing that the Board examines and makes preliminary decisions on significant transactions, particularly:

- the strategic trends of the Group;
- the significant acquisitions and sales of assets;
- strategy agreements of alliance and industrial cooperation;
- significant financial transactions;
- significant internal investments;
- significant modifications in structure and organization of the Group;

  and more generally on:

- any significant transaction that is outside the established strategy of the Company; and
- any other transaction that the Chairman, with the approval of the Chief Executive Officer, might submit to the examination or approval of the Board pursuant to his duty of care.

The threshold amount for the transactions requiring the Board's approval is €60 million.

At the meeting held on March 17, 2008, the Board of Directors, as a result of the reunification of the functions of the Chairman and Chief Executive Officer, adopted the internal rules, making the above-mentioned limitations applicable to the Chairman and Chief Executive Officer and raising to €250 million the threshold applicable to financial transactions.

14.2 Conflicts of Interest at the Level of Administrative and Management Bodies

14.2.1 INDEPENDENCE OF ADMINISTRATIVE BODIES

In accordance with the recommendations of the consolidated AFEP-MEDEF's report "Governance of Enterprises and Listed Companies" (October 2003) and the Board's internal rules (that provide for a review each year, at the proposal of the Compensation and Selection Committee, of the status of the Directors with regard to independence), the Board of Directors evaluates the independence of its members.

This evaluation was conducted on the basis of the criteria proposed by this report to establish a presumption of non-independence. It is, however, understood that the Board is free to determine the independence of each Director on a case-by-case basis, supported by documented evidence. According to the terms of the consolidated AFEP-MEDEF report, *"a director is independent when he does not maintain any relationship of any kind with the Company, its Group or its management, that could compromise the exercise of his freedom of judgment"*. It also recommends that the majority of the Board Directors and members of the Compensation and Selection Committee be independent, and that the number of independent Directors making up the Audit Committee (or accounts committee) be brought up to two thirds.

In observance of the recommendations of the consolidated AFEP-MEDEF report, the main criteria for qualifying a Director as independent are the following:

- not being an employee or officer of the Company or a company that the latter consolidates currently or within the past five years;
- not being an officer of a company in which the Company directly or indirectly holds a seat on the Board of Directors or in which an employee designated as such or an officer of the Company (currently or within the past five years) holds a seat on the Board of Directors;
- not being a client, vendor, business or loan banker:
  - that is significant for the Company or the Group, or
  - for which the Company or the Group represents a significant share of business;
- not having a close family tie to a corporate officer;
- not having served as the company's auditor within the past five years;
- not having served as a Directorfor more than 12 years.

At the meeting held on January 14, 2008, the Board of Directors thus decided on the independence of each of its members, after having examined their respective qualifications and any changes that occurred since the last evaluation.

The following individuals were qualified as independent Directors:

- Aldo Cardoso;
- Pascal Colombani;
- Jérôme Contamine;
- Michel de Fabiani;
- Olivier Legrain;
- Pierre Lévi; and
- Francis Mer.

These are the seven members out of 11 sitting on the Board of Directors as of that date.

Concerning these Directors, their status as independent members of the Board has not changed since their most recent qualification by the Board. They continue to meet the criteria proposed by the consolidated AFEP-MEDEF report for qualification as independent Directors.

Specifically concerning **Pierre Lévi**, the Board has confirmed his qualification as an independent Director, acknowledging that he has not held executive positions at Rhodia in the last five years.

Concerning **Yves-René Nanot**, the Board of Directors has decided not to uphold this qualification with regard to his position as the Chairman of the Board of Directors and the compensation associated therewith.

Jean-Pierre Clamadieu, the Chief Executive Officer, and **Jacques Khéliff**, Director of Sustainable Development of the Group, are not considered independent, because they hold executive positions in the Group and the compensation associated therewith.

Hubertus Sulkowski is considered as not independent, due to his position as a partner of the law firm of Shearman & Sterling LLP that provides legal services to the Company.

We wish to point out that the formal non-qualification as "independent Director" in no way puts into question the professionalism or freedom of judgment that, in the Board's opinion, characterize all Directors. In fact, to the best of Rhodia's knowledge, there are no conflicts between the duties of the Group's Board members and their private interests and their other duties.

14.2.2 STOCK TRANSACTIONS OF RHODIA'S EXECUTIVES

The Group's compliance policy relating to securities transactions and prevention of insider trading provides that Directors and officers conduct their transactions on the financial instruments of the Company only the day after the announcement of the annual, biannual and quarterly results and for a period of thirty (30) calendar days thereather (provided this period is not declared as "closed" by the Company, and they do not possess inside information during this period).

Pursuant to Article Law 621-18-2 of the Monetary and Financial Code and Articles 223-22 and following of the General Regulations of the *Autorité des marchés financiers*, transactions involving financial instruments of Rhodia carried out by each of the members of its Board of Directors and the Chief Executive Officer (or persons related to them), to the extent the total amount of the transactions carried out by each of these executives exceeds 5,000 per year; must be declared.

Pursuant to Article 223-26 of the General Regulations of the *Autorité des marchés financiers*, the following table shows transactions that were declared by the Chief Executive Officer and other Directors of Rhodia or persons related to them in 2007:

Name of Director	Transactions reported in 2007
Aldo CARDOSO	On May 28, 2007, purchase of 4,000 shares at the price of €3.05 per share.
Hubertus SULKOWSKI	On June 18, 2007, purchase of one share at the price of €2.86 as a result of the technical adjustment related to the Company's reverse share split.

14.3 Organization and Operation of the Administrative Bodies

14.3.1 INTERNAL RULES OF THE BOARD OF DIRECTORS

The Company established its own internal rules for its Board of Directors in 2000.

They have been amended several times since that date to keep up with developments concerning governance, and specifically recommendations of the consolidated AFEP-MEDEF report.

The Board of Directors, at its March 17, 2008 meeting, introduced new provisions into the internal rules designed to continue to ensure optimal functioning of its corporate organs as part of the modification of the management form, consisting of the reunification of the functions of the Chairman and Chief Executive Officer, carried out on the same date (see chapter 14.5 below).

Not a replacement of French law nor the Company's by-laws, the Board's internal rules are an internal document that defines the composition, role and powers of the Board of Directors and its committees. These rules are aimed at optimizing the efficiency of meetings and discussions and at taking precautionary measures and maintaining confidentiality. The rules provide for the Board to be informed either directly or through its Committees of all significant events affecting the markets and the Company. The internal rules provide that the Board must perform an annual self-evaluation to examine, in particular, its own functioning and consideration of important questions.

It provides for the creation and implementation of ***study committees,*** and specifically establishes the rules with regard to composition, methods of operation, missions and powers, as described in chapter 14.4 below.

In terms of ***right to information,*** the internal rules provide for the Board being regularly informed - directly or through its committees - of any significant event on Rhodia's business market. They state that each member must receive all documents and information necessary to fulfill their mission, and particularly, all the significant information making it possible for them to evaluate the proper implementation of the strategy ordered by the Board and the Company's financial and available cash situation. Status reports on the progress of business are made at the meetings of the Board of Directors.

The internal ***rules establish rules of confidentiality and prudence.*** In this regard, they require that Directors and officers conduct their transactions involving financial instruments of the Company starting the day after the announcement of the annual, biannual and quarterly results and for a period of thirty (30) calendar days thereafter (provided this period is not declared as "closed" by the Company, and they do not possess inside information during this period).

The rules establish a ***right of examination*** of the Board of Directors, requiring the latter to examine and deliberate on significant transactions. A discussion on this point is in chapter 14.1.2.2 "Limitation of powers of the Chief Executive Officer" above.

The internal rules provide that the Board conduct an annual ***evaluation*** of its functioning, notably by providing a status report on the methods of operation and by checking that important issues are properly prepared and debated (see chapter 14.5 below).

14.3.2 POWERS AND PRINCIPLE DUTIES OF THE BOARD OF DIRECTORS

14.3.2.1 POWERS

As indicated in the bylaws and the Board's internal rules, the Board of Directors is vested with all powers assigned to it in law, including the following:

- it determines the direction of the Company's business and monitors its implementation;
- it participates in any issue involving the proper operation of the Company and by its decisions settles matters concerning it, subject to the powers expressly assigned to shareholders' meetings and within the limit of the corporate purpose;
- it carries out any controls and verifications it deems appropriate;
- it can decide to create committees (and determines the composition and powers thereof) and/or grants special proxy to one of its members or to third parties for one or more given purposes;
- it also has specific powers under law, specifically:
- – to call shareholders' meetings and establish their agenda,
- – to order corporate and consolidated financial statements and the management's report,
- – to authorize agreements defined as "regulated" by law,
- – to appoint replacement Board Directors,
- – to appoint or dismiss the Chairman, the Chief Executive Officer, and (if applicable deputy general managers) and establish their compensation,
- – to determine Directors' compensation,
- – to change the share capital upon delegation of a shareholders' meeting.

14.3.2.2 PRINCIPLE DUTIES OF THE BOARD OF DIRECTORS DURING IN 2007

Generally, the main events of the year involving the Board's work and entailing a high level of activity of the Directors are the evaluations, studies and decisions specifically dealing with:

- in-depth review of the Group's strategy;
- reverse share split;
- completion of the Group's refinancing, including:
- – issuing of bonds with the option of conversion and/or exchange into new or existing shares (OCEANEs) for a nominal amount of €595 million, with maturity on January 1, 2014, and bearing interest at an annual rate of 0.5%,
- – setting up a new line of syndicated credit (new RCF) for an amount of €600 million, with maturity on June 30, 2012,
- – reimbursement of high-yield bonds:
  - – senior 10.25%, issued in dollars, with maturity in 2010 for a principal of $415 million,
  - – senior 7.625%, issued in dollars and senior 8%, issued in euros, both with maturity in 2010, for the respective amounts of $3 million and €97 million,
  - – senior subordinated 8.875% issued in dollars and senior subordinated 9.25% issued in euros, both with maturity in 2011, for the respective amounts of $302 million and €235 million;
- the worldwide free allocation of shares plan covering approximately 16,000 staff members and free allocation of shares plans to certain employees and executives;
- the delisting of shares in New York, including delisting from the New York Stock Exchange and deregistration from the Securities and Exchange Commission.

For the preparation of its work, the Board of Directors relies on its study committees whose composition, methods of operation, powers and activities during 2007 are described in chapter 14.4 below.

14.4 Committees of the Board of Directors

The Board of Directors has three committees: the Audit Committee, the Compensation and Selection Committee and the Strategic Committee.

As indicated in the internal rules of the Board of Directors, the purpose of these committees is to study and prepare for certain decisions of the Board. Within their field of respective authority, they make proposals and recommendations and provide opinions as applicable. As needed, they can invite anyone of their choice to their meetings and request the support of outside specialists. They only have a consulting power and act under the authority of the Board of Directors. They cannot for substitute the Board of

Directors, which alone makes decisions. The committees report to the Board whenever necessary and at a minimum as many times as there are meetings of the committee during the year.

In addition to these special permanent committees, the Board of Directors can decide to create ***ad hoc*** committees for exceptional transactions according to their importance or specificity, with a life span limited to their purpose.

14.4.1 AUDIT COMMITTEE

14.4.1.1 COMPOSITION AND METHODS OF OPERATION

The Audit Committee is composed of three Directors, Aldo Cardoso, Jérôme Contamine and Michel de Fabiani. Aldo Cardoso is the chairman.

All members of the Audit Committee are qualified as being independent. They were appointed on the basis of their experience in the field in which the Audit Committee is interested (specifically their thorough knowledge of IFRS standards) as much as their independence.

The Audit Committee meets at least four times a year and as often as required in the best interests of Rhodia. Constituted in 1998, the Audit Committee is a newly named committee comprising the former accounts committee and risks committee, due to the overlapping of problems dealt with by these committees.

The committee can decide to hear the Chief Executive Officer, the Chief Financial Officer and, outside the presence of the main officers, those responsible for the Finance Department, the internal audit manager and accountants.

14.4.1.2 POWERS

The internal rules of the Board of Directors indicate that the specific mission of the Audit Committee is to examine the annual, biannual and quarterly financial statements of the Company in order to monitor the implementation of the recommendations of the statutory auditors and to monitor the internal control processes with regard to financial matters. More specifically, concerning the processes of financial auditing, gathering and controlling of information, it verifies that they are defined and that they ensure the reliability of the information; it monitors their evaluation and, if applicable, their due improvement. It examines the significant off-balance sheet risks and commitments. It ensures the pertinence and constancy of the accounting methods adopted to establish the consolidated or statutory financial statements. It ensures the independence of the statutory auditors, within the framework of their appointment and during the performance of their mission. More generally, it examines any financial or accounting questions presented before it.

Moreover, the Audit Committee is also intended to ensure that all appropriate efforts and means have been implemented by or at the initiative of the Group's management, in order to allow the identification, analysis, documentation and ongoing improvement of the prevention and control of risks of any kind, which the Group might have to consider for its chemical or specialties businesses and that could have a negative effect on people or the tangible and intangible assets of the Group. In this framework, the committee ensures that management has verified that the procedures and policies of conduct are known and applied on a consistent basis throughout the Group, and auditing (in and outside the Group) and quality assurance are constantly carried out. It takes part in review reports from outside and company auditors involving these risks. It examines the organization, operation and plan of missions carried out by the internal auditing.

14.4.1.3 ACTIVITIES OF THE COMMITTEE IN 2007

The Audit Committee met seven times in 2007, with an attendance rate of 90.48% (versus eight meetings in 2006 with the attendance rate of 100%).

Its work primarily involved the review of the key points regarding preparation of the annual, biannual and quarterly accounts and closure options, in the presence of the statutory auditors.

Its principle work also involves:

- internal control: evaluation of 2006 internal control (within the framework of the Sarbanes Oxley Act) and plans and objectives for activities in 2007 (in the context of delisting from the New York Stock Exchange);
- updating the mapping of the risks made in 2005 and the detailed presentation of certain risks;
- the operation of fraud proceedings and the whistle-blowing procedure (exclusively concerning the financial domain, to make it possible to point out any deficiency in accounting and financial rules to an ethics committee);
- insurance policies and programs;
- relations with statutory auditors: fees, review of services and initiation of the selection process of statutory auditors whose terms in office end in 2008 and 2009; and
- the review and the prospects of the internal audit and the auditing plan.

Moreover, the Audit Committee has conducted a self-evaluation of its operation on the basis of the summary of the responses to the self-evaluation questionnaire proposed by the AICPA (American Institute of Certified Public Accountants), filled out by each of the members of the committee.

During the last meeting of 2007 and in the presence of the management, the Audit Committee heard reports from the statutory auditors, the group financial controller and internal audit manager.

14.4.2 COMPENSATION AND SELECTION COMMITTEE

14.4.2.1 COMPOSITION AND METHODS OF OPERATION

It is made up of three members, Michel de Fabiani, Aldo Cardoso and Olivier Legrain. Michel de Fabiani is the chairman.

All members of the Compensation and Selection Committee are qualified as being independent.

The Committee meets at least twice a year and as often as required in the best interests of Rhodia.

14.4.2.2 POWERS

Established in May 1998, the Compensation and Selection Committee was specifically established, as indicated in the internal rules of the Board of Directors, to make recommendations on the compensation of the Chairman, the Chief Executive Officer and, if applicable, the deputy general managers. It is responsible, by referring to the general practice of compensation of equivalent French or foreign groups, to recommend each year to the Board the amounts of fixed compensation, the criteria of the variable part of the compensation and their annual application according to performance, and to examine other forms of compensation and benefits in kind. It is also involved in defining a general policy of compensation and benefits for the officers (Executive Committee) including retirement benefits.

Concerning stock options or free allocation of shares plans, it is involved in preparing plans, which benefit executives and officers, as well as deciding on the most appropriate categories of allotment, considering the practice of equivalent French or foreign groups, if need be, eliminating any discount, and defining vesting and holding periods in advance. The work of the committee also involves any increases in share capital reserved to employees, the replacement plan of members of the Executive Committee and plans to make significant modifications in the organization of the Group's management. The independence of each of the Directors, the research and the choice of future Directors and the composition of the study committees are also part of the work of the Compensation and Selection Committee.

In addition, at its meeting of March 17, 2008, the Board of Directors adopted its internal rules conferring on the Committee certain additional powers in the area of governance (considering for the functioning of the corporate organs the internal rules of the Board of Directors and the recommendations for governance found in the AFEP-MEDEF report). To this end, the Committee was renamed "Compensation, Selection and Governance Committee" (see chapter 14.5 below).

14.4.2.3 ACTIVITIES OF THE COMMITTEE DURING 2007

The Compensation and Selection Committee met four times in 2007 with an attendance rate of 100% (versus five meetings in 2006 with the attendance rate of 93.33%). Its work, opinions and recommendations mainly involved the following:

- free allocation of shares plans (global plan and specific plans – see chapter 17.2.3 below);
- compensation of the Chief Executive Officer (fixed and variable parts) and the Chairman and the Directors' fees, based on an analysis of market practices;
- examination of the criteria used in determining the variable part of executives' compensation;
- review of the résumés of potential future Directors of the Company;
- recommendations concerning the nomination of the members of the Executive Committee and examination of the succession plan of the members of the Executive Committee;
- study of a mechanism allowing the appointment of a Director representing employee shareholders (a change to the bylaws allowing such an appointment will be proposed during the next shareholders' meeting that will be held on May 16, 2008 (upon second notice of meeting).

14.4.3 THE STRATEGIC COMMITTEE

14.4.3.1 COMPOSITION AND METHODS OF OPERATION

It is made up of three Directors, who are its permanent members: Francis Mer, Pierre Lévi and Pascal Colombani. Francis Mer is the chairman.

All permanent members of the Strategic Committee are qualified as independent.

The Committee must meet at least twice a year, with one annual meeting to review and analyze Rhodia's operations and strategy, and as often as required by Rhodia's best interests.

14.4.3.2 POWERS

Established in September 2000, the purpose of the Strategic Committee is to validate the Group's strategy as defined by the Board of Directors, to examine the operations of portfolio, investment and alliance in accordance with the chosen strategy, and to present its conclusions and recommendations to the Board of Directors, and to examine and present reports to the Board of Directors in the event of exceptional operations not anticipated in the Group's strategy.

14.4.3.3 ACTIVITIES OF THE COMMITTEE IN 2007

The Strategic Committee met three times in 2007 with an attendance rate of 88.89%, (versus two meetings in 2006 with an attendance rate of 100%). During its meetings, its work involved:

- the review of strategic options and strategic priorities;
- the strategy of the Polyamide and Novecare Enterprises;
- various scenarios for the development of the Group.

14.5 Evaluation of the Operation of the Board of Directors and its Committees

Pursuant to its internal rules, in the beginning of 2008, the Board of Directors conducted an evaluation of its performance, specifically aimed at verifying that important issues had been properly formulated and discussed.

This evaluation was, first of all, placed on the agenda of the Board's meeting on January 14, 2008 and subject to discussion on the basis of the summary tables of the activities at the meetings of the Board and its committees meetings given to the Directors.

Based on the findings at this first stage, the Board of Directors met nine times in 2007 compared with 10 times in 2006 and 11 times in 2005. The average duration of its meetings was approximately three hours. It should be noted that the participation by the members of the Board remained strong throughout the year: 89.90 % in 2007 compared with 87.27 % in 2006. The frequency of the Board's meetings and the Directors' participation rate constitute the first objective factor allowing to assure that throughout the year, the Board of Directors had been in the position to fully exercise its role and to make strategic decisions that would contribute to Rhodia's development. This strong involvement of the Directors was also apparent from the extensive working documents of the study committees, whose performance remained stable throughout the year.

At the second stage, Mr. Cardoso and Mr. Legrain, members of the Board of Directors, were tasked by the Board to contact all Directors and gather their opinions on the performance of the Board and its committees.

Prior to and in preparation for this survey, a standard questionnaire prepared by the AFEP and helpful for the evaluation process, was sent to each Director. Discussions with each Director were conducted, in an open and trustful manner, related primarily to the performance of the Board and its committees, access to information and the Management Committee, independent behavior of Directors and the changes in the Board's composition.

During these individual discussions, the Directors were specifically asked to express their opinions on any positive aspects of the Board's performance and to reflect on the areas in which performance could be improved. The conclusions based on these discussions were then presented to the Board at its meeting on February 27, 2008. They establish overall a positive outlook on the Board's performance, suggesting a number of ways for improvement to be considered.

An overall positive outlook on the Board's performance is supported by the following points:

- regular attendance and strong involvement of the Board's members in the work; treating issues more in depth based on the quality files prepared by the Management Committee and management;
- the Board is composed of Directors with diverse skills and experiences. Their independence and ability to support their positions were noted;
- openness to discussion and consideration of comments and observations (such as the ones appearing on the meeting's agenda as well as those brought up during the meeting) by the Management Committee and the management is good. Significant free expression of opinions in discussions was noted;
- the role of the committees was perceived in an overall positive manner.

Optimization tracks, or further improvement of Board of Directors performance, were identified as follows:

- **adopting the internal rules of the Board of Directors as part of the modification of the management structure and reunification of the functions of the Chairman and Chief Executive Officer;**
- this change was made by the Board of Directors at its March 17, 2008 meeting, by adding new provisions ensuring optimal functioning of the corporate organs in this context. In particular:
  - enlarging and institutionalizing the role of the Compensation and Selection Committee on the questions concerning governance (this Committee taking on the name "Compensation, Selection and Governance Committee"), the Committee acquiring new tasks for oversight and governance,

such as ensuring proper application of the internal rules of the Board of Directors and considering the recommendations on governance in the AFEP-MEDEF report,

- prior consultation with the chairman of the Compensation, Selection and Governance Committee concerning the Board's meeting agenda,
- possibility for the chairman of the Compensation, Selection and Governance Committee to propose to convoke a non-scheduled Board meeting,
- at the time of the annual evaluation of the Board, to have a specific point on the relations between the Chairman and Chief Executive Officer and the Board of Directors,
- planned meeting between independent Directors.

- taking into account in a more general manner in the preliminary agenda of the questions related to the shareholders, the definition and follow-up on strategy, the state of business and the development of competition;
- more consistent invitation and involvement on the Board of Directors of the principal persons responsible for the Company's Enterprises;
- with respect to the composition of the Board of Directors, continuing to take into account for the primary criteria for the selection of candidates, their developed knowledge of the trades and activities of Rhodia, as well as their solid knowledge of the zones for the geographic development of the Group.

14.6 Participation in the Board of Directors Meetings and its Committees

	Board of Directors	Audit Committee	Strategic Committee	Compensation and Selection Committee
Number of meetings in 2007	**9**	**7**	**3**	**4**
Yves René NANOT	9			
Jean-Pierre CLAMADIEU	9			
Aldo CARDOSO	8	7		4
Pascal COLOMBANI	9		3	
Jérôme CONTAMINE	5	5		
Michel DE FABIANI	8	7		4
Jacques KHELIFF	8			
Olivier LEGRAIN	8			4
Pierre LEVI	8		2	
Francis MER	8		3	
Hubertus SULKOWSKI	9			

15

Compensation and Benefits

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15.1 Amount of Compensation and Benefits Paid

15.1.1 COMPENSATION OF THE MEMBERS OF THE MANAGEMENT COMMITTEE

15.1.1.1 GENERAL COMPENSATION POLICY FOR THE MEMBERS OF THE MANAGEMENT COMMITTEE

The Compensation and Selection Committee examines the compensation structure proposed by the Chief Executive Officer for the members of the Management Committee. To do this, several studies are presented to the committee, in particular, analyses of the market practices of comparable companies.

On the basis of those elements, the Chief Executive Officer determines the fixed and variable compensation of the members of the Management Committee.

In addition, in the framework of the overall compensation policy, the members of the Management Committee benefit from the allotment of options for subscription or purchase of shares and free allocation of shares matched to certain performance conditions (these plans are described in chapter 17.2, below).

15.1.1.2 FIXED AND VARIABLE COMPENSATION

The overall amount of gross compensation (14) owed to members of the Management Committee in respect of 2007 (including changes in the makeup of the Committee over the year) amounted to €4,152,241, compared to €4,557,634 in 2006.

The overall amount of gross compensation paid in 2007 (including the amount of the 2006 variable portion, but not that of 2007) to the members of the Management Committee (including changes in the makeup of the Committee over the year) amounted to €4,803,681. Gross compensation paid in 2006 to the members of the Management Committee amounted to €4,376,600.

The change in the amount paid in 2007 compared to 2006 is essentially explained by an increase in the variable portion related to results.

(14) Gross amount in this part, "Managers' Interest," excludes employer's social contributions but before the deduction of employee social contributions.

15.1.1.3 BENEFITS IN-KIND

The total gross amount of benefits in-kind paid to those same members in 2007 amounted to €31,068, compared to €37,695 in 2006.

15.1.1.4 RETIREMENT OBLIGATIONS

There are two specific supplemental retirement plans for executive Directors from which the members of the Management Committee benefit:

- the "supplemental" retirement plan with guaranteed benefits called "GRCD." This plan, closed since 2001 to any new incoming members, ensures the future payment of a guaranteed retirement supplement to former and current members of management who were part of the Management Committee before 2001 and who have not yet retired;
- the "supplemental" retirement plan for executive directors called "RSD," (defined benefits plan). This plan, created after 2001 for the new members of management who are part of the Management Committee, ensures the future payment of a retirement supplement, subject to compliance with the double condition of (i) having acquired 10 years of service in the Group or one year on the Management Committee, and (ii) still being employed by Rhodia at the time of retirement.

The overall amount of the retirement plans as of December 31, 2007 for the members of the Management Committee of the Group amounts to €15,122,222, compared to €16,360,643 in 2006.

This change is explained by the change in the makeup of the Management Committee

15.1.1.5 OTHER OBLIGATIONS

Rhodia has undertaken other types of compensation for the benefit of the members that make up the Management Committee of the Group in case of termination of their employment contract and/or of their corporate appointment, as of December 31, 2007, which amount to €5,346,333, compared to €5,551,000 as of December 31, 2006. This change is explained by the change in the makeup of the Management Committee

These additional benefits may apply in some cases of departure, except for dismissal for misconduct, or resignation.

This amount incorporates the indemnity that could be owed to Mr. Jean-Pierre Clamadieu in case of termination of his corporate appointment, as described in chapter 15.1.4.1 below.

Notably, one member of the Management Committee, who left the Company during the year, was paid €696,359 as an exceptional matter in 2007, as a full and final settlement.

In addition, the members of the Management Committee benefit from the allotment of share subscription options and free allocation of shares (these plans are presented in chapter 17.2 below).

15.1.2 COMPENSATION PAID TO OFFICERS (CHAIRMAN, CHIEF EXECUTIVE OFFICER, AND DIRECTORS) IN 2007

A summary table appearing in paragraph 15.1.2.5, below, provides information regarding officers' compensation for both 2007 and 2006, more detailed information 2007 being provided for some of the officers and for some of these items in the following paragraphs.

15.1.2.1 GENERAL COMPENSATION POLICY FOR OFFICERS

In terms of general policy regarding the compensation of officers, the special role of the Compensation and Selection Committee in making recommendations and proposals is to be noted. To carry out such role, the committee relies on various studies and in particular on analyses of the market practices of comparable companies. It thus proposes:

- the determination of the fixed portion of the compensation of the Chairman and Chief Executive Officer;
- the criteria for determining the variable portion of the compensation of the Chief Executive Officer; and
- the policy and criteria for setting Directors' fees.

The Board of Directors determines such items on the basis of these proposals.

In addition, some officers, within the limits provided for by law, may benefit from plans for the free allocation of shares or of share subscription or share purchase options that may be decided by the Board of Directors.

Detailed information with the amounts of these compensation items is provided below.

15.1.2.2 COMPENSATION OF THE CHAIRMAN

In 2007, the gross amount of the fixed compensation paid to Mr. Yves-René Nanot, in his capacity as Chairman of the Board of Directors, amounted to €300,000. He did not receive variable or exceptional compensation in 2007.

15.1.2.3 COMPENSATION OF THE CHIEF EXECUTIVE OFFICER

The gross amount of the 2007 fixed compensation paid to Mr. Jean-Pierre Clamadieu in his capacity as the Chief Executive Officer amounted to €700,000.

The gross amount of his 2007 variable compensation (which will be paid in 2008) amounted to €945,000. This variable portion could represent between €0 and €1,260,000 (or between 0 and 180% of his fixed compensation instead of the previous 0 and 200%). This allocation depends on the attainment of objectives on a 50% quantitative basis (level of free cash flow of the Group) and 50% qualitative (30% on the strategy and 20% on the results related to health, safety, and environment, and on communication). Of the total amount of variable compensation, €374,850 correspond to quantitative objectives and €570,150 correspond to the qualitative objectives.

The gross amount of his 2006 variable compensation (which was paid in 2007) amounted to €950,000.

From this, it results that the gross amount of the overall compensation:

- owed to Mr. Jean-Pierre Clamadieu in respect of 2007 is set at €1,645,000 (2007 fixed and variable portions); and
- received by Mr. Jean-Pierre Clamadieu in 2007 was €1,650,000 (2007 fixed portion and 2006 variable portion).

In addition, in 2007, Jean-Pierre Clamadieu benefited from the allocation of free shares decided by the Board of Directors at its meeting on January 15, 2007. (For more information on the share subscription option and free allocation of shares plans, see chapter 17.2 below).

15.1.2.4 DIRECTORS' FEES

The maximum annual amount of Directors' fees that the Board of Directors of Rhodia can distribute among its Directors is set at €600,000. It was amended at the combined annual shareholders' meeting on May 3, 2007 (eighth resolution).

Within the limit of this ceiling, the Board of Directors distributes the Directors' fees as a function of criteria established in its procedural rules. These criteria provide for fixed portions (€20,000 per Director and €6,000 for the chairman of a committee of the Board of Directors) and variable portions tied to actual presence at meetings of the Board of Directors and of its committees (€4,000 per meeting).

In 2007, the total amount of Directors' fees paid by Rhodia to its Directors amounted to €586,000, compared to €499,700 in 2006.

Among the Directors in office, Messrs. Yves-René Nanot, Jean-Pierre Clamadieu, and Jacques Khéliff (who receive compensation from Rhodia) did not receive Directors' fees in 2007.

15.1.2.5 SUMMARY TABLE

In accordance with the provisions of Article L. 225-102-1 of the Commercial Code, the table below indicates the gross compensation and benefits of any nature that Rhodia and the companies it controls owe to each officer in 2006 and 2007:

		Fixed portion		Variable portion			
(in euros)		**2007**	**2006**	**2007 (paid in 2008)**	**2006 (paid in 2007)**	**Special compensation**	**In-kind benefits**
Mr. Jean-Pierre Clamadieu (Chief Executive Officer) (1)	700,000	500,000	945,000	950,000		5,076 (2)	(3)
Mr. Yves-René Nanot (Chairman)	300,000	300,000					(3)
Mr. Jacques Khéliff (4) (5)	170,000	153,400	66,300	62,894	26,154	3,636 (2)	(3)
Mr. Aldo Cardoso							102,000
Mr. Pascal Colombani							68,000
Mr. Jérôme Contamine							60,000
Mr. Michel de Fabiani							102,000
Mr. Olivier Legrain							68,000
Mr. Pierre Lévi							60,000
Mr. Francis Mer							70,000
Mr. Hubertus Sulkowski							56,000

(1) In addition, Jean-Pierre Clamadieu will have the right to an increase, within the framework of the Energy Savings Plan, up to the maximum amount of €824.
(2) Company car.
(3) Did not receive Directors' fees for in 2007
(4) Under his employment contract and for his duties as the Director of Sustainable Development at Rhodia, including € 26,154 for the "medal for long service".
(5) Jacques Khéliff received an additional €2,150 by way of profit sharing.

In addition, like all the other senior managers and officers of the Group and its subsidiaries, the officers of Rhodia benefit from civil liability insurance coverage for Directors and officers.

15.1.3 RETIREMENT PLANS FOR OFFICERS

15.1.3.1 CURRENT OFFICERS

There is no specific supplemental retirement plan set up for the officers.

Mr. Jean-Pierre Clamadieu, Chief Executive Officer, is a potential beneficiary of the "RSD" supplemental retirement plan (see chapters 15.1.1.4 above and 15.1.4.1, below).

In addition, Mr. Jacques Khéliff, under his employment contract and as a Rhodia employee, benefits from the IRP-RP supplemental retirement plan, a retirement plan with guaranteed benefits covering all the French employees at the time and which has been closed to new incoming employees since the end of the 1970s.

15.1.3.2 FORMER OFFICERS

Rhodia's obligations with respect to the retirement plans for its former officers or Directors as of December 31, 2007 (who no longer have any duties at Rhodia) amount to €8,702,628.

15.1.4 OBLIGATIONS OF ANY NATURE UNDERTAKEN BY RHODIA FOR THE BENEFIT OF ITS OFFICERS WITH REGARD TO TAKING ON, TERMINATING, OR CHANGING THE OFFICER DUTIES

15.1.4.1 REGARDING JEAN-PIERRE CLAMADIEU, THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under a separation agreement, concluded in March 2007 and approved by the shareholders at the general meeting of May 3, 2007, if his term of office is terminated – regardless of the reason, except for a certain number of exceptions – Mr. Clamadieu would have the right to an indemnity in an amount equal to two years of a reference compensation made up of the sum (i) of his annual fixed compensation then in force, and (ii) the average of the amounts of variable compensation paid over the three years preceding the termination of the term of office.

The agreement provides that this indemnity would not be owed to Mr. Clamadieu if the termination of his term of office resulted from:

- his dismissal for serious misconduct or gross negligence;

- his resignation (except for cases of resignation resulting from a change in control or from major and long-lasting differences of opinion about the strategy pursued by the Board of Directors);
- his reaching the age limit for holding the office; or
- his death.

This indemnity would come to replace the severance pay provided for in his employment contract (currently suspended), with only the possibility of the contractual severance pay for dismissal provided for by law and the French agreement of chemical industries being added to the severance pay.

In addition, the agreement indicates that the years of his term served, as well as the compensation received for that office, are taken into account in the calculation of the rights (and especially of the reference compensation and the Group seniority) which Mr. Clamadieu could benefit from under the supplemental retirement plan for senior managers, called "RSD," since it is recalled that Mr. Clamadieu became a potential beneficiary of that plan prior to his position, during the term of his employment contract (currently suspended) with regard to his capacity as a member of the management committees and his seniority in the Group.

Finally, if his term of office is terminated, subject to achieving any performance conditions as provided for in the plans or to a specific agreement of the Board (for the performance conditions of which the achievement could be stated only after the termination of the term of office), the Agreement provides for preserving the rights attached to the free allocation of shares and the share subscription or share purchase options from which Mr. Clamadieu benefited or from which he will benefit during this term of office.

This separation agreement was the subject of an amendment, approved by the Board of Directors on March 17, 2008, seeking in particular to update the agreement in accordance with the provisions of the law of August 21, 2007 concerning work, employment and purchasing power *(en faveur du travail, de l'emploi et du pouvoir d'achat)*.

The amendment adds the following provisions:

- **Performance-related condition:** The amendment subjects receipt of the indemnity provided for in the separation agreement to compliance with a condition related to the beneficiary's performance as assessed with respect to the Company's performance. Accordingly, Mr. Clamadieu may only receive the indemnity if Rhodia's net income for 2008, as shown in the consolidated financial statements published in 2009, is higher than the average annual net income as set forth in the consolidated annual financial statements for 2006 and 2007 (that is, €99 million). Should the beneficiary's term of office end prior to the publication of the net income for 2008, reference may be made to the half-year net income at June 30, 2008, which is to be higher than the average of the half-year net income derived from the half-year consolidated accounts at June 30, 2006 and 2007 (that is, €54 million);

  New conditions for performance will be proposed to the vote of the general shareholders' meeting scheduled to be held in the first half of 2009, insofar as the renewal of the term in office of Mr. Jean-Pierre Clamadieu as a Director of the Board (the term is coming to an end and is required for his position as the Chairman and Chief Executive Officer) is also proposed at the same meeting.
- **Condition to Payment of the Indemnity:** The amendment provides that, regardless of the cause, the indemnity may not be paid prior to (i) the Rhodia Board of Directors formally acknowledging compliance with the aforementioned performance-related Condition, and (ii) this decision being made public.

In addition, the amendment states that the appointment covered by the separation agreement is his **position as Chairman responsible for the general management of the Company** to which Mr. Clamadieu was appointed at the Board of Directors meeting held on March 17, 2008.

In accordance with the provisions of Article L 225-42 of the Commercial Code, this amendment will be subject to the approval by the general shareholders' meeting scheduled to be held on May 16, 2008 (upon second notice of meeting).

15.1.4.2 REGARDING OTHER OFFICERS

Other than the obligations regarding Jean-Pierre Clamadieu described above, there are no other obligations undertaken by Rhodia for the benefit of its current or former officers with regard to taking on, terminating, or changing the duties of the officers.

Nevertheless, under his employment contract, if Jacques Khéliff leaves the company, he could be allotted severance pay in the amount equivalent to 36 months of his reference pay as it exists under his employment contract.

This obligation would apply in certain cases of departure.

15.2 Sums Contributed to Provisions or Recognized for the Purposes of Paying Pensions, Retirement, or Other Benefits

See Note 33.2 to the consolidated financial statements appearing in paragraph 20.3.1.3 below, as well as chapter 15.1.1.4 and 15.1.3 above.

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Operation of the Administrative and Management Bodies

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16.1 Terms of Office of the Directors and Senior Managers

See chapter 14.1 above.

16.2 Service Contracts Providing for the Granting of Future Benefits

Rhodia has not entered into service contracts providing for the granting of future benefits.

16.3 The Committees of the Board of Directors

See chapter 14.4 above.

16.4 Observing the Practices of Corporate Governance

Rhodia carries out a policy aimed at ensuring that good practices, recommendations, and provisions related to corporate governance of the listed companies, especially derived from the AFEP-MEDEF consolidated report of October 2003, are well incorporated into the methods of operation of its administrative and management bodies. The principal aspects of this policy carried out by Rhodia are presented in chapter 14 above.

16.5 Other Notable Aspects Related to Corporate Governance, Procedures, and Internal Control

16.5.1 CHAIRMAN'S REPORT PURSUANT TO ARTICLE L. 225-37 OF THE COMMERCIAL CODE

Article L. 225-37 of the Commercial Code, arising from Article 117 of the Financial Security Act, provides that the Chairman of the Board of Directors shall render an account, in a report, of the conditions for preparing and organizing the work of the Board, as well as of the procedures of internal control implemented by the Company. In addition, this report must indicate any limitations the Board of Directors imposes on the powers of the Chief Executive Officer.

A) The preparation, organization, and work of the Board of Directors

The sections "Internal Rules of the Board of Directors," appearing in chapter 14.3.1 above, "Principal duties of the Board of Directors in 2007," appearing in chapter 14.3.2.2 above, "The Committees of the Board of Directors," appearing in chapter 14.4 above, and "Evaluation of the operation of the Board of Directors and its Committees," appearing in chapter 14.5 above of this reference document make up this part of the Chairman's report.

In addition, regarding the compensation policy for the officers, see chapters 15.1.2.1 and 15.1.2.4 above.

B) Limitation of the powers of the Chief Executive Officer

Chapter 14.1.2.2, "Limitations of powers of the Chief Executive Officer," of this reference document makes up this part of the Chairman's report.

C) Internal control activities

The purpose of this part of the report, prepared with the support of the Internal Control Department and the Internal Audit Department is to render an account of the significant internal control procedures in effect in the Rhodia Group, that is, the parent company and the consolidated companies.

The following points are developed in this chapter:

- the general organization of internal control; and
- the description of the operation of internal control.

1. General organization of internal control

a. Definition and objective of internal control at Rhodia

In its Audit Charter, signed in February 2003 and updated in September 2006, Rhodia adopted the following definition of internal control, consistent with that in the COSO *(Committee of Sponsoring Organization of the Treadway Commission*) standard:

"Internal control is a set of control systems established by the Management Committee, management, and other personnel to provide reasonable assurance regarding:

- the reality and efficiency of operation;
- the reliability of reporting;
- compliance with laws and regulations in force; and
- the protection of assets."

The part of internal control intended to provide reasonable assurance regarding the reliability of reporting will be brought up under the term "internal control of financial reporting."

In his message presenting the Audit Charter, the Chief Executive Officer of Rhodia specified, in addition, that "*Each one at his level must adopt an internal control procedure and systematically seek to improve it.*"

Thus, internal control is more than a set of control activities; it is also a concern incorporated into all of the operations of the Group;

the senior managers of Enterprises and support functions, as well as the various people in charge who report to them, are in charge of designing and implementing internal control within the bodies they manage. The objective is to anticipate and control the risks resulting from all the Rhodia activities, including the risks of error or fraud, especially in the accounting and financial fields.

These objectives were fully confirmed, in spite of the decision by Rhodia to end the registration of its financial instruments with the "Securities and Exchange Commission" from which derives the obligation to comply with the requirements of section 404 of the Sarbanes-Oxley Act.

Like any control system, internal control cannot, however, provide an absolute guarantee that those risks are totally eliminated, especially in case of human failure.

b. Actors

The Board of Directors, because of its powers, is one of the major actors in the internal control of the Group. In this role it especially relies on work of the Audit Committee.

The Management Committee is naturally the principal actor in preparing the principles and implementing the procedures of internal control. It put into place a set of delegations of powers, regularly updated as a function of the change in the scope and organization of the Group. Likewise, the officers play this role within the subsidiaries of the Group. The Legal Department maintains and updates the corporate files, including the list of officers, up to date.

The Group Internal Control Department was created at the beginning of 2006 with the following missions:

- to ensure worldwide leadership of the process for evaluating the internal control over financial information and reporting;
- to develop the quality of internal control procedures within the Group, by overseeing that each department head defines, puts into place, and ensures the proper operation of an internal control mechanism for all the processes for which he is responsible; and
- to incorporate the process for evaluating the internal control into a perennial method.

The Group Internal Control Department reports to the Chief Financial Officer. The department is composed of a central team of five people who coordinate:

- local teams in the principal zones or countries in which the Group is present, the functional heads of the processes having an impact on the reliability of the financial information; and
- an information technology team.

The Internal Audit Department, independent from the Internal Control Department, reports to the Chief Executive Officer of the Group, which guarantees its independence indispensable to its effectiveness. Its general mission and its rules for intervention are formalized in the Audit Charter that takes its inspiration from the recognized principles of the profession (IIA/IFACI).

The Internal Audit conducts reviews of operations and procedures and recommends improvements related to internal control. Gradually, its missions program evolves to incorporate and supplement the work of the Internal Control Department.

Each support function is responsible for the internal control of the support processes that fall to it, thus reinforcing the separation of roles between the support functions and the Enterprises, which is one of the guarantees of the effectiveness of internal control. In 2007, the involvement of support functions, under the coordination of the internal control department, principally consisted of:

- keeping the process documentation and key controls that make up the internal standard that ensures the control over financial reporting up to date;
- rectifying the noted disparities; and
- defining "worldwide internal control standards for financial reporting."

2. *Description of the operation of internal control*

This description follows the plan of the COSO standard adopted by Rhodia.

a. The Control Environment

The policies and various standards of the Group (rules, procedures, good practices, etc.), which apply to all subsidiaries are widely accessible through the Group Intranet.

They include, in particular:

- the Management Book, which makes the link between corporate governance and internal control. This document describes the processes underlying the operation of the Group, and designates, for each of them, a person in the Group who is in charge, called the *Corporate Process Owner* (CPO). The *CPOs* established "red lines" which are essential rules which all employees of the Group must follow. An update to the Management Book is being prepared and will be available at the end of the first quarter of 2008;
- the "*Compliance Policy*" updated in December 2007, which deals with the ethical principles to which the employees of the Group must adhere, especially regarding the following topics:

– purchase and sale of shares (insider trading),

– protection of sensitive information,

- protection of the legal entity,
- conflicts of interest,
- use of communication networks,
- respect for free competition,
- good business practices,
- prevention of the risk of bribery,
- responsible influence;

- the *Rhodia Way* standard, which establishes the ambitions of responsibility of the Group vis-à-vis its customers, employees, suppliers, investors, communities, and the environment, and evaluates the various bodies with respect to a set of good practices. The objective is to improve in an ongoing manner the accountability of the Group employees by involving the widest number of personnel in a dynamic of continuous progress;
- the *Ethical Code for Financial Managers*, adopted at the end of 2003, which specifies the rules of conduct expected on the part of the principal managers of the Finance Department, who, through their signature, are personally committed to complying with the Code;
- the *Audit Charter of the Group,* already mentioned above;
- *Whistleblowing*, which allows any employee of the Group to point out, either anonymously or not, any breach of accounting and financial rules to the ethics committee by mail or email. With respect to confidentiality, the ethics committee, made up of five employees of the Group, examines the whistleblowing reports received before sending the admissible cases to the Management Committee, which must decide on any measures to be taken. The guidelines of the CNIL (French National Commission on Information Technology and Freedom) were analyzed and taken into account in implementing this provision. The whistleblowing procedure has been used rarely.

The general policies defined by the *Corporate Process Owners* are set forth in *Group procedures*, accessible through the Group Intranet, and can be adjusted as a function of the special local characters of the subsidiaries.

In particular, the Finance Department distributes the following instructions through the Intranet:

- a Group Reporting Guide specifying the accounting principles to be applied in the framework of consolidation with detailed explanations of the most complex points. This Guide is regularly updated by the central consolidation team as a function of the changes in the reference accounting standards IFRS;
- group procedures that serve as a general framework for the players in the Finance family and which can be locally adapted if necessary;
- instructional notes issued before the ends of quarters, emphasizing the topics to be considered with special attention as a function of the change in accounting rules or the points of improvement detected during the previous quarterly close of accounts.

Finally, and as in preceding years, the presidents and chief financial officers of the various consolidated legal bodies answered a questionnaire in January 2008 covering some fifty points related to internal control before signing letters of representation pledging their responsibility to comply with and apply the procedures and controls contributing to the reliability of the information published for 2007 within their scope.

b. Assessment of risks

In 2007, Rhodia updated the mapping of strategic, operating, and financial risks considered to be significant for the Group. For this, purpose, the members of the Executive Committee listed, and then assessed, the principal risks as a function of their impact and probability of occurrence.

This mapping led to the establishment of action plans with a view to managing the identified risks.

The conclusions regarding the five principal identified risks were shared with the Audit Committee and presented to the Board of Directors.

With regard to the analysis and assessment of the principal risks facing the Group, see chapter 4, "Risk Factors", of this reference document.

In a parallel manner and within the framework of the work begun to meet the requirements of the internal control requirements over financial reporting, Rhodia continued the specific analysis carried out in preceding years, aimed at:

- identifying the processes having an impact on financial information;
- listing the specific risks associated with those processes which are capable of having an impact on the reliability of financial information, the protection of assets, and the detection and prevention of fraud;
- defining the control objectives for controlling those risks.

In 2006, the components of the Fraud Prevention Plan were formulated and a mapping of the fraud risks was carried out. This Fraud Prevention Plan was presented to the Audit Committee in 2007, and then reported to the management of the Group (Executive Committee, Management Committees of the Enterprises, support functions, and zones).

One procedure requires the principal Finance Department managers to see to it that any case of fraud is reported back to the group financial controller and internal audit manager through an appropriate form. A regular update on the frauds pointed out and the follow-up to the actions taken is made to the Audit Committee.

The several cases identified in 2007 involved facts that did not lead to any significant loss of assets for Rhodia, and penalties were imposed.

c. *The Control activities*

The work carried out in 2006, on both the Corporate level and in the principal units, based on the control objectives, which make it possible to control the risks capable of having a negative effect on the reliability of the financial reporting, led to:

- establishing key controls, in particular specifying their nature and frequency, thus ending in the creation of a Group internal control mechanism for financial reporting;
- deploying these controls at all relevant levels of the organization;
- designing tests making it possible to ensure the operation of these key controls.

In 2007, those in charge of processes adopted the standard created in this way and updated it

- by incorporating in particular the needed improvements;
- by taking new risks into account; or
- by standardizing the key controls.

By following an ongoing process of continuous improvement of the internal control, they also ensure that the action plans emerging from their decisions are followed by results.

The principal processes having an impact on the production of financial information, and for which the key controls were put into place, cover the following areas:

- consolidation and preparation of the financial documents;
- taxation;
- management of cash flow and financing;
- accounting closing processes;
- inventory management (physical inventories, valuation, etc.);
- management of environmental loads and reserves;
- purchases, procurement (from the invitation to bid to the entering of invoices into the accounts);
- sales (from the taking of the order to the entering of invoices into the accounts);
- management of tangible and intangible fixed assets;
- payment and management of corporate commitments;
- data processing.

Some specific processes connected with the "*Energy Services*" Enterprise are added to these processes common to all the subsidiaries within the scope of consolidation of the Group.

The control of compliance with laws and regulations related to health and safety is done in the framework of the audits conducted at least every three years at the sites on the basis of two standards, one for sites with more than 100 people, and the other for sites with fewer than 100 people.

The instructions and guidelines of the Management Committee in the area of environmental responsibility ("*Responsible Care*") are expressed either in the form of red lines reflected in the Management Book or in the form of procedures or rules. The implementation is monitored through an assessment procedure ("*Responsible Care Assessment*"), which is the subject of an external audit each year. (See chapter 5.3.4, Report and Certification of Pricewaterhouse Coopers Audit on the calculation of the environment and safety factors in 2007).

The worldwide agreement on social and environmental responsibility entered into with the ICEM, the international federation of employees in the sector, in the beginning of 2005, distinguishes Rhodia in the profession from its competitors. The first component of that agreement involves the formal commitment of the Group to respect throughout the world the fundamental social rights as defined by the ILO Conventions. The second component involves the commitments peculiar to Rhodia, especially with respect to social dialogue, work conditions and safety, respect for the environment, relations with suppliers, or non-discrimination.

At the end of 2007, the visit to Group sites in China by a joint delegation from the ICEM and Rhodia's Management Committee made it possible to verify the proper application of the provisions of the worldwide agreement in that country, a necessary step to its renewal after updating.

Finally, in Korea and India, specific proceedings on the effectiveness of local internal control were conducted to comply with local requirements.

d. *Information systems*

The Information Systems Department is responsible for all the Group information systems and telecommunications. It is organized in order to protect the autonomy of the Group operations in the management of their operating activities. It manages infrastructure and worldwide computer services.

All the financial information related to the consolidated data is obtained through a single, centrally managed consolidation computer tool.

A majority of the operating subsidiaries use a unified computer software program to manage their operations. The Group is seeking a convergence in this area by 2009, through the generalized use of a centralized system named RCS (*Rhodia Core System*).

The general controls of the information systems cover both the security aspects, aimed at securing the protection of data, and the quality aspects, aimed at ensuring the best suitability of solutions (management of changes) and services (operation) to the needs of users.

A specific team of computer specialists, separate from the project or operating teams, checks the effectiveness of the controls thus defined.

e. Steering the "internal control over financial reporting" process

To guarantee the desired degree of local appropriation and implementation of internal control of financial reporting, the internal control department keeps the standard up to date for the processes contributing to the preparation and handling of financial and accounting information.

The department analyzes the risks inherent to the various accounting items as well as in the subsidiaries in order, at first, to adapt the control activities to the challenges of the Group and ensure the deployment of the key controls, then to draw up the policy to test those key controls in order to have available a statistically significant view of the degree of control. In 2007, about 2,000 controls were tested, to which are added more than 200 information systems controls.

The internal control department steered this process by relying on a specific computer tool, centralizing for the whole Group the key controls deployed, the results of the tests of effectiveness, and, if applicable, the corrective actions decided on.

In 2007, the work of the internal control department was supervised by:

- the committee to supervise internal control, made up of the Chief Operating Officer, the Chief Financial Officer, and the manager of information systems. The heads of internal audit and internal control participate in its work. This committee met four times in 2007 to examine the progress of the work and the corrective measures taken, to validate the guidelines and organization retained, and to make key decisions, especially regarding the nature of acceptable risks and the follow-up to the deployment of the Rhodia internal control model;
- by the audit Committee of the Board of Directors, kept regularly informed in 2007 of the progress of the work and the results obtained.

Executed in Courbevoie, on March 17, 2008

Yves René NANOT

Chairman of the Board of Directors

16.5.2 STATUTORY AUDITORS' REPORT PREPARED PURSUANT TO ARTICLE L. 225-235 OF THE COMMERCIAL CODE ON THE REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS OF RHODIA S.A. WITH REGARD TO THE INTERNAL CONTROL PROCEDURES RELATED TO THE PREPARATION AND TREATMENT OF ACCOUNTING AND FINANCIAL INFORMATION.

Dear Sirs and Madams,

In our capacity as Statutory Auditors of Rhodia and pursuant to the terms of Article L. 225-235 of the Commercial Code, we present our report on the report prepared by the Chairman of your company pursuant to the terms of Article L. 225-37 of the Commercial Code for the year ended December 31, 2007.

The Chairman is responsible for reporting specifically on the conditions for the preparation and organization of the Board of Directors' tasks and the internal control procedures in place within the company. It is our responsibility to provide you with our comments on the information provided in the Chairman's Report on the internal control procedures related to the preparation and treatment of accounting and financing information.

We have carried out our work according to good professional practices applicable in France. This requires that diligence be applied to evaluating the accuracy of the information provided in the Chairman's report on the internal procedures related to the preparation and treatment of accounting and financial information. This diligence work specifically involves:

- identifying the internal control procedures related to the preparation and treatment of the accounting and financial information underlying the information presented in the Chairman's report as well as of the existing documentation;
- identifying the work underlying the information provided in the report and the existing documentation;
- determining whether any major deficiencies of the internal control related to the preparation and treatment of the accounting and financial information that we may have discovered in the course of our work constitute appropriate information for the reporting in the Chairman's report.

On the basis of this study, we have no observations to communicate on the information provided in relation to the company's internal control procedures related to the preparation and treatment of accounting and financial information included in the report of the Chairman of the Board of Directors, prepared pursuant to the terms of Article L. 225-37 of the Commercial Code.

Neuilly-sur-Seine and Paris La Défense, March 27, 2008

Statutory Auditors

PricewaterhouseCoopers Audit	Salustro Reydel
	Member of KPMG International
Christian Perrier	Dominique Stiegler

17 Employees

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17.1 The Responsibilities of Rhodia with Regard to its Employees

With 15,530 employees at the end of 2007, of whom more than 41% are based in the zones of Latin America and Asia, Rhodia has implemented a human resources and corporate control and supervision program that takes these cultural diversities into consideration. The Group has met this requirement by adhering to a high ethical standard, by fostering dialogue within the Group and by promoting career development at the worldwide level.

The attention it has given to its men and women is all the more necessary since Rhodia has entered a new development phase after its turnaround.

The "Rhodia 2010" program has been implemented and must now help improve the Rhodia Group. With its economic performance and the development of its workforce being so closely inter-related, the policy regarding human resources is at the core of the challenges facing the Group, in particular in areas of significant growth.

In this chapter, the ✓ sign highlights indicators covered by the PricewaterhouseCoopers Audit certificate in chapter 5.3.4.2 of this reference document.

17.1.1 DEVELOPMENT OF THE WORKFORCE AND EMPLOYMENT: MAIN TRENDS

Historical group structure	2005	2006	2007
Development of the work force	19,444	17,077	15,530

The gradual decline in the number of employees since 2005 is in part due to disposals. In 2007, the 1,606 employees who left the Group for the most part worked in the silicone division that was sold.

EMPLOYMENT TALLY: CREATION/ELIMINATION OF JOBS (BEYOND THE PERIMETER EFFECT)

- 2007: + 1,192 outside recruits/-1,133 departures;
- 2006: + 1,116 outside recruits/-1,739 departures;
- 2005: + 1,025 outside recruits/-2,217 departures.

After eight years of significant decreases, Rhodia increased its workforce by 0.4% in 2007. This slight increase is due to an increase in recruiting and a reduction in departures from the Group. In 2006, Rhodia saw a net slowdown in the decline of its workforce (-3.5%).

Rates for new hires and departures were, respectively, 7.7% and 7.3%. Half of the new hires occurred in Asia and Latin America. In all, the percentage of Rhodia's staff in these two zones continues to increase, from 23% in 2003 to 41% in 2007, which reflects the Group's development strategy.

EVOLUTION OF THE GEOGRAPHICAL DISTRIBUTION OF THE WORKFORCE BETWEEN 2003 AND 2007

	2003 (historical perimeter)	2007
France	38%	34%
Europe not including France	24%	14,5%
North America	11%	11%
Latin America	16%	20%
Asia/Pacific	11%	20,5%

Diversity

In May 2005, the Group signed the Charter of Diversity in France, which committed 60 large French companies to a voluntary program to promote diversity in all its forms. Within this context, Rhodia has assigned the task of evaluating the assimilation level of the concept of diversity by the corporate body of the Group to a team from the *Université d'Evry* (which includes studying awareness of the Group's policy, the actual status of diversity, improvements, etc.).

At the beginning of 2007, the results from this study were simultaneously presented to the advisory board and to the labor union organizations in order to share and jointly develop actions to be undertaken. A consensus was reached that in 2008, a stronger initiative would be spear-headed in favor of hiring people with reduced employment capacity. Moreover, at the end of 2007, a "Charter of Corporate Responsibility" was negotiated with the Adecco Group in order to improve collaboration in the various areas of diversity.

In Brazil, Rhodia launched a program for hiring disabled persons. This program includes a program of training and adaptation to job stations and the work environment. It also includes management-oriented actions to integrate such employees.

The percentage of women in the total workforce of the Group is 22%, which is stable with respect to the previous year. The percentage of women managers in the total workforce is 25%, an increase compared to the previous year. Of the executive managers, 8% are women, which represents a slight improvement compared to 2006 (7.5%)

Among entry-level managers, 31% are women who also make up 25% of the "high-potential managers" (a significant increase compared to 2006), which will enable the Group to improve its mix in the upper managerial levels in the coming years.

Within the context of international diversity, 50% of "high potential" individuals are not of French nationality, which confirms that the globalization of teams has become a reality in the Group over the past several years.

17.1.2 MONITORING THE HEALTH AND SAFETY OF INDIVIDUALS

Rhodia has made the health and safety of its employees a priority. Assuring good working conditions and managing risks are daily concerns for the Group.

To this end, Rhodia has set up systematic preventive procedures with regard to the health not only of its own employees but also those of third parties who work on its sites, and communities living adjacent to its plants.

In 2006, with regard to a "red line" of its Management Book (see chapter 4.2.1.1, "Management Book", of this reference document), the Group developed a management procedure for Carcinogens, Mutagens and Reproductive toxins (CMRs) that provides a framework for substitution possibilities and the management of risks. In 2007, a tracking indicator for the application of this red line was set up. Thus, all of Rhodia's sites as of the end of December 2007, 510✓ uses (*) of CMR (categories 1, 2, IARC 1 & 2A) were declared for fewer than a hundred CMR substances, of which:

- 67%✓ of the arguments (**) for substitution or non-substitution were drafted;

(*) A CMR used several times on the same site is counted as once. The same CMR used on several sites is counted as several times.

- 68%✓ of evaluations (**) of risk were conducted;
- 63%✓ of CMR files (**) were completed for an objective of 100% by mid 2009.

The mobilization of the Rhodia Group in the areas of health, safety and the environment has translated into a very concrete commitment by managers in the field. In this regard, the "Safety" visits of the members of the Group's executive committee, and safety visits from the upper management ("VSH"), made by the members of the management committees of Rhodia's companies, have helped to raise awareness and increase the motivation of the teams. The average rate of VSH per member of the executive committees of the companies significantly increased in 2007, going from 7.6 in 2006 to 9.4 in 2007.

Rhodia has numerous methods at its disposal, most of which are based on conduct to improve the application of good practices by employees with regard to safety. Thus, in 2007, 81.2%✓ of staff became involved in a progress action in terms of health, safety or the environment. The development of actions in the domain of human and organizational factors (FHO) should be noted, a domain that enables Rhodia to maintain its performance levels at their current level or even to improve them.

Fifty three work-related illnesses, recognized in 2007 or susceptible of becoming recognized (***), were identified in 2007. These illnesses were for the most part a consequence of past exposures.

Safety Results

Since 2006, the Group has developed overall frequency rates that take into account all people working on its sites. This demonstrates its desire to treat all of those who are concerned by HSE problems in a uniform manner.

In 2007, Rhodia began reporting more detailed results (provided two decimal places) that will make it possible to better assess progress made on safety indicators.

	2005	2006	2007
TF1 Personnel working on a Rhodia site (1)	0.9	0.7	0.67
TF2 Personnel working on a Rhodia site (2)	2.1	1.5	1.43
TF1 Rhodia personnel (3)	0.8	0.5	0.50
TF2 Rhodia personnel (4)	1.8	1.1	1.18
TG Rhodia personnel (5)	0.05	0.04	0.046
Work-related illnesses for Rhodia personnel	41	57 (10)	53 (10))
TF1 Temporary workers (6)	1.4	1.7	2.57
TF2 Temporary workers (7)	2.3	2.3	3.22
TF1 Outside companies (8)	1.1	1.2	0.82
TF2 Outside companies (9)	3.0	2.6	1.79
Number of deaths of Rhodia personnel, outside companies and temporary workers	0	0	1

(1) Frequency rate of accidents resulting in a work disruption of one full day (or more) in addition to the day of the accident, for Rhodia personnel, temporary workers and companies not belonging to the Group working on Rhodia sites measured in number of accidents per million of work hours

(2) Frequency rate of accidents resulting or not in a work disruption, for the personnel of Rhodia, temporary workers and companies that do not belong to the Group working on Rhodia sites measured in number of accidents per million of work hours.

(3) Frequency rate of accidents resulting in a work disruption of a full day (or more), in addition to the day of the accident, for Rhodia personnel, measured in the number of accidents per million of work hours.

(4) Frequency rate of accidents resulting or not in a work disruption for Rhodia personnel, measured in the number of accidents per million of work hours

(5) Rate of seriousness of the work disruptions for Rhodia personnel, measured according to the number of work days lost per thousand hours of work

(6) Frequency rate of accidents resulting in a work disruption of a full day (or more) in addition to the day of the accident, for temporary workers employed by the sites of the Rhodia Group, measured in the number of accidents per million of work hours.

(7) Frequency rate of accidents resulting or not in a work disruption for temporary workers employed by the sites of the Rhodia Group, measured in the number of accidents per million of work hours.

(8) Frequency rate of accidents resulting in a work disruption for companies not belonging to the Rhodia Group but working on Rhodia sites, measured in the number of accidents per million of work hours.

(9) Frequency rate of accidents resulting or not in a work disruption for companies not belonging to the Rhodia Group but working on Rhodia sites, measured in the number of accidents per million of work hours.

(10) Recognized or susceptible of recognition subsequently, as defined in the Group's internal procedure (DRC 28) on the process of handling work-related illnesses.

(**) Arguments, risk evaluations and files refer to an "activity" (process or operating mode) implementing a CMR on a site (these concepts are defined in the glossary of the reporting procedure "Responsible care®" of the Group DRC 06-01).

(***) As defined in the Group's internal procedure DRC 28 on the process for handling work-related illnesses.

The Frequency rate TF1, which is the only rate widely reported by all industrial companies, has been less than one for three years, a level that places Rhodia among worldwide leaders in the chemistry industry with regard to work-place safety results.

The frequency rate TF2 (accidents with or without disruption) has clearly improved with respect to 2006 for personnel of companies working on the Group's sites.

Nevertheless, it is with regret that the death of an individual from an external company occurred while setting up scaffolding on the Onsan site in South Korea. .

17.1.3 INVESTMENTS IN HYGIENE, HEALTH AND SAFETY IN 2007

Investments in the field of hygiene, health and safety increased for the entire Group to €25.8 million in 2007, or an increase of 4% compared to 2006.

17.1.4 DEVELOPING A RICH AND BALANCED CORPORATE DIALOGUE

Regular dialogue with corporate partners is part of Rhodia's culture. The Group's management is mindful of notifying the representatives of its employees in total transparency, so that everyone can prepare better for any foreseeable changes. This approach helps to promote the concept of the corporate partners' responsibility and all parties' capacity for commitment

Recently, this shared culture has made possible the signing, in 2003, of a management planning agreement and in 2004, that of a method agreement that established a strategic dialogue. The spirit of the management planning agreement and the method agreement was called up in 2007 to help in the negotiation and then the signing in March of an agreement that supplements the system for detecting future job problem through early detection. This agreement also sets up legal and regulatory procedures.

Corporate partners are also taking part at the French and European level, in project tracking commissions involving the outsourcing of the administrative portion of the human resources department.

In 2007, the following were also signed:

- an amendment to its agreement on labor union law;
- an agreement creating an Economic and Social Unit (UES) among all French subsidiaries of the Group, and a supplemental agreement creating its Central Enterprise Committee (CCE), in order to give more prominence to relations with the various levels of personnel representation.

Lastly, the first world-wide corporate and environmental responsibility agreement that had been signed in 2005, with the International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM) was updated and renewed in 2008 (see chapter 5.3.1.3, "A global commitment to corporate and environmental responsibility", of this reference document).

17.1.5 DEVELOPING SKILLS AND ENCOURAGING THE IN-HOUSE PROMOTION OF EMPLOYEES

Rhodia considers the development of its employees as a key factor of success. This involves outside and in-house training sessions, but also simulations of work situations; in this case, the employee is given a project responsibility or a job different from his normal work, on the same site or at another site, or even in another country; managers are encouraged to promote this dynamic type of situation particularly through progression and succession plans (PPS).

As the Group has evolved its behavioral skills model (result-oriented, customer-oriented, initiative, foresight and global vision, openness, enthusiasm, team performance, proactive cooperation, self-knowledge, impact and influence, development of others) in order to adapt it to new challenges, in 2007, it consolidated the deployment of the training program "to observe and develop Rhodia behavioral skills". 1,800 people have already been trained since 2006. Moreover, in 2007, the 300 top executives of the group attended a five-day development program aimed at preparing Rhodia 2010, and which drew upon leadership, cooperation, team development and strategy. Ambitious programs were launched in Latin America and Asia, aimed at better preparing local leaders for their role in the development of employees.

Consistent with the evolution of the skills model, the annual refresher course has also been adjusted to reinforce the development part of skills. A training session in e-learning was developed to promote its distribution.

The employability of its employees is also a significant objective of the Group.

The early management agreement of professions, jobs and skills, signed in 2003, represented a true cultural leap, and its assimilation at the operational unit level has started. The Group is convinced of the importance of this policy and continues its efforts in order to promote it.

17.1.5.1 GETTING THE MOST OUT OF TRAINING

In 2007, Rhodia pursued the implementation of a worldwide vision of training priorities separated by professional groups.

Among the key programs of 2007 were:

- industrial group: human and organizational factors of safety (behavioral approach), training in the new REACH regulations in Europe;
- operating excellence: the deployment of the Six Sigma program was extended as a result of the involvement of in-house instructors;
- commercial & marketing group: as a supplement of training sessions on project management and innovation and training sessions on commercial performance, an ambitious program of training in marketing within the framework of innovation, and a training session on the "voice of customer" was developed and is in the process of being deployed;
- integration internship at Rhodia for new employees upon their arrival;
- training to achieve mastery of SAP.

In 2007, 71% of Rhodia's employees worldwide benefited from a training session (percentage stable with respect to 2006), but the number of average hours of training went from 20 hours in 2006 to 23.5 hours in 2007 (28 hours for managers and 22 hours for other employee categories)

(in euros)	2005	2006	2007
Training investment indicator per person	324	317	357

The average investment per person increased from €317 in 2006 to €357 in 2007, as a result of an optimization of the training budget.

17.1.5.2 PROMOTING STAFF MOBILITY

Rhodia promotes the internal mobility of its staff by the coordinated and international management of its professional groups. This process is headed by the human resource networks of the Group at the country level for non-managers, and at the worldwide level and by geographic zones for managers. The "career opportunities" tab on the Group's Intranet enables everyone to consult the jobs available within the Group and to convey their interest in potential promotions. Workers, employees, technicians and supervisors (OETAMs) benefit from an internal agency for promotion and recruitment in France. The purpose of this agency is to list available jobs and give preference to promoting employees within the Group in France. The agency has helped to implement the approach at the country level by and effectively as an internal and external recruitment office.

Internal mobility: confirmation of a positive trend

Ten percent of managers have benefited from internal promotions, which confirms the positive trend that began in 2002.

	2005	2006	2007
Internal mobility	17%	10%	10%

Geographical mobility

Rhodia has given preference to hiring managers locally, which reduces the number of expatriates, that has now stabilized at around 0.4% of all employees.

In 2007, the number of expatriates remained almost stable. "Opportunity +"-type expatriations have increased, which provides the development of an international culture for potential leaders and above all short-term assignments abroad have significantly increased. This is closely related to investments in Asia.

	2004	2005	2006	2007
Number of expatriates, of "opportunity missions" and short-term job assignments	121	111	137	132

Moreover, mobility is starting to develop between the countries of Asia. In December 2007, there were 19 movements of Asian managers from one country to another. This figure has doubled since 2003.

17.2 Stock Option Plans and Free Allocation of Shares

17.2.1 ALLOCATION POLICY

The allocation of stock options and free shares are indispensable tools for hiring and retaining high proficiency management personnel. The persons that can be involved in these allocations are senior managers and management personnel with high potential, whom it is necessary to retain, and, on an exceptional basis, general workers or employees, whose work performance is outstanding. The allotment of share subscription options or free shares to employees and management personnel takes into account their strong involvement in Rhodia.

The price for the exercise of stock options is set in accordance with certain legal provisions, and there has never been a discount with respect to this reference price. Moreover, some of the plans for allocating share subscription options, as well as all the plans for the free allocation of shares targeting the groups defined above are conditional upon meeting economic performance criteria.

17.2.2 SHARE SUBSCRIPTION AND SHARE PURCHASE OPTIONS

At December 31, 2007, the number of outstanding share subscription options was 2,072,536, representing 2.06% of the Company's share capital after the exercise of all of the share subscription options and the creation of new shares.

The Company has not, to date, authorized the establishment of share purchase option plans.

17.2.2.1 INFORMATION RELATED TO THE SHARE PURCHASE OPTIONS IN 2007

Allocation of stock options

In 2007, your Board of Directors did not authorize any option plans for subscription to shares.

Exercise of stock options

No stock options were exercised by the officers of the Company in 2007.

The table below indicates the number and price of the shares that were subscribed in 2007 by the 10 non-officer beneficiaries of the Group who subscribed the most shares:

	Number of Shares	Subscription Price* (in euros)	Share Subscription Option Plan
Share subscription options exercised by the 10 employees of the Group holding non-officer positions who subscribed the most shares	11,262**	28.08	Plan A 2003
	3,924	15.12	Plan A 2004
	795	15.12	Plan B 2004

* *After taking into account the reverse share split and related adjustments – the reverse share split ratio being one new share, with nominal value of €12 per share, for 12 old shares, with the nominal value of €1 per share.*

** *Of which 6,854 stock options were exercised by Mr. Gilles Auffret, member of the Management Committee.*

17.2.2.2 SUMMARY AND FEATURES OF THE CURRENT SHARE SUBSCRIPTION OPTION PLANS

See Note 34.2 to the consolidated financial statements in chapter 20.3.1.3 of the present reference document.

In addition, the weighted average remaining maturity of the stock options at the end of the year amounted to four years in 2007, 5.1 years in 2006, and 6.1 years in 2005.

Furthermore, regarding the 2004 Plan B for share subscription options, it should be noted that the performance condition provided for in the Regulations of that plan, which consisted of a ratio of EBITDA over sales greater than or equal to 13% (as shown in the consolidated financial statements as of December 31, 2006) was reached.

17.2.3 FREE ALLOCATIONS OF SHARES

As of December 31, 2007, the number of shares that would be allocated at the end of the vesting period was 1,628,651, representing 1.62% of the capital of the Company, after the delivery of those shares.

17.2.3.1 REPORT ON THE FREE ALLOCATION OF SHARES IN 2007

Free allocations of shares in 2007

The Board of Directors authorized the following plans for the free allocation of shares:

a) during its meeting on January 15, 2007, and upon authorization of the combined annual shareholders' meeting on June 23, 2005, in its 21st Resolution:

- the first plan (Plan A), conditional on the attainment of certain economic performances providing for:
  - a performance condition consisting of achieving an objective, specifically defined by the Board of Directors, of a recurring net debt to EBITDA ratio, as shown in the consolidated financial statements of the Company as of December 31, 2007,
  - the allocation of 4,129,500 shares (pre-reverse split) to 448 beneficiaries,
  - a two-year vesting period (which will therefore end by the end of the day on January 15, 2009) and a two-year holding period (which will therefore end by the end of the day on January 17, 2011);
- the second plan (Plan B), conditional on the attainment of certain economic performances providing for:
  - a performance condition consisting of achieving a recurring EBITDA to sales ratio, as shown in the consolidated financial statements of the Company as of December 31, 2007, greater than or equal to the average ratio of a reference panel made up of specialty chemistry companies,
  - the allocation of 4,129,500 shares (pre-reverse split) to 448 beneficiaries,
  - a two-year vesting period (which will therefore end by the end of the day on January 15, 2009) and a two-year holding period (which will therefore end by the end of the day on January 17, 2011);
- It is specified that the Board of Directors, during its meeting on February 27, 2008, verified that the performance conditions indicated above had been achieved. Consequently, the shares allocated under the two plans described above were definitively delivered to the beneficiaries at the end of the vesting period, or at the end of day on January 15, 2009.

b) a program of free allocation of shares intended for almost all employees at its session on July 30, 2007 and upon authorization of the combined annual shareholders' meeting on May 3, 2007 in its 16th resolution. This program consists of the free allocation of 15 shares of the Company to almost all employees of the Group and is made up of two plans providing for different vesting and holding periods with regard, in particular, to the local legal and tax constraints:

- the first plan, called "2+2" providing for:
  - the allocation of 92,355 shares (post-reverse split) to 6,157 beneficiaries,
  - a two-year vesting period (which will therefore end by the end of the day on July 31, 2009) and a two-year holding period (which will therefore end by the end of the day on July 31, 2011);
- a second plan, called "4+0" providing for:
  - the allocation of 142,755 shares (post-reverse split) to 9,517 beneficiaries,
  - a four-year vesting period (which will therefore end by the end of the day on July 31, 2011).

Free allocations of shares to officers

The number and value of shares allocated to the officers of the Group under the various plans described above are indicated in the table below:

Officers	Number of shares allocated (*) (subject to economic performance conditions)	Theoretical value of the shares (**)
Jean-Pierre Clamadieu (Chief Executive Officer)	50,000 shares of which 25,000 shares are under Plan A and 25,000 shares are under Plan B	€638,000
Jacques Khéliff (***) (Director)	8,334 shares of which 4,167 shares are under Plan A and 4,167 shares are under Plan B (allocated in his capacity as Head of Sustainable Development)	€106,342

* *After taking into account the reverse share split and related adjustments – the reverse share split ratio being one new share with the nominal value of €12 for 12 former shares with the nominal value of €1.*

** *To calculate this theoretical value, the opening price of the Rhodia share on March 17, 2008, the day on which the Board of Directors reviewed the management report, equal to €12.76, was used. The price of the Rhodia share on January 15, 2007, the day when the Board of Directors decided on the share allocations, was equal to €31.56, taking into account the reverse share split ratio (that is, €2.63 before the reverse share split).*

*** *Jacques Khéliff was also allocated 15 post-reverse split shares pursuant to the 2+2 plan presented above, the theoretical value of the shares thus allocated being €191.40 (based on the opening price of the Rhodia share on March 17, 2008, the day on which the Board of Directors reviewed the management report, equal to €12.76).*

Furthermore, in accordance with Article L.225-197-1 II, paragraph 4 of the Commercial Code, the Board of Directors of the Company set the number of shares coming from those two plans that the Chief Executive Officer must hold until his duties end at 25%.

Free allocations of shares to employees of the Group

The table below indicates the number and value of shares allocated to each of the 10 non-officer employees of the Group, whose number of shares thus allocated under plans A and B described above is the highest; it is specified that each of these beneficiaries also benefited from the free allocation of 15 shares (post-reverse split), representing a theoretical value of €191.40 (based on the opening price of the Rhodia share on March 17, 2008, the day on which the Board of Directors reviewed the management report, equal to €12.76, for the worldwide 2+2 and 4+0 plans):

Number of post-reverse split shares*	Theoretical value of shares**	Beneficiary(s)	Position (number of shares allocated subject to economic performance conditions*)	Country
30,000	€382,800	Gilles Auffret***	Chief Operating Officer of which:15,000 shares under Plan A and 15,000 shares under Plan B	France
20,000	€255,200	Yves Boisdron***	Group Executive Vice President, Strategy of which 10,000 shares under Plan A and 10,000 shares under Plan B	France
20,000	€255,200	Pascal Bouchiat***	Group Executive Vice President and Chief Financial Officer of which 10,000 shares under Plan A and 10,000 shares under Plan B	France
20,000	€255,200	Bernard Chambon***	Group Executive Vice President, Human Resources, Communications and Sustainable Development of which10,000 shares under Plan A and 10,000 shares under Plan B	France
20,000	€255,200	Jean-Pierre Labroue***	Group Executive Vice President, General Counsel and Corporate Secretary of which 10,000 shares under Plan A and 10,000 shares under Plan B	France
16,668	€212,684	Mike DeRuosi	President of Novecare of which 8,334 shares under Plan A and 8,334 shares under Plan B	United States
16,668	€212,684	Laurent Schmitt	President of Polyamide of which 8,334 shares under Plan A and 8,334 shares under Plan B	France
15,000	€191,400	Olivier Caix	President of Organics of which 7,500 shares under Plan A and 7,500 shares under Plan B	France
13,334	€170,142	James Harton	President of Eco Services North America of which 6,667 shares under Plan A and 6,667 shares under Plan B	United States
11,668	€148,884	Michel Audoin	President of Acetow of which 5,834 shares under Plan A and 5,834 shares under Plan B	Germany
11,668	€148,884	Philippe Rosier	President of Energy Services of which 5,834 shares under Plan A and 5,834 shares under Plan B	France

* *After taking into account the reverse share split and related adjustments – the reverse share split ratio being one new share with the nominal value of €12 for 12 former shares with the nominal value of €1.*

** *To calculate this theoretical value, the opening price of the Rhodia share on March 17, 2008, the day on which the Board of Directors reviewed the management report, equal to €12.76, was used. The price of the Rhodia share on January 15, 2007, the day when the Board of Directors decided on the share allocations, was equal to €31.56, taking into account the reverse share split ratio (that is, €2.63 before the reverse share split).*

*** *Members of the Management Committee.*

17.2.3.2 OTHER CURRENT PLANS FOR FREE ALLOCATION OF SHARES

In addition to the plans for free allocation of shares authorized in 2007 described above, the Board of Directors had drawn up two plans for the free allocation of shares in 2006. Since the performance conditions provided for in those plans had been met, 718,126 post-reverse split shares were issued by the Company and given to the beneficiaries of those plans at the end of the purchase vesting period, or end of the day on January 14, 2008 (or 359,063 shares under Plan A and 359,063 shares under Plan B).

Those shares must now be held by their holders until the end of the holding period, or end of the day on January 14, 2010.

17.2.3.3 INFORMATION ON 2008

Free allocations of shares granted in 2008

We inform you that your Board of Directors, at its session of March 17, 2008, and as authorized by the combined shareholders' meeting of May 3, 2007 by resolution 16, decided:

- the first plan (Plan A 2+2), conditional on the attainment of certain economic performances providing for:
  - a performance condition consisting of achieving a CFROI, as shown in the consolidated financial statements of the Company as of December 31, 2008, higher or equal to 8%,
  - the allocation of 355,000 shares to 189 beneficiaries,
  - a two-year vesting period (which will therefore end by the end of the day March 17, 2010) and a two-year holding period (which will therefore end by the end of the day on March 19, 2012);
- the second plan (Plan B 2+2), conditional on the attainment of certain economic performances providing for:
  - a performance condition consisting of achieving a recurring EBITDA to sales ratio (incorporating the CER activity), as shown in the consolidated financial statements of the Company as of December 31, 2008, two points greater than the average ratio of a reference panel made up of specialty chemistry companies,
  - the allocation of 355,000 shares to 189 beneficiaries,
  - a two-year vesting period (which will therefore end by the end of the day on March 17, 2010), and a two-year holding period (which will therefore end by the end of the day on March 19, 2012);
- the third plan (Plan A 4+0), conditional on the attainment of certain economic performances providing for:
  - a performance condition consisting of achieving a CFROI, as shown in the consolidated financial statements of the Company as of December 31, 2008, higher or equal to 8%,
  - the allocation of 156,980 shares to 153 beneficiaries,
  - a four-year vesting period (which will therefore end by the end of the day on March 19, 2012);
- the fourth plan (Plan B 4+0), conditional on the attainment of certain economic performances providing for:
  - a performance condition consisting of achieving a recurring EBITDA to sales ratio (incorporating the CER activity), as shown in the consolidated financial statements of the Company as of December 31, 2008, two points greater than the average ratio of a reference panel made up of specialty chemistry companies,
  - the allocation of 156,980 shares to 153 beneficiaries,
  - a four-year vesting period (which will therefore end by the end of the day on March 19, 2012).

17.2.3.4 SUMMARY AND FEATURES OF THE PLANS FOR FREE ALLOCATIONS OF SHARES AT THE PRICE AT DECEMBER 31, 2007.

See Note 34.3 to the consolidated financial statements in chapter 20.3.1.3 of the present reference document.

17.3 Employee Shareholding

17.3.1 THE GROUP SAVINGS PLAN (PEG)

The PEG gives employees of the Group companies that belong to this plan the option of making voluntary payments and of investing their share of profit sharing plans. The PEG provides access to various corporate mutual funds, some of which serve to make capital increases reserved for the employees of the Group companies that belong to that PEG, those investment funds then being invested in Rhodia shares.

The Rhodia PEG is made up in particular of various corporate mutual funds (FCPE), some of which have invested in Rhodia shares. The regulations of the FCPE invested in Rhodia shares provide for the exercise through their supervisory boards, at general shareholders' meetings, of the voting rights attached to the Rhodia shares held by each of those FCPEs.

17.3.2 EMPLOYEE SHAREHOLDERS' STAKE IN RHODIA'S CAPITAL

As of December 31, 2007, the total number of shares held by employees of the Company, as defined in Article L. 225-102 of the Commercial Code, breaks down as follows:

FCPE RHODIA 2000	565,250.00
FCPE ACTIONS RHODIA	431,800.00
FCPE RHODIA INTERNATIONAL	62,541.00
FCPE PELT Actions Rhodia	249,446.00
FCPE Avenir 2006	1,405,991.00
FCPE Aspire 2006	277,199.00
FCPE International Aspire 2006	66,376.00
FCPE Avvenire 2006	27,024.00
FCPE Zukunft 2006	53,389.00
Rhodia shares directly held by employees through the PEG	3,139,016.00
Total number of shares held by employees, representing 3.33% of Rhodia's capital	**3,346,438.00**

In addition, in 2007, the Board of Directors of Rhodia decided to grant the free allocation of shares to almost all of the employees of the Group. This transaction, described in detail in chapter 17.2.3 above, will not result in the issuance of shares prior to August 1, 2009, except in the event of a death or permanent disability of the beneficiary employee as provided for under the Commercial Code.

17.3.3 DIRECTORS REPRESENTING THE EMPLOYEE SHAREHOLDERS

It was noted, at the end of 2006, that the stake of Rhodia's employees and its subsidiaries in Rhodia's capital (pursuant to Article L. 225-102 of the Commercial Code) had surpassed the 3% threshold.

With the threshold surpassed, the regulations require including in the Company bylaws a mechanism allowing for the election by the general shareholders' meeting of a Director to represent the employee shareholders. For this purpose, an amendment to the Company bylaws will therefore be put to the vote of the shareholders during the next general shareholders' meeting called to approve the 2007 financial statements.

Notably, Mr. Jacques Khéliff was appointed Director during the general shareholders' meeting on June 23, 2005, without any legal requirement to do so, even though the total employees' holdings in the Company were less than 3%, the Board of Directors wishing at the time to continue to have a Director on the Board who would represent employee shareholders. It was in that spirit that the appointment of Jacques Khéliff as Director was presented to the general shareholders' meeting, that candidacy being proposed by the employee shareholders' association of Rhodia.

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Principal Shareholders

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18.1 Distribution of Capital and Voting Rights

Developments in Rhodia's share capital distribution during the past three years are described in the following table:

	December 31, 2007 (1)			December 31, 2006 (1)			December 31, 2005 (1)		
	Number of shares (2)	% capital	% Voting rights	Number of shares	% capital	% Voting rights	Number of shares	% capital	% Voting rights (3)
Capital Group International	8,449,470	8.42	8.42	59,050,917	4.90	4.90	-	-	-
Wellington Management Company, LLP	6,799,116	6.77	6.77	-	-	-	-	-	-
JP Morgan Asset Management	2,327,717	2.32	2.32	63,490,878	5.27	5.27	-	-	-
Other international institutions	51,343,897	51.16	51.16	618,913,893	51.40	51.40	709,299,799	60.36	64.31
French institutions	15,224,528	15.17	15.17	279,822,502	23.24	23.24	157,298,545	13.4	14.26
Individuals	12,876,666	12.83	12.83	138,838,812	11.53	11.53	136,801,806	11.51	12.4
Employees (Article L. 225-102 of the Commercial Code)	3,346,437	3.33	3.33	44,075,172	3.66	3.66	15,049,102	1.28	1.36
TIAA-CREF Investments Management, LLC	-	-	-	-	-	-	44,219,307	3.76	4.01
Sanofi-Aventis	-	-	-	-	-	-	96,110,182	8.17	2.84 (4)
Crédit Agricole (dont Calyon)	-	-	-	-	-	-	17,937,800	1.52	0.81 (4)
TOTAL	**100,367,831**	**100**	**100**	**1,204,186,174**	**100**	**100**	**1,176,716,541**	**100**	**100**

(1) Sources: Euroclear France and Capital Precision.

(2) As set forth in chapter 21.1.1 of the reference document, on June 12, 2007, Rhodia carried out a reverse share split by exchanging every new share with the nominal value of €12 for 12 former shares with the nominal value of €1 each. Thus, on December 31, 2007, Rhodia's share capital was composed of 100,367,831 shares, with the nominal value of €12 per share. Prior to this reverse share split, Rhodia's share capital was composed of 1,204,186,174 shares with the nominal value of €1 per share on December 31, 2006, and 1,176,716,541 shares of 1 € shares with the nominal value of €1 per share on December 31, 2005.

(3) Based on 1,103,199,316 voting rights, taking into account :

(i) The suppression of the voting rights by the general shareholder's meeting dated June 23, 2005; and

(ii) The increase of share capital in December 2005.

(4) Taking into account the suppression of the voting rights by the general meeting dated June 23, 2005.

18.2 Different Voting Rights

There are no double voting rights.

Following the reverse share split of the Company, (see chapter 21.1.1 below), the shareholders have a period of two years counting from the start of the consolidation operations, or until June 12, 2009, to claim the post-reverse split shares (each with the nominal value of €12) and to exchange them for 12 pre-reverse split shares (each with the nominal value of €1).

On that account, during this two-year period and in accordance with Article 18 of the Company bylaws, any pre-reverse split share will entitle its holder to one (1) vote and any post-reverse split share to twelve (12) votes, so that the number of votes attached to the Company's shares will be proportional to the part of the capital that they represent.

As of December 31, 2007, there were outstanding:

- 100,044,735 post-reverse split shares giving right to 12 voting rights each, or 1,200,536,820 voting rights (that is, the reverse share split rate of 99.68%); and
- 3,877,152 pre-reverse split shares giving right to one voting right each, or 3,877,152 voting rights.

18.3 Information on the Control of the Company's Share Capital

To Rhodia's knowledge, the shares registered directly with the Company and subject to collateral security represent less than 1% of its share capital.

The principal events that have occurred relative to the control of the share capital of the Company since January 1, 2007, are the following:

- Wellington Management Company, LLP declared to the Company and to the *Autorité des marchés financiers*, by letter dated November 20, 2007, supplemented by the second letter dated November 23, 2007, having crossed the holding threshold of 5% of the capital and voting rights on November 19, 2007, as a result of acquiring Rhodia's shares and holding in the interest of its clients 5,354,732 Rhodia shares representing 64,256,784 voting rights, equal to 5.34% of the capital and voting rights of the Company;

Capital Group International Inc. made the following declarations to the Company and to the *Autorité des marchés financiers*:

- that on January 12, 2007, it had, acting in concert with and on behalf of the funds that it manages, on January 9, 2007, following the sale of shares on the market, fallen below the holding threshold of 5% of the shares and voting rights of the Company and declared that it thus indirectly holds 59,050,917 Rhodia shares (pre-reverse split), representing as many voting rights, or 4.90% of the capital and voting rights of the Company,
- that on November 17, 2007 (then on November 27, 2007), it had, acting in concert with and on behalf of the funds that it manages, on November 13, 2007, following a purchase of shares on the market, exceeded the 5% holding threshold of the shares and voting rights of the Company and declared that it thus holds on behalf of those funds 5,117,254 Rhodia shares (post-reverse split), representing 61,407,048 voting rights, or 5.10% of the capital and voting rights of the Company;

- JPMorgan Asset Management UK Ltd. made the following declarations to the Company and to the *Autorité des marchés financiers*:

- that on January 19, 2007, it had, acting in concert with and on behalf of subsidiaries exercising a management activity on behalf of third parties, exceeded the legal holding threshold of 5% of the shares and voting rights of the Company and declared that it thus indirectly holds 63,490,878 Rhodia shares (pre-reverse split) representing as many voting rights, or 5.272% of the capital and voting rights of the Company,
- that on September 14, 2007, it had, acting in concert with and on behalf of subsidiaries exercising a management activity on behalf of third parties, fallen below the legal holding threshold of 5% of the shares and voting rights of the Company and declared that it thus indirectly holds 4,962,139 Rhodia shares (post-reverse split), representing 59,545,668 voting rights, or 4.944% of the capital and voting rights of the Company.

To Rhodia's knowledge, the percentage of the capital and voting rights held by the members of the Board of Directors and the Management Committee of Rhodia is not significant.

To Rhodia's knowledge, no shareholder, other than those indicated in the table above, directly or indirectly holds more than 5% of the capital or the voting rights of Rhodia.

18.4 Change in Control

To Rhodia's knowledge, no shareholders' agreement nor any clause of any agreement containing preferential terms for selling or purchasing Rhodia shares was reported to the *Autorité des marchés financiers*. Nor were any concerted actions noted.

In addition, the information below is provided within the framework of and for the purpose of complying with the provisions of Article L. 225-100-3 of the Commercial Code involving implementation of the guidelines regarding takeover bids:

- the structure of the Company 's capital is described in chapter 18.1;
- there are no restrictions in the bylaws on the exercise of voting rights and the transfers of shares or clauses of agreements brought to the attention of the Company in application of Article L. 233-11 of the Commercial Code (see also chapters 18.2 and 21.2);
- the direct or indirect shareholdings in the capital of the Company of which it is aware pursuant to Article L. 233-7 (declaration of crossing of thresholds) and Article L. 233-12 of the Commercial Code are described in chapter 18.3;
- no shareholders have special rights of control;
- the control mechanisms provided for in the shareholding system for the personnel of the Company are presented in chapter 17 of the reference document;
- as far as the Company is aware, there are no agreements among shareholders that may entail restrictions on the transfer of shares and on the exercise of voting rights in the Company;
- there are no rules specific to the Company applicable to the appointment and replacement of members of the Board of Directors or to the amendment of the bylaws of the Company of a nature to have an impact in case of a takeover bid;
- the powers of the Board of Directors regarding the issue or repurchase of shares appear in chapter 21.1;
- the agreements entered into by the Company which could be terminated in case of a change in control of the Company and which the Company deems capable of having an impact in case of a takeover bid are:
  - the seventies note related to the issuance of bonds with an option of conversion and/or exchange for new shares or shares to be issued, made in April 2007 (presented in chapter 10.3 above) mentions that the change in control of the Company could result in an early redemption of all or some of those bonds, at the option of the bondholders,
  - the "new RCF" syndicated line of credit, described in chapter 10.3 above, mentions that a change in control of the Company could result in an early repayment of the line of credit, at the option of the lenders and under certain conditions,
  - the "Floating Rate Note" issuance described in chapter 10.3 above mentions that a change in control of the Company could result in an early redemption of those notes, at the option of the noteholders and under certain conditions,
  - the North American receivables securitization program put into place with HSBC, presented in chapter 10.3 above, mentions that a change in control of the Company could entail an early termination of the program, at the option of HSBC under certain conditions;
- the agreements that provide for indemnity for the Charmain and Chief Executive Officer and the members of the Management Committee in the case of a change in control are described in chapter 15 above.

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Transactions with Related Parties

See to chapter 7.1.3 of this reference document as well as to Note 33 to the consolidated financial statements appearing in chapter 20.3.1.3 below.

In addition, the special report of Statutory Auditors on the regulated agreements and undertakings is presented below.

Special Report of the Statutory Auditors on regulated agreements and commitments for the year ended December 31, 2007

Dear Shareholders:

In our capacity as Statutory Auditors of your Company, we hereby report to you on regulated agreements and commitments with related parties.

1. Agreements and commitments authorized during the year and through the date of the present report

Pursuant to the article L. 225-40 of the Commercial Code, we have been informed of those agreements and commitments which had received prior approval by the Board of Directors.

It does not fall within the scope of our responsibility to identify any other agreements and commitments which might potentially exist. Instead, our role is to communicate to you, based on information provided to us, the principal terms and conditions of those agreements which have been brought to our attention, without expressing an opinion as to their general usefulness or merit. It is your responsibility, pursuant to Article R. 225-31 of the Commercial Code, to exercise your judgment as part of the approval process regarding the interests served by entering into these agreements and commitments.

We conducted our work in accordance with professional standards applicable in France; those standards require that we undertake steps to verify that the information provided to us is consistent with the underlying documentation from which it has been extracted.

1.1 Amendment to the separation agreement with the Chairman and Chief Executive Officer

Concerned individual: Mr. Jean-Pierre Clamadieu

In March 2007, your Board of Directors authorized the signing of a separation agreement with Mr. Jean-Pierre Clamadieu. This agreement, the principal provisions of which we had communicated to you in our special report presented to the general shareholders' meeting convened on May 3, 2007, including particularly the term relating to the indemnity that may be paid to the Chief Executive Officer in case of termination of his term in office, was approved at the said meeting.

On March 17, 2008, your Board of Directors authorized the conclusion of an amendment to the separation agreement, in order to make that agreement conform with the provisions of the law of August 21, 2007 concerning work, employment and purchasing power (en faveur du travail, de l'emploi et du pouvoir d'achat). It added the following elements:

Performance-related condition: The amendment subjects receipt of the indemnity provided for in the separation agreement to compliance with a condition related to the beneficiary's performance as assessed with respect to the Company's performance. Thus, Mr. Jean-Pierre Clamadieu may receive the indemnity only if Rhodia's net income for 2008, as shown in the consolidated financial statements published in 2009, is higher than the average annual net income as set forth in the consolidated annual financial statements for 2006 and 2007 (that is, €99 million). Should the beneficiary's term of office end prior to the publication of the net income for 2008, reference will be made to the half-year net income at June 30, 2008, which must be higher than the average of the half-year net income derived from the half-year consolidated accounts at June 30, 2006 and 2007 (that is, €54 million).

Condition to Payment of the Indemnity: The amendment provides that, regardless of the cause, the indemnity may not be paid prior to (i) the Rhodia Board of Directors formally acknowledging compliance with the aforementioned performance-related Condition, and (ii) this decision being made public.

In addition, the amendment indicates that the appointment covered by the separation agreement is his position as Chairman responsible for the general management of the Company to which Mr. Clamadieu was appointed at the Board of Directors meetings held on March 17, 2008.

The other provisions of the separation agreement were not changed by the amendment.

1.2 Modification of the employment contract with a Director

Concerned individual: Mr. Jacques Khéliff

At the March 17, 2008 meeting, your Board decided to modify the employment contract with Mr. Jacques Khéliff, Director and Vice President for Sustainable Development of the Rhodia Group, in order to fix his annual compensation at €200,000.

2. Agreements and commitments approved in previous years which had continuing effect during this year

Furthermore, in accordance with the March 23, 1967 Decree, we were notified that the performance of the following agreements and commitments that had been approved in previous years continued during the past year.

2.1 Refinancing agreement known as "Multicurrency Revolving Credit and Guaranty Facility" or "RCF"

In June 2005, Rhodia S.A. concluded an agreement with a limited number of banks, on its behalf and on behalf of certain of its subsidiaries, including Rhodia Inc., for a renewable syndicated multicurrency line of credit totaling €300 million and expiring June 30, 2008.

In the framework of this agreement, Rhodia SA, Rhodia Inc and certain of their subsidiaries agreed to grant a series of security interests to the signatory banks and certain other banks who act as the Group's creditors (the "Secured Creditors"). These security interests include pledges of capital holdings in Rhodia subsidiaries, intragroup loans and certain industrial assets located in the United States. Furthermore, according to the terms of the subordination agreement, Rhodia S.A. agreed in the case of default of financial commitments to subordinate payment of certain debts relating to its subsidiaries to payment of its debts to the secured creditors.

This agreement was terminated on April 27, 2007, following its replacement by a new line of credit.

2.2 Guarantee authorized pursuant to a program of securitization of commercial loans

In December 2004, Rhodia S.A. and certain of its European subsidiaries concluded a series of contracts with a French bank putting into place a five year program for the securitization of commercial debt, for a maximum financing amount of €300 million. In particular, Rhodia S.A. committed itself to guarantee the payment of any amount due by its subsidiaries as part of this program.

At December 31, 2007, the amount of financing obtained under this program amounted to approximately €33 million.

Neuilly-sur-Seine and Paris La Défense, March 27, 2008

Statutory Auditors

PricewaterhouseCoopers Audit	Salustro Reydel
	Member of KPMG International
Christian Perrier	Dominique Stiegler

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Financial Information Concerning the Company's Assets and Liabilities, Financial Position and Profits

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20.1 Historical Financial Information

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

- the consolidated financial statements for the year ended December 31, 2005 prepared in accordance with the IFRS (International Financial Reporting Standards) adopted by the European Union and the report of the Statutory Auditors related to the accounts for the year ended December 31, 2005 that are found in the reference document of the Company filed with the *Autorité des marchés financiers* on March 27, 2006 under the number D.06-0166, starting on page 136;
- the consolidated financial statements for the year ended December 31, 2006 prepared in accordance with the IFRS (International Financial Reporting Standards) adopted by the European Union and the report of the Statutory Auditors related to the accounts for the year ended December 31, 2006 that are found in the reference document of the Company filed with the *Autorité des marchés financiers* on March 30, 2007 under the number D. 07-0257, starting on page 128;
- the financial statements for the year ended December 31, 2005 and the report of the Statutory Auditors related to the accounts for the year ended December 31, 2005 that are found in the reference document of the Company filed with the *Autorité des marchés financiers* on March 27, 2006 under the number D.06-0166, starting on page 218;
- the financial statements for the year ended December 31, 2006 and the report of the Statutory Auditors related to the accounts for the year ended December 31, 2006 that are found in the reference document of the Company filed with the *Autorité des marchés financiers* on March 30, 2007 under the number D.07-0257, starting on page 208.

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

20.2 Pro Forma Financial Information

Not applicable.

20.3 Financial Positions

20.3.1 CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2007

20.3.1.1 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

Ladies and Gentlemen,

In compliance with the assignment entrusted to us by your general shareholders meeting, we have audited the accompanying consolidated financial statements of Rhodia S.A. for the year ended December 31, 2007.

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

I. Opinion on the consolidated statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit consists of examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also involves assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

We certify that the consolidated financial statements are accurate and consistent and provide a true and fair picture of the assets and liabilities, the financial position and the profits of the group of persons and companies included in this consolidation, in accordance with IFRS as adopted for use in the European Union.

II. Justification of our assessments

In accordance with the requirements of Article L. 823-9 of the Commercial Code relating to the justification of our assessments, we bring to your attention the following matters:

- The Group registered all of its retirement obligations and other long-term employee benefits estimated at the closing of the year, including actuarial gains and losses, as indicated in notes 2.17 and 27 to the consolidated financial statements. In the context of our appreciation of the accounting principles and methods used, involving a complex estimation procedure with special techniques, we verified that the principal retirement obligations and other long-term employee benefits had been subject to an assessment by independent auditors which gave us assurance of a reasonable basis for the information and assumptions used in this evaluation;
- The Group recognized the provisions covering environmental risks in accordance to the methods described in the notes to the consolidated financial statements (notes 2.19, 28.1, 28.2, 28.4). In addition, note 28.4 refers to the existence of contingent liabilities that are not recognized in any provision at December 31, 2007. Based on the available information, our work consisted of analyzing the procedures put in place by the management to identify, classify and evaluate the environmental risks, and to examine the information and assumptions which were used for the final estimations in order to assess their reasonableness.

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

III. Specific verification

In accordance with professional standards applicable in France, we have also verified the information provided in the Group's management report. We have no matters to report as to its fair presentation and its conformity with the consolidated financial statements.

Neuilly-sur-Seine and Paris La Défense, March 27, 2008

Statutory Auditors

PricewaterhouseCoopers Audit	Salustro Reydel
	Member of KPMG International
Christian Perrier	Dominique Stiegler

20.3.1.2 CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2007

A. CONSOLIDATED INCOME STATEMENTS

(in millions of euros)	Note	For the year ended December 31 2007	2006
Net sales	3	**5,081**	**4,810**
Other revenue	3	475	451
Cost of sales		(4,437)	(4,261)
Administrative and selling expenses		(517)	(518)
Research and development expenditure		(96)	(103)
Restructuring costs	6	(55)	(21)
Other operating income/(expenses)	7	(3)	1
Operating profit/(loss)		**448**	**359**
Finance income	8	129	133
Finance costs	8	(420)	(448)
Foreign exchange gains/(losses)	8	(3)	10
Share of profit/(loss) of associates	15	2	-
Profit/(loss) before income tax		**156**	**54**
Income tax benefit/(expense)	9	(83)	57
Profit/(loss) from continuing operations		73	111
Profit/(loss) from discontinued operations	10	58	(45)
Net profit/(loss) for the period		**131**	**66**
Attributable to:			
Equity holders of Rhodia S.A.		129	62
Minority interests		2	4
Earnings per share (in euros)			
Continuing and discontinued operations			
• Basic	11	1.29	0.62
• Diluted		1.27	0.62
Continuing operations			
• Basic	11	0.71	1.08
• Diluted		0.70	1.07

B. CONSOLIDATED BALANCE SHEETS

ASSETS

(in millions of euros)	Note	At December 31, 2007	At December 31, 2006
Property, plant and equipment	12	1,686	1,760
Goodwill	13	207	225
Other intangible assets	14	183	178
Investments in associates	15	13	4
Other non-current financial assets	17	113	121
Deferred tax assets	18	161	183
Non-current assets		**2,363**	**2,471**
Inventories	19	583	620
Income tax receivable		12	23
Trade and other receivables	20	965	1,082
Derivative financial instruments	26	96	34
Other current financial assets	21	19	19
Cash and cash equivalents	22	415	467
Assets classified as held for sale	10	25	437
Current assets		**2,115**	**2,682**
TOTAL ASSETS		**4,478**	**5,153**

EQUITY DEFICIT AND LIABILITIES

(in millions of euros)	Note	At December, 31, 2007	At December, 31, 2006
Share capital	23	1,204	1,204
Additional paid-in capital	23	147	23
Other reserves	23	123	109
Deficit	23	(1,863)	(1,989)
Equity deficit attributable to equity holders of Rhodia S.A.		**(389)**	**(653)**
Minority interests	23	21	25
Total equity deficit		**(368)**	**(628)**
Borrowings	24	1,675	2,022
Retirement benefits and similar obligations	27	1,154	1,227
Provisions	28	318	306
Deferred tax liabilities	18	43	32
Other non-current liabilities		29	43
Non-current liabilities		**3,219**	**3,630**
Borrowings	24	243	413
Derivative financial instruments	26	68	34
Retirement benefits and similar obligations	27	92	98
Provisions	28	138	147
Income tax payable		8	41
Trade and other payables	29	1,071	1,178
Liabilities associated with assets classified as held for sale	10	7	240
Current liabilities		**1,627**	**2,151**
TOTAL EQUITY DEFICIT AND LIABILITIES		**4,478**	**5,153**

C. CONSOLIDATED STATEMENTS OF RECOGNIZED INCOME AND EXPENSE

(in millions of euros)	Note	For the year ended December 31,	
			2007
Currency translation differences and other movements	23	7	(42)
Gains/(losses) on cash flow hedges	23	–	7
Actuarial gains/(losses) on retirement benefits	27	(4)	(52)
Tax impact of items taken to equity		(7)	4
Net expense directly recognized in equity	23	**(4)**	**(83)**
Net profit for the period		131	66
Total recognized income and expense		**127**	**(17)**
Attributable to:			
Equity holders of Rhodia S.A.		126	(18)
Minority interests		1	1

D. CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of euros)	For the year ended December 31, 2007	2006
Net profit for the period attributable to equity holders of Rhodia S.A.	**129**	**62**
Adjustments for:		
Minority interests	2	4
Depreciation and impairment of non-current assets	295	339
Net increase/(decrease) in provisions and employee benefits	(17)	(98)
Impairment of non-current financial assets	(1)	-
Share of profit/(loss) of associates	(2)	-
Other income and expense	54	27
Gain/(loss) on disposal of non-current assets	(101)	15
Deferred tax expense/(income)	25	(97)
Foreign exchange losses/(gains)	29	(8)
Net cash flow from operating activities before changes in working capital	**413**	**244**
Changes in working capital		
(Increase)/decrease in inventories	16	(112)
(Increase)/decrease in trade and other receivables	33	(22)
(Increase/(decrease) in trade and other payables	(19)	1
(Increase/(decrease) in other current assets and liabilities	(30)	(9)
Net cash from operating activities	**413**	**102**
Purchases of property, plant and equipment	(258)	(263)
Purchases of other non-current assets	(66)	(48)
Proceeds on disposal of non-current assets	273	140
Purchases of entities, net of cash acquired	(17)	1
(Purchases of)/repayments of loans and financial investments	16	-
Net cash from/(used by) investing activities	**(52)**	**(170)**
Proceeds from issue of shares, net of costs	(2)	36
Dividends paid to minority interests	(3)	(2)
New non-current borrowings, net of costs	635	1,086
Repayments of non-current borrowings, net of costs	(925)	(1,402)
Net increase/(decrease) in current borrowings	(117)	(94)
Net cash from/(used by) financing activities	**(412)**	**(376)**
Effect of foreign exchange rate changes	**(1)**	**(9)**
Net increase/(decrease) in cash and cash equivalents	**(52)**	**(453)**
Cash and cash equivalents at the beginning of the year	467	920
Cash and cash equivalents at the end of the year	415	467

* *Of which the equity component of OCEANE bonds for €124 million*

Interest and income tax paid are presented in Note 22.2.

20.3.1.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 The Group and its Business

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

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

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

The company is listed on the Euronext Paris.

These consolidated financial statements were approved on February 27, 2008 by the Board of Directors.

NOTE 2 Principal Accounting Methods

2.1. *Accounting standards*

The Group's consolidated financial statements for the year ended December 31, 2007 are prepared in accordance with IFRS (International Financial Reporting Standards), as adopted by the European Union and applicable as from December 31, 2007.

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

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

These consolidated financial statements are also consistent with the IFRS issued by the IASB (International Accounting Standards Board) and applicable as from December 31, 2007.

2.2. *Basis of preparation for the consolidated financial statements*

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

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

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

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

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

The accounting methods outlined below have been consistently applied to all the periods presented in the consolidated financial statements. Pursuant to Article 28.1 of EC regulation no. 809/2004 of April 29, 2004, the consolidated financial statements for the year ended December 31, 2005 will be incorporated by reference into the 2007 reference document filed by Rhodia with the AMF. Hence, the financial statements for the year ended December 31, 2007 do not present any comparative data for fiscal year 2005.

Standards, interpretations and amendments applicable as from 2007

IFRS 7 Financial instruments: *Disclosures* and amendment to *IAS 1 Presentation of the financial statements – capital disclosures* have been adopted since January 1, 2007. IFRS 7 introduces new disclosures on financial instruments. It had no impact on the classification and measurement of the Group's financial instruments.

No other standards, interpretations and amendments applicable as from 2007 had an impact on the consolidated financial statements.

Standards, interpretations and amendments to standards already published, but not yet applicable in 2007

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

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

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 consolidated financial statements.

2.3. *Consolidation principles*

Subsidiaries

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

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

Joint ventures

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

Associates

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

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

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

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

Transactions eliminated in the consolidated financial statements

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

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

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

Translation of foreign currency transactions

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

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

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

Translation of the financial statements of foreign entities

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

- assets and liabilities (including goodwill and fair value adjustments on the date of acquisition) are translated at the official closing rates;
- income and expenses are translated at the average rate for the period, excluding major exchange rate fluctuations, which is

considered as similar to the exchange rates at the date of the transactions;

- all resulting exchange differences are recognized directly in equity.

2.5. Greenhouse gas emission allowances and Certified Emission Rights

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

Treatment of European Union allowances (EUA)

These allowances are granted each year under the national allocation plan with an initial trading period of three years beginning January 1, 2005. The emissions are granted for no consideration and are valid throughout the initial trading period if not used. Allowances May be freely traded upon allocation and May be purchased or sold, especially if too many or too few allowances are allocated with respect to actual emissions.

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

- initial recognition: The allocated emission allowances, measured at market value at the date of allocation, are recognized as other intangible assets in consideration of a government grant recognized in liabilities;

- subsequent recognition: The grant is recognized in the income statement on a straight-line basis over the trading period (in the absence of seasonal discharges). In addition, a liability corresponding to the allowances to be delivered is recognized for the actual gas emissions, with the related expense being recognized in the income statement. This liability is measured at the initial value of allowances allocated or purchased and, where necessary, at market value up to the number of allowances held at closing over the number of allowances to be delivered. Excess allowances maintained in assets are tested for impairment annually and more frequently should there be indications of impairment;

- allowances delivered for the emissions for the period: At the effective date of delivery, the intangible asset and the corresponding liability are derecognized;

- sales of allowances: The gains or losses arising on the sale of allowances are recognized in the income statement under cost of sales.

Treatment of Certified Emission rights (CER)

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

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

In the absence of an organized trading system, CERs are sold between the CDM project participants. CER sales are recognized in net sales on delivery of the CERs, i.e. when they are recorded in the account of the selling participant on the UNFCCC register.

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

Treatment of ORBEO's activities

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

2.6. Property, plant and equipment

Initial recognition

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

- it is probable that the future economic benefits associated with the asset will flow to Rhodia;

- the cost of the asset can be reliably measured.

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

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

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

Subsequent expenditure

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

The carrying amount of replaced items is derecognized.

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

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

Depreciation

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

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

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

Dismantling costs

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

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

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

Property, plant and equipment acquired under finance leases

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

Government grants

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

2.7. Goodwill and business combinations

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

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

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

Acquisitions prior to January 1, 2004

During the transition to IFRS, the Group elected not to restate the business combinations that occurred prior to January 1, 2004. For acquisitions prior to January 1, 2004, goodwill represents the amount recognized in accordance with the Group's previous accounting standards.

2.8. Other intangible assets

Research and development

Research expenditure is expensed as incurred.

Development expenditure arising from the application of research findings to a plan or design for the production of new or substantially improved products and processes is recognized as an intangible asset when the Group can demonstrate: its intention and financial and technical ability to complete the development of the asset; how the intangible asset will generate probable future economic benefits for the Group; that the cost of the asset can be reliably measured:

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

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

The estimated useful life of capitalized development expenditure is generally between 5 and 15 years.

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

Other intangible assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.10. Non-derivative financial assets

Initial recognition

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

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

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

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

Subsequent recognition

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

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

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

Financial assets at fair value through profit or loss

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

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

Loans and receivables

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

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

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

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

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

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

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

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

2.11. Inventories

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

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

2.12. Non-current assets and liabilities held for sale

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

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

2.13. Current and deferred tax

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

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

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

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

A deferred tax liability corresponding to the taxes on the undistributed profits of associates is recognized unless the Group is able to control the timing of the reversal of the temporary difference and it is probable that it will not reverse in the foreseeable future.

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

2.14. Cash and cash equivalents

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

2.15. Non-derivative financial liabilities

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

This heading also includes the "debt" component of compound financial instruments. The compound financial instruments issued by the Group comprise bonds convertible or exchangeable for new or existing shares (OCEANE). An OCEANE is a compound financial instrument which grants the bondholder the option to convert and/or exchange a bond for a fixed number of Rhodia shares. On initial recognition, the total fair value of the compound instrument is allocated between its "debt" and "equity" components. The fair value of the "debt" component is calculated by discounting future flows at the interest rate obtained by Rhodia for a similar bond with no conversion or exchange option. The "equity" component corresponds to the difference between the total fair value of the compound instrument and the fair value of the "debt" component. The value allocated to the conversion option remains the same over the term of the bond. The "debt" component is subsequently measured at amortized cost using the effective interest rate method. Issue costs are allocated proportionately to the "debt" and "equity" components.

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

2.16. Risk management and derivatives

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

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

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

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

Defined contribution plans

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

Defined benefit plans

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

These plans mainly concern:

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

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

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

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

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

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

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

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

2.18. Share-based payment

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

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

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

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

2.19. Provisions

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

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

Environmental liabilities

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

Restructuring

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

2.20. Net sales and other revenue

Net sales and other revenue are measured at the fair value of the consideration received or receivable, net of returns, rebates and trade benefits granted and sales tax, once the risks and rewards inherent to the ownership of the goods have been transferred to the customers or the service has been rendered.

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

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

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

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

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

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

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

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

2.21. Restructuring costs

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

2.22. Other operating income and expenses

Other operating income and expenses mainly comprise:

- the gains or losses on disposal of non-current assets where they do not relate to operations sold or for sale which are disclosed under profit or loss from discontinued operations in the income statement;
- other material operating income and expenses resulting from unusual events and likely to distort the analysis and comparability of the Group's performance.

2.23. Operating profit or loss

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

2.24. Finance income and costs

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

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

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

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

2.25. Income tax expense

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

2.26. Discontinued operations

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

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

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

2.27. *Earnings per share*

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

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

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

2.28. *Segment information*

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

NOTES TO THE CONSOLIDATED INCOME STATEMENT

NOTE 3 Segment Information

The following information concerns continuing operations. Information on discontinued operations is presented in Note 10.

Rhodia is organized into 7 enterprises corresponding to its business segments. This organization did not change during fiscal year ended December 31, 2007.

3.1. *Information by business segment*

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

(in millions of euros)	Polyamide	Acetow	Novecare	Silcea	Eco Services	Organics	Energy Services	Corporate and Other [(2)]	Group
For the year ended December 31, 2007									
Net sales	1,975	441	931	463	218	842	202	70	**5,142**
Other revenue	117	6	8	7	9	91	482	57	**777**
Inter-company sales – Net sales	(40)	-	(5)	(3)	-	(10)	-	(3)	**(61)**
Inter-company sales – Other revenue	(18)	(3)	(1)	(1)	-	(56)	(207)	(16)	**(302)**
External net sales	**1,935**	**441**	**926**	**460**	**218**	**832**	**202**	**67**	**5,081**
External other revenue	99	3	7	6	9	35	275	41	**475**
Operating profit/(loss)	**156**	**42**	**71**	**50**	**54**	**35**	**165**	**(125)**	**448**
Share of profit/(loss) of associates								2	**2**
Profit/(loss) from financial items									**(294)**
Income tax benefit/ (expense)									**(83)**
Profit/(loss) from continuing operations									**73**
Recurring Ebitda [(1)]	**280**	**83**	**109**	**84**	**70**	**82**	**181**	**(90)**	**799**

(1) Recurring Ebitda comprises Operating profit or loss prior to depreciation and impairment, restructuring costs and other operating income and expenses.

(2) Corporate and Other net sales mainly comprise sales from the trading activity, which consists of the purchase and resale by the Group's international sales network of products from the Group's other segments or third-party partners in the chemical industry (€70 million in 2007).
Other revenue is generated from incidental businesses not directly related to the other enterprises and mainly comprises internal and third party industrial service sales (€57 million in 2007).
The operating loss of this business segment was primarily attributable to the margin on trading and incidental activities (€6 million in 2007), the expenses of the Group's Corporate functions and departments (€ (125) million in 2007), restructuring costs relating to the Group's reorganization initiated at the end of 2003 (€(6) million in 2007), and finally expenses relating to the recognition of additional environmental provisions for discontinued sites and activities and disposal gains and losses (€1 million in 2007).

(in millions of euros)	Polyamide	Acetow	Novecare	Silcea	Eco Services	Organics	Energy Services	Corporate and Other [3]	Group
For the year ended December 31, 2006									
Net sales	1,922	447	936	412	230	875	25	67	**4,914**
Other revenue	125	5	10	5	6	110	450	163	**874**
Inter-company sales – Net sales	(84)	-	(6)	(2)	-	(10)	-	(2)	**(104)**
Inter-company sales – Other revenue	(21)	(2)	(2)	(1)	-	(69)	(253)	(75)	**(423)**
External Net sales	**1,838**	**447**	**930**	**410**	**230**	**865**	**25**	**65**	**4,810**
Other external revenue	104	3	8	4	6	41	197	88	**451**
Operating profit/(loss)	**172**	**78**	**76**	**33**	**58**	**31**	**76**	**(165)**	**359**
Profit/(loss) from financial items									**(305)**
Income tax benefit/ (expense)									**57**
Profit/(loss) from continuing operations									**111**
Recurring Ebitda [1]	**284**	**108**	**110**	**61**	**79**	**74**	**60**	**(93)**	**683**

(1) Recurring Ebitda comprises Operating profit or loss prior to depreciation and impairment, restructuring costs and other operating income and expenses.

(3) Corporate and Other net sales mainly comprise sales from the trading activity, which consists of the purchase and resale by the Group's international sales network of products from the Group's other segments or third-party partners in the chemical industry (€67 million in 2006).

Other revenue is generated from incidental businesses not directly related to the other enterprises and mainly comprises internal and third party industrial service sales (€ 163 million in 2006).

The operating loss in this business segment was primarily attributable to the margin on trading and incidental activities (€ 24 million in 2006), the expenses of the Group's Corporate functions and departments (€ (166) million in 2006), restructuring costs relating to the Group's reorganization initiated at the end of 2003 (€(12) million in 2006), and finally expenses relating to the recognition of additional environmental provisions for discontinued sites and activities and disposal gains and losses (€ 10 million in 2006).

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

(in millions of euros)	Polyamide	Acetow	Novecare	Silcea	Eco Services	Organics	Energy Services	Corporate and Other	Group
For the year ended December 31, 2007									
Depreciation and impairment	(100)	(32)	(36)	(28)	(16)	(40)	(12)	(30)	**(294)**
Current and non-current provisions	(5)	3	7	3	-	3	-	74	**85**
Gain/(loss) on disposal of non-current assets	-	-	1	(1)	-	29	(4)	2	**27**
For the year ended December 31, 2006									
Depreciation and impairment	(92)	(30)	(34)	(28)	(19)	(41)	(11)	(49)	**(304)**
Current and non-current provisions	10	9	13	5	-	29	-	60	**126**
Gain/(loss) on disposal of non-current assets	-	-	-	-	-	4	27	2	**33**

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

(in millions of euros)	Polyamide	Acetow	Novecare	Silcea	Eco Services	Organics	Energy Services	Corporate and Other	Group
Year ended December 31, 2007									
Assets by business segment	1,284	281	512	375	182	517	129	268	**3,548**
Unallocated assets [1]								930	**930**
Total assets									**4,478**
Liabilities by business segment	509	205	232	111	27	465	140	1,112	**2,801**
Unallocated liabilities [2]								2,045	**2,045**
Total liabilities									**4,846**
Capital expenditure	**101**	**17**	**32**	**34**	**21**	**63**	**6**	**50**	**324**

(in millions of euros)	Polyamide	Acetow	Novecare	Silcea	Eco Services	Organics	Energy Services	Corporate and Other	Group
Year ended December 31, 2006									
Assets by business segment	1,292	304	586	387	200	553	124	285	**3,731**
Unallocated assets [1]								1,422	**1,422**
Total assets									**5,153**
Liabilities by business segment	486	201	302	158	36	513	79	1,137	**2,912**
Unallocated liabilities [2]								2,869	**2,869**
Total liabilities									**5,781**
Capital expenditure	**93**	**21**	**29**	**43**	**16**	**49**	**23**	**37**	**311**

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

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

3.2. Information by geographical area

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

(in millions of euros)	2007	2006
France	962	915
Rest of Europe	1,562	1,418
North America	887	834
South America	809	812
Asia and other countries	1,336	1,282
TOTAL	**5,556**	**5,261**

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

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

(in millions of euros)	2007	2006
France	1,469	1,542
Rest of Europe	478	526
North America	570	644
South America	490	467
Asia and other countries	541	552
TOTAL	**3,548**	**3,731**

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

(in millions of euros)	2007	2006
France	153	147
Rest of Europe	18	41
North America	52	38
Latin America	36	41
Asia and other countries	65	44
TOTAL	**324**	**311**

NOTE 4 Employee Expenses

This information is presented prior to the reclassification of discontinued operations.

(in millions of euros)	2007	2006
Wages	(615)	(709)
Social security contributions (including expenses for defined contribution plans)	(216)	(249)
Other employee expenses	(61)	(77)
Retirement benefits and similar obligations	(65)	(54)
Share-based payments	(18)	(9)
TOTAL	**(975)**	**(1,098)**

Other employee expenses mainly include training costs and severance pay.

The heading "Share-based payments" includes the expenses relating to the bonus share allotment and stock option plans (see Note 34).

NOTE 5 Depreciation and Impairment of Tangible and Intangible Assets

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

(in millions of euros)	2007	2006
Property, plant and equipment - depreciation	(255)	(265)
Development expenditure - depreciation	(4)	(3)
Other intangible assets - depreciation	(25)	(32)
Property, plant and equipment – impairment	(9)	(4)
Development expenditure – impairment	(1)	-
Total excluding items recognized in profit or loss from discontinued operations	**(294)**	**(304)**
Depreciation of items recognized in profit or loss from discontinued operations	(1)	(31)
Impairment of items recognized in profit or loss from discontinued operations	-	(4)
Total depreciation and impairment	**(295)**	**(339)**

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

(in millions of euros)	2007	2006
Cost of sales	(251)	(260)
Administrative and selling expenses	(31)	(33)
Research and development expenditure	(11)	(11)
Restructuring costs	(1)	-
Total continuing operations	**(294)**	**(304)**
Discontinued operations	(1)	(35)
Total depreciation and impairment	**(295)**	**(339)**

5.1. *Impairment tests*

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

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

The main assumptions used in 2007 for annual impairment tests on goodwill and tests on other intangible assets and property, plant and equipment on account of indications of impairment are as follows:

Discount rate

For the weighted average cost of capital, the market parameters were determined using a sample of 8 companies from the chemicals industry.

Considering these parameters and a market risk premium of 4.9%, the weighted average cost of capital used to discount future cash flows was set at 8.5% (7.5% in 2006).

Long-term growth rate

The rates used for the main CGUs or group of CGUs were as follows:

	2007
Polyamide	2.0%
Novecare	1.7%
Silica (Silcea)	3.0%
Electronics & Catalysis (Silcea)	2.0%
Eco services	2.0%
Acetow	2.0%
Organics	2.0%

The long-term growth rates used in 2007 are unchanged compared to those applied in 2006.

5.2. Impairment by business segment

(in millions of euros)	2007	2006
Polyamide	(1)	-
Acetow	(1)	-
Novecare	(3)	-
Silcea	(1)	-
Organics	(4)	(3)
Energy Services	-	(1)
TOTAL	**(10)**	**(4)**

The impairment losses recognized in profit or loss from discontinued operations are analyzed in Note 10.1

The impairment tests conducted in 2007 led to the recognition of goodwill in the amount of €(10) million for assets, including €(9) million for property, plant and equipment mainly relating to definitive production stoppages and €(1) million for intangible assets relating to research and development expenditure incurred on projects which were discontinued.

The impairment tests performed at December 31, 2007 did not lead to any impairment of goodwill, as the recoverable amounts of the groups of CGUs were significantly higher than their carrying amounts. The sensitivity analyses carried out on the main assumptions (discount rate, long-term growth rate) did not call into question the results of the impairment tests.

The impairment tests performed in 2006 led to the impairment of property, plant and equipment in the amount of €(4) million.

The impairment tests performed at December 31, 2006 did not lead to any impairment of goodwill.

NOTE 6 Restructuring Costs

(in millions of euros)	2007	2006
New plans	(51)	(19)
Re-estimated costs of previous plans	(2)	(2)
Impairment of non-current assets	(1)	-
Impairment of current assets	(1)	-
TOTAL	**(55)**	**(21)**

A description of restructuring plans is provided in Note 28.3.

Restructuring costs by business segment break down as follows:

(in millions of euros)	2007	2006
Polyamide	(1)	(2)
Acetow	(8)	-
Novecare	(2)	-
Silcea	(1)	-
Organics	(37)	(8)
Corporate and Other	(6)	(11)
TOTAL	**(55)**	**(21)**

NOTE 7 Other Operating Income and Expenses

(in millions of euros)	2007	2006
Net gains or losses on disposal of assets	27	33
Environmental expenses	(14)	(4)
Other operating income and expenses	(16)	(28)
TOTAL	**(3)**	**1**

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

The disposal gains and losses recognized in 2006 mainly include a capital gain of €27 million (net of costs) arising from the sale of 50% of the shares held by Rhodia in ORBEO (see Note 2.5). At the time of its creation, Rhodia designated ORBEO as a *Project Participant under the UNFCC* (United Nations Framework Convention for Climate Change) and accordingly provided it with emission rights at no cost. The assigment is irrevocable and does not include any delivery guarantee on behalf of Rhodia. In the event that the designated approved projects do not produce such CERs, ORBEO (and *Société Générale Énergie*) have no recourse against the Company. The Company considered that all significant activities have been performed by the Company, such that the earnings process is complete and recognized the related gain on sale.

In 2007, other operating income and expenses mainly comprise the impairment losses recognized on the receivables held with the Nylstar Group, whose main subsidiaries filed for bankruptcy in the second half of 2007. Considering the previously recognized impairment losses and those recognized in 2007, the residual carrying amount of Rhodia's receivables with the Nylstar Group as of December 31, 2007 is not material.

In 2006, other operating income and expenses mainly comprise the impairment losses on receivables.

Environmental expenses are analyzed in Note 28.4.

NOTE 8 Profit/(loss) from Financial Items

(in millions of euros)	2007	2006
Finance costs	(423)	(448)
Finance income	129	143
Profit/(loss) from financial items	**(294)**	**(305)**
Gross interest expense on borrowings	*(245)*	*(275)*
Fees and commissions on financial transactions	*(23)*	*(20)*
Income from cash equivalents	*17*	*15*
Result from available-for-sale financial assets	*3*	*(2)*
Discounting effects	*(139)*	*(131)*
Expected return on pension plan assets	*94*	*93*
Gains and losses from interest rate derivatives	*(2)*	*3*
Foreign exchange gains and losses	*(3)*	*10*
Others	*4*	*2*

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

The total non-recurring expense relating to refinancing transactions was €96 million in 2007 and €77 million in 2006.

In 2007, this expense breaks down as follows:

- gross interest expense on borrowings for €91 million;
- fees and commissions on financial transactions for €3 million;
- gains and losses from interest rate derivatives for €2 million.

8.1. Gross interest expense on borrowings

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

The interest expense breaks down as follows:

(in millions of euros)	2007	2006
Recurring interest expense	(154)	(198)
Expenses related to refinancing transactions	(91)	(77)
Gross interest expense on borrowings	**(245)**	**(275)**

The decrease in recurring interest expense arises from the various refinancing transactions performed in 2006 and 2007 (see Note 24.1).

In 2007, refinancing expenses include the penalties on the redemption of High Yield notes:

- €59 million with respect to the USD 415 million early redemption of US dollar-denominated High Yield Senior notes bearing interest at 10.25% and maturing in 2010;
- €32 million with respect to the early redemption of High Yield Senior and Subordinated notes maturing in 2010 and 2011 for principal amounts of USD 305 million and €332 million.

In 2006, they included penalties of €77 million from the redemption in November 2006 of High Yield notes in the amounts of €720 million and USD 197 million.

8.2. Fees and commissions on financial transactions

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

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

8.3. *Foreign exchange gains or losses*

Foreign exchange gains or losses in 2007 are immaterial. In 2006, this heading mainly comprised the gains on the unhedged portion of US dollar-denominated debt that was almost entirely redeemed in February and June 2007.

NOTE 9 Income Tax

Tax income (expense) breaks down as follows:

(in millions of euros)	**2007**	**2006**
Current income tax expense	(58)	(40)
Deferred tax income / (expense)	(25)	97
Tax income / (expense) for the year	**(83)**	**57**

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

(in millions of euros)	**2007**	**2006**
Profit/(loss) before income tax	156	54
Statutory tax rate in France	33.33%	33.33%
Theoretical tax expense at the statutory rate in France	**(52)**	**(18)**
Permanent differences	(4)	21
Tax rate difference between France and other countries	(2)	(3)
Transactions liable for reduced tax rate	2	5
Changes in deferred tax rates	(7)	-
Recognition of deferred tax assets previously not recognized	-	99
Withholding tax	(6)	(5)
Other taxes	(4)	(1)
Unrecognized deferred tax assets	(10)	(41)
Tax Income / (expense)	**(83)**	**57**
Effective tax rate	**53.2%**	**(104.4)%**

The 2007 tax expense essentially corresponds to the income tax reported by US, Brazilian and Italian entities. In 2006, a tax benefit was recognized in the United States for a net amount of €84 million due to the probability of future taxable profits.

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

NOTE 10 Assets Held for Sale and Discontinued Operations

10.1. Profit/(loss) from discontinued operations

(in millions of euros)	2007	2006
Net sales	54	654
Other revenue	2	40
Impairment	-	(4)
Net operating expenses	(74)	(684)
Net finance costs	(3)	(13)
Profit/(loss) from discontinued operations before tax and gains/(losses) on disposals	**(21)**	**(7)**
Gains/(losses) on disposals	80	(30)
Tax effect	(1)	(8)
Profit/(loss) from discontinued operations	**58**	**(45)**

Disposals in 2006 and 2007

In 2007, Rhodia completed the following disposals:

- at the end of January, the Silicones activity was sold to China National Bluestar Corporation;
- at the end of April, the Phosphates Production business in Spain of the Corporate and Other segment was sold to MISA Inc.;
- on May 14, 2007, Rhodia and SNIA, joint shareholders in Nylstar, finalized the sale of their 50% interest in Nylstar to a third party designated by Nylstar's lending banks.

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

In 2006, Rhodia completed the following disposals:

- at the end of January, the "Decorative Coatings and Adhesives" business (Latex Business) of the former Coatis unit was sold to Hexion Specialty Chemicals Inc.;
- at the end of March, Rhodia sold the "Development and custom synthesis for the pharmaceuticals industry" business of the former Rhodia Pharma Solutions unit to Shasun Chemicals & Drug Ltd.;
- at the end of December, the European business for the production and sale of industrial wires and fibers (Polyamide) was sold to Butler Capital Partners.

The disposal gains and losses for 2006 mainly relate to the sale of the "Development and custom synthesis for the pharmaceuticals industry" business. This generated a disposal loss mainly due to the transfer to profit or loss of the €18 million translation reserve related to the sale of this US subsidiary.

Disposals in progress at December 31, 2007

At December 31, 2007, there were no disposals in progress that required classification as discontinued operations.

Profit or loss from discontinued operations by business segment

(in millions of euros)	Polyamide	Acetow	Novecare	Silcea	Eco Services	Organics	Energy Services	Corporate and Other	Group
2007									
Profit/(loss) from discontinued operations	(9)	-	-	99	-	-	-	(32)	**58**
2006									
Profit/(loss) from discontinued operations	13	-	1	23	-	(50)	-	(32)	**(45)**

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

The loss from discontinued operations of the Corporate and Other segment mainly includes the loss arising from sale of the Phosphates Production business in Spain at the end of April 2007.

The loss from discontinued operations of Organics mainly reflects in 2006 the loss arising from the "Development and custom synthesis for the pharmaceuticals industry" business of the former Rhodia Pharma Solutions unit.

The 2006 gain and 2007 loss from discontinued operations of the Polyamide segment involve the Industrial Yarns business in Europe, the sale of which was finalized in December 2006.

10.2. Assets held for sale and associated liabilities

(in millions of euros)	**2007**	**2006**
Property, plant and equipment	2	219
Intangible assets	-	8
Other non-current assets	4	50
Inventories	8	74
Trade and other receivables	8	83
Cash and cash equivalents	3	3
Assets classified as held for sale	**25**	**437**
Provisions (non-current)	-	7
Other non-current liabilities	-	141
Trade and other payables	7	86
Other current liabilities	-	6
Liabilities associated with assets classified as held for sale	**7**	**240**

At December 31, 2007, assets held for sale and associated liabilities correspond to various disposal projects that are immaterial on an individual basis.

At December 31, 2006, assets held for sale and associated liabilities mostly concern the Silicones Business.

NOTE 11 Earnings per Share

Following the reverse share split of June 12, 2007 (see Note 23.2), the number of shares shown below for 2007 and 2006 corresponds to the number of shares existing after the reverse share split.

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

(in number of shares)	**2007**	**2006**
Number of shares issued at January 1	100,348,847	98,059,712
Shares issued in connection with the June 30, 2006 capital increase	-	2,289,135
Shares issued in connection with the exercise of options (see Note 34)	18,984	-
Number of shares issued at December 31	100,367,831	100,348,847
Weighted average number of shares outstanding at December 31, before dilution	**100,357,347**	**99,219,959**
Granting of bonus shares	1,065,840	333,931
Granting of stock subscription options	194,938	117,877
Issue of stock subscription warrants (1)	17,932	9,089
Weighted average number of shares outstanding at December 31, after dilution	**101,636,057**	**99,680,856**

(1) *Subscription warrants granted to the Group's German subsidiaries during the share capital increase reserved for employees in 2006.*

To calculate the average number of outstanding shares after dilution, the potential shares relating to the convertible bonds issued in April 2007 (see Note 24.1) were not taken into account as they are not dilutive.

Basic and diluted earnings per share are determined as follows:

(in millions of euros)	**2007**	**2006**
Profit/(loss) from continuing operations for the period attributable to equity holders of Rhodia S.A.	71	107
Profit/(loss) from discontinued operations for the period attributable to equity holders of Rhodia S.A.	58	(45)
Profit/(loss) for the period attributable to equity holders of Rhodia S.A.	129	62
Earnings per share *(in euros)*		
Basic earnings per share of continuing operations	0.71	1.08
Diluted earnings per share of continuing operations	0.70	1.07
Basic earnings per share of discontinued operations	0.58	(0.46)
Diluted earnings per share of discontinued operations	0.57	(0.45)
Basic earnings per share	**1.29**	**0.62**
Diluted earnings per share	**1.27**	**0.62**

NOTES TO THE CONSOLIDATED BALANCE SHEET

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

NOTE 12 Property, Plant and Equipment

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

(1) Assets under construction represent €227 million in 2007.

(2) The changes in consolidation scope mainly include the impact arising from the change in consolidation method for GIE Osiris (France) into equity method for €(20) million, previously fully consolidated, and the purchase of the Washcoat Alumina business from the US group Grace & Co-Conn for €9 million.

(3) The foreign exchange loss generated in 2007 totaled €(43) million.

(in millions of euros)	Land	Buildings	Machinery and equipment	PPE under construction	Total
Year ended December 31, 2006					
At January 1, 2006	**131**	**351**	**1,533**	**120**	**2,135**
Additions and assets under construction [(4)]	5	42	187	44	**278**
Disposals and retirements	(6)	(11)	14	(7)	**(10)**
Depreciation	(2)	(40)	(256)	-	**(298)**
Impairment	-	(1)	(3)	-	**(4)**
Changes in consolidation scope [(5)]	(3)	(14)	(36)	(5)	**(58)**
Currency translation differences and other movements [(6)]	(8)	(48)	(220)	(7)	**(283)**
At December 31, 2006	**117**	**279**	**1,219**	**145**	**1,760**
Gross value	149	835	4,552	145	**5,681**
Accumulated depreciation and impairment	(32)	(556)	(3,333)	-	**(3,921)**
Net carrying amount at December 31, 2006	**117**	**279**	**1,219**	**145**	**1,760**

(4) Assets under construction represent €191 million in 2006.

(5) The changes in consolidation scope include the sale of the Industrial Wires and Technical Fibers businesses of the Polyamide unit for €(64) million (see Note 10.1) and the absorption of Polimer Iberia (Spain), previously proportionately consolidated by Rhodia Iberia SL for €10 million.

(6) The foreign exchange loss generated in 2006 totaled €(60) million. Other movements include the classification of the Silicones business assets as held for sale in the amount for €(206) million (see Note 10.2) and classification of the Sulfur Products business of the Organics unit for €(12) million.

The impairment losses recognized in 2006 and 2007 are detailed in Note 5 for assets in continuing use and in Note 10 for assets classified as held for sale.

Finance-leased assets break down as follows:

(in millions of euros)	Land and Buildings	Machinery and equipment	Total
At December 31, 2007			
Gross value	4	29	**33**
Depreciation	(4)	(16)	**(20)**
Total finance-leased assets	**-**	**13**	**13**
At December 31, 2006			
Gross value	15	70	**85**
Depreciation	(5)	(35)	**(40)**
Total finance-leased assets	**10**	**35**	**45**

NOTE 13 Goodwill

13.1. Segment allocation

(in millions of euros)	2007	2006
Polyamide	9	10
Acetow	3	3
Novecare	122	134
Silcea	30	30
Eco services	33	37
Organics	10	11
TOTAL	**207**	**225**

13.2. Movements during the year

(in millions of euros)	Gross	Impairment	Net
At December 31, 2007	**228**	**(21)**	**207**
Currency translation differences	(20)	2	(18)
At January 1, 2007	**248**	**(23)**	**225**
At December 31, 2006	**248**	**(23)**	**225**
Disposals	(85)	78	(7)
Transfer to assets classified as held for sale	(44)	44	-
Currency translation differences	(10)	(2)	(12)
At January 1, 2006	**387**	**(143)**	**244**

No impairment was recognized in 2006 and 2007 considering the results of the tests performed using the methodology described in Note 5.

NOTE 14 Other Intangible Assets

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

(1) Assets under construction represent €19 million in 2007.

(2) The changes in consolidation scope include the impact arising from the change in consolidation method of GIE Osiris (France) into Equity method, previously fully consolidated for €(8) million.

(3) Other movements include greenhouse gas emissions as explained below for €(20) million.

(in millions of euros)	Trademarks and patents	Software	Development costs	Other	Total
Year ended December 31, 2006					
At January 1, 2006	**19**	**57**	**22**	**56**	**154**
Additions and assets under construction (4)	2	10	26	10	**48**
Disposals and retirements	-	-	(1)	(2)	**(3)**
Impairment	-	-	(1)	-	**(1)**
Depreciation	(3)	(28)	(3)	(2)	**(36)**
Changes in consolidation scope (5)	-	-	(1)	(1)	**(2)**
Currency translation differences and other movements (6)	(2)	4	(9)	25	**18**
At December 31, 2006	**16**	**43**	**33**	**86**	**178**
Gross value	81	255	38	119	**493**
Depreciation and impairment	(65)	(212)	(5)	(33)	**(315)**
Net carrying amount at December 31, 2006	**16**	**43**	**33**	**86**	**178**

(4) Assets under construction represent €10 million in 2006.

(5) The changes in consolidation scope include the sale of the Industrial Wires ads Technical Fibers businesses of the Polyamide unit.

(6) Other movements include greenhouse gas emissions as explained below for €22 million and the classification of the Silicones business assets of the Silcea unit as held for sale for €(8) million.

In 2006 and 2007, the "Other" heading includes the European gas emission allowances allocated to the Group primarily under French and British national allocation plans.

The movements in 2007 reflect the delivery of 1.5 million tons (€30 million) in respect of effective emissions in 2006, the allocation of 1.9 million tons in 2007 (€12 million) and the sale of a surplus of 0.35 million tons (€2 million).

At December 31, 2007, 1.4 million tons are still recognized in the balance sheet in the amount of €9 million. In consideration thereof, a liability vis-à-vis the French State was recognized for the amount of allowances to be delivered in 2007 (see Note 29).

The movements in 2006 reflect the delivery of 2 million tons (€16 million) in respect of effective emissions in 2005, the allocation of 2.8 million tons in 2006 (€48 million) and the sale of a surplus of 0.5 million tons (€10 million).

NOTE 15 Investments in Associates

Investments in associates break down as follows:

(in millions of euros)	Investments in associates	Share of profit/(loss) of associates
At December 31, 2007		
GIE Chimie Salindres	2	-
Energostil	2	-
Qingdao Dongyue Rhodia Chemical Co Ltd	1	-
GIE Osiris	8	2
TOTAL	**13**	**2**
At December 31, 2006		
GIE Chimie Salindres	2	-
Energostil	2	-
TOTAL	**4**	**-**

Following the sale of the Silicones business in 2007, the Group lost control of GIE Osiris as its interest fell from 58.41% to 41%.

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

(in millions of euros)	**2007**	**2006**
Total assets	82	19
Total liabilities	49	7
Net sales	34	16
Net profit	4	-

NOTE 16 Investments in Joint Ventures

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

(in millions of euros)	**2007**	**2006**
Non-current assets	209	255
Current assets	228	186
Total assets	**437**	**441**
Non-current liabilities	111	107
Current liabilities	233	219
Equity	93	115
Total liabilities & equity	**437**	**441**
Net sales	**458**	**478**
Other revenue	39	39
Operating profit (or loss)	45	62
Profit for the period	**28**	**50**

NOTE 17 Non-Current Financial Assets

(in millions of euros)	**2007**	**2006**
Loans and receivables		
Gross value	136	138
Allowance	(34)	(37)
Net value	**102**	**101**
Available-for-sale financial assets	**11**	**19**
Retirement benefit surplus	**-**	**1**
TOTAL	**113**	**121**

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

- at December 31, 2007: loans in the amount of €21 million, deposits and guarantees in the amount of €24 million and receivables in the amount of €57 million;
- at December 31, 2006: loans in the amount of €21 million, deposits and guarantees in the amount of €38 million and receivables in the amount of €42 million.

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

(in millions of euros)	2007		2006	
	% held	Value	% held	Value
Phosphoric Fertilizers Industry (Greece)	2.15	2	8.41	2
Other (less than €2 million)		9	-	17
TOTAL		**11**		**19**

NOTE 18 Deferred Tax Assets and Liabilities

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

(in millions of euros)	2007	2006
Deferred tax assets	**161**	**183**
Less than one year	14	15
More than one year	147	168
Deferred tax liabilities	**(43)**	**(32)**
Less than one year	(9)	(8)
More than one year	(34)	(24)

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

	Assets		Liabilities		Net	
(in millions of euros)	2007	2006	2007	2006	2007	2006
Differences between carrying and tax amounts of:						
assets	7	7	(111)	(120)	(104)	(113)
retirement obligations	30	44	-	(4)	30	40
provisions	79	69	(8)	(1)	71	68
derivatives	4	11	(1)	(1)	3	10
other items	60	75	(29)	(31)	31	44
Tax loss carryforwards and tax credits	87	102	-	-	87	102
Deferred taxes	**267**	**308**	**(149)**	**(157)**	**118**	**151**
Netting effect	(106)	(125)	106	125	-	-
Net deferred taxes	**161**	**183**	**(43)**	**(32)**	**118**	**151**

At December 31, 2007, unrecognized deferred tax assets amount to €1,336 million and break down as follows:

- €894 million in tax loss carryforwards (€854 million at December 31, 2006) of which €869 million in losses that May be carried forward indefinitely in respect of French and British tax consolidation groups;
- €80 million in exceptional tax losses that May only be offset against disposals of assets;
- €362 million generated by the differences in the carrying and tax amounts of the Group's assets and liabilities.

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

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

	Maturity	
(in millions of euros)	**Less than one year**	**More than one year**
At January 1, 2007	**7**	**144**
Recognition in equity	2	(9)
Recognition in profit or loss	(6)	(19)
Changes in the scope of consolidation	-	1
Currency translation differences and other movements	2	(4)
At December 31, 2007	**5**	**113**
At January 1, 2006	**33**	**16**
Recognition in equity	1	3
Recognition in profit or loss	(29)	126
Changes in the scope of consolidation	2	4
Currency translation differences and other movements	-	(5)
At December 31, 2006	**7**	**144**

The movements in deferred taxes recognized directly in equity concern actuarial gains and losses relating to retirement benefits.

NOTE 19 Inventories

(in millions of euros)	**2007**	**2006**
Raw materials	246	249
Work in progress	39	48
Finished goods	330	370
Gross carrying amount	**615**	**667**
Allowance	(32)	(47)
Net carrying amount	**583**	**620**

NOTE 20 Trade and Other Receivables

(in millions of euros)	**2007**	**2006**
Trade receivables	715	739
Other trade receivables	93	107
Gross trade receivables	**808**	**846**
Allowance	(73)	(48)
Net trade receivables	**735**	**798**
Employees and social security	2	3
French State and local authorities	157	194
Other receivables	100	137
Allowance	(29)	(50)
Net other receivables	**230**	**284**
Total Trade and other receivables	**965**	**1,082**

NOTE 21 Other Current Financial Assets

(in millions of euros)	**2007**	**2006**
Financial assets at fair value through profit or loss	12	12
Loans and receivables	4	4
Available-for-sale financial assets	3	3
TOTAL	**19**	**19**

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

NOTE 22 Cash and Cash Equivalents

22.1. Analysis by type

(in millions of euros)	**2007**	**2006**
Cash in banks	84	221
Cash equivalents	331	246
TOTAL	**415**	**467**

At December 31, 2007, cash equivalents mainly include monetary notes and certificates of deposit maturing on acquisition in less than 3 months. At December 31, 2006, they included certificates of deposit and shares in investment funds.

22.2. Consolidated statements of cash flows

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

In 2006, discontinued operations contributed to net cash from operating activities in the amount of €3 million, to net cash used by investing activities in the amount of €(33) million and to net cash used by financing activities in the amount of €(25) million.

Paid finance costs, net of interest received, totaled €175 million at December 31, 2007 and €265 million at December 31, 2006.

Income taxes paid totaled €49 million at December 31, 2007 and €18 million at December 31, 2006.

Cash received in 2007 from the disposal of non-current assets arises mainly from:

- the disposal of the Silicones business;
- the disposal of the Sulfuric acid business in France.

The cash and cash equivalents of sold entities or for sale totaled €26 million in 2007 and €11 million for sold entities in 2006 or for sale at December 31, 2006. Cash and cash equivalents of acquired entities in 2007 amounted to €1 million and €3 million in 2006.

NOTE 23 Equity

23.1. Statement of changes in equity

(in millions of euros)	Share capital	Additional paid-in capital	Other reserves: Cash flow hedge reserve	Other reserves: Translation reserve	Other reserves: Legal reserve	Other reserves: Deficit	Other reserves: Total	Minority interests	Total
At January 1, 2006	**1,177**	**570**	**(5)**	**114**	**32**	**(2,580)**	**(692)**	**26**	**(666)**
Appropriation of earnings	-	(556)	-	-	-	556	-	-	**-**
Dividends	-	-	-	-	-	-	-	(2)	**(2)**
Share capital increase	27	9	-	-	-	-	36	-	**36**
Net loss for the period	-	-	-	-	-	62	62	4	**66**
Income and expense directly recognized in equity	-	-	7	(39)	-	(48)	(80)	(3)	**(83)**
Other movements (1)	-	-	-	-	-	21	21	-	**21**
At December 31, 2006	**1,204**	**23**	**2**	**75**	**32**	**(1,989)**	**(653)**	**25**	**(628)**
At January 1, 2007	**1,204**	**23**	**2**	**75**	**32**	**(1,989)**	**(653)**	**25**	**(628)**
Appropriation of earnings	-	-	-	-	5	(5)	-	-	**-**
Dividends	-	-	-	-	-	-	-	(3)	**(3)**
Equity components of convertible debt (3)	-	124	-	-	-	-	124	-	**124**
Net profit/(loss) for the period	-	-	-	-	-	129	129	2	**131**
Income and expense directly recognized in equity	-	-	-	9	-	(12)	(3)	(1)	**(4)**
Other movements (2)	-	-	-	-	-	14	14	(2)	**12**
At December 31, 2007	**1 204**	**147**	**2**	**84**	**37**	**(1,863)**	**(389)**	**21**	**(368)**

(1) Securization of an equalization tax receivable for €12 million, allotment of bonus shares for €9 million and stock options for €0.5 million.
(2) Including the allotment of bonus shares for €18 million (see Note 34)
(3) See Notes 2.15 and 24.1

23.2. Share capital and additional paid-in capital

On June 12, 2007, pursuant to the decision of the Combined Shareholders' Meeting of May 3, 2007, Rhodia's shares were consolidated based on the exchange of 12 former Rhodia shares with a par value of €1 each for one new Rhodia share with a par value of €12. Non-consolidated shares were listed on the Euronext Paris market until December 12, 2007. Shareholders have a period of two years to claim the consolidated shares. Upon expiry of this two-year period, i.e. June 12, 2009, any consolidated shares that have not been claimed by the beneficiaries will be sold on the Paris stock market and the net proceeds from the sale will be kept for the beneficiaries in a blocked account at BNPP Securities Services for a period of ten years.

At December 31, 2007, Rhodia's share capital totaled €1,204,413,972, comprising 100,367,831 Rhodia shares with a par value of €12 each. At December 31, 2007, the number of shares that holders did not ask to be issued prior to consolidation was 3,877,152.

In 2007, the exercise of share subscription options resulted in the issue of 18,984 shares.

23.3. Dividends

No dividends were paid to the shareholders of Rhodia S.A. during the year ended December 31, 2007.

23.4. Translation reserve

The movement in the translation reserve for the year ended December 31, 2007 in the amount of €9 million results from the appreciation of the Brazilian real and the depreciation of the US dollar, the British pound and the Korean won.

23.5. Other movements

Rhodia allotted bonus shares to certain employees and managers in January 2007, and to all employees in July 2007. The features of these allotments are described in Note 34.

NOTE 24 Borrowings

24.1 Refinancing plans

High Yield notes and OCEANE

During the year ended December 31, 2007, Rhodia continued to restructure its debt by performing the following transactions:

- early redemptions:
  - in February, 98.7% of the dollar-denominated High Yield Notes bearing interest at 10.25% and maturing on June 1, 2010. The principal thus redeemed amounted to $415 million,
  - in June, dollar-denominated Senior 7.625% High Yield Notes and euro-denominated Senior 8% High Yield Notes, both maturing in 2010, for respective amounts of $3 million and €97 million,
  - in June, dollar-denominated Senior Subordinated 8.875% High Yield Notes and euro-denominated Senior Subordinated 9.25% High Yield Notes, both maturing in 2011, for respective amounts of $302 million and €235 million;
- the issue on April 27 of OCEANE bonds (bonds that can be converted or exchanged for new or existing shares) for a nominal amount of €595 million, maturing on January 1, 2014 and bearing interest at 0.5%. The issue price amounted to €48.1 per bond. OCEANE bond holders may, at any time, exercise their conversion option on a 1 for 1 basis. OCEANE bonds carry a 13.22% redemption premium and a buyback option that may be exercised by Rhodia under certain conditions. The debt and equity components were measured upon issue of the bonds. The debt component was measured at amortized cost using a market interest rate for an equivalent non-convertible bond.

Syndicated credit line

Rhodia entered into a multi-currency syndicated credit facility with a limited number of lending banks for €600 million ("Multicurrency Revolving Credit and Guaranty Facility" or "RCF") maturing on June 30, 2012. This new syndicated credit facility replaced the €300 million RFA ("Refinancing Facilities Agreement" or "RFA") maturing on June 30, 2008.

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

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

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

At and prior to December 31, 2007, Rhodia has complied with all applicable financial covenants related to the RCF.

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

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

Asset securitization programs

Rhodia has another financing source by which it sells certain of its uncollected trade receivables on a monthly or quarterly basis.

In accordance with multi-year asset securitization agreements entered into with various banks or securization of trade receivables agreements, certain Group companies sell their uncollected receivables. These sales are performed, either with recourse, or directly to special purpose entities controlled by Rhodia which retains the risks and rewards incident to the ownership of the disposed assets. As a result, these receivables are still recognized in the balance sheet.

Two asset securitization programs, one in Europe and one in North America, were set up in 2005. These two programs were renegotiated in 2007 notably in order to cut costs.

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

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

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

At December 31, 2007, the amount of uncollected trade receivables sold by Group companies as part of the securitization programs and securization of trade receivables agreements totaled approximately €237 million, for which Rhodia received a net financing of approximately €127 million. The difference between these two amounts corresponds to over-collateralization.

24.2 Breakdown of borrowings by type

	At December 31, 2007				
(in millions of euros)	Amount at amortized cost [1]	Redemption value	Amount at fair value [2]	Maturity	Effective rates before hedging [4] – [5]
Bilateral credit facilities	97	97	97	2008	Euribor + 0.9%/ Euribor + 2.5%/ 6.5%
Securization of receivables [6]	114	114	114	2008	6.8%
Finance leases debts	3	3	3	2008	3.37% to Euribor + 0.3%
Other debts	6	6	6	2008	< 6%
Accrued interest payable	23	23	23	-	-
Sub-total short term	**243**	**243**	**243**	**-**	**-**
2006 EUR senior notes	1,077	1,100	1,051	10/15/2013	Euribor 3M + 2.75%
OCEANE	482	595	551	01/01/2014	6.29%
2004 USD senior notes	4	4	4	06/01/2010	10.3%
2004 EUR senior notes	1	1	1	06/01/2010	10.5%
Other notes	24	24	24	03/10/2009	Euribor 6M + 1.60%
Securization of receivables	13	13	13	2009-2010	5.4%
Bilateral credit facilities	45	45	45	2009-2012	Euribor + 1.5%/ 5.93% to 6.93%
Finance leases debts	10	10	10	2009-2014	3.10% to Euribor + 0.3%
Other debts	19	19	19	2009-2014	< 6%
Sub-total long term	**1,675**	**1,811**	**1,718**	**-**	**-**
TOTAL	**1,918**	**2,054**	**1,961**	**-**	**-**

(1) The amortized cost of the OCEANE is determined after separate recognition in equity of the share conversion option for €124 million.
(2) The amount shown for the OCEANE corresponds to the principal excluding the 13.22% redemption premium.
(3) Senior notes and OCEANE are measured on the last day of the year. The redemption price was adopted for other borrowings.
(4) Effective interest rate before impact of hedges.
(5) Libor/Euribor are mainly 1, 3 or 6 months.
(6) The trade receivable securitization agreements will mature in 2010 with cash facilities renewable annually.

	At December 31, 2006				
(in millions of euros)	Amount at amortized cost (1)	Redemption value	Amount at fair value (2)	Maturity	Effective rates before hedging (3) – (4)
Bilateral credit facilities	138	138	138	2007	Euribor + 0.9%/ Euribor + 2.5%/6.5%
Commercial paper	1	1	1	1-3 months	Euribor + 0.70%
Securization of receivables (5)	234	234	234	2007	4.91%
Finance leases debts	13	13	13	2007	3.096% to Euribor + 3.05%
Other debts	2	2	2	2007	< 6.5%
Accrued interest payable	25	25	25	-	-
Sub-total short term	**413**	**413**	**413**	**-**	**-**
2006 EUR senior notes	1,074	1,100	1,105	10/15/2013	Euribor 3M + 2.75%
2003 USD senior notes	2	2	2	06/01/2010	8.2%
2003 EUR senior notes	97	97	99	06/01/2010	8.0%
2003 USD subordinated notes	225	229	242	06/01/2011	9.4%
2003 EUR subordinated notes	234	235	250	06/01/2011	9.8%
2004 USD senior notes	307	320	364	06/01/2010	11.70%
2004 EUR senior notes	1	1	1	06/01/2010	12.00%
Other notes	25	25	25	03/10/2009	Euribor 6M + 1.60%
Securization of receivables	12	12	12	2008-2009	4.21%
Bilateral credit facilities	9	9	9	2008-2011	Euribor + 2.5%/ 5.1% at 6%
Finance leases debts	10	10	10	2008-2014	3.096% to Euribor + 3.05%
Other debts	26	26	26	2008-2014	< 6.5%
Sub-total long term	**2,022**	**2,066**	**2,145**	**-**	**-**
TOTAL	**2,435**	**2,479**	**2,558**	**-**	**-**

(1) Amortized cost includes the impact of the remeasurement of fair value hedges for €2.4 million for the euro tranche of the 2003 Senior Subordinated notes.
(2) The fair values of the Senior and Subordinated notes are measured on the last day of the year. The redemption price was adopted for other borrowings.
(3) Effective interest rate before impact of hedges.
(4) Libor/Euribor are mainly 1, 3 or 6 months.
(5) The trade receivable securitization agreements will mature in 2010 with cash facilities renewable annually.

24.3 Analysis of borrowings by maturity

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

	At December 31, 2006					
(in millions of euros)	**2008**	**2009**	**2010**	**2011**	**After 2011**	**Total**
2006 EUR senior notes	-	-	-	-	1,074	**1,074**
2003 USD senior notes	-	-	2	-	-	**2**
2003 EUR senior notes	-	-	97	-	-	**97**
2003 USD subordinated notes	-	-	-	225	-	**225**
2003 EUR subordinated notes	-	-	-	234	-	**234**
2004 USD senior notes	-	-	307	-	-	**307**
2004 EUR senior notes	-	-	1	-	-	**1**
Other EUR notes	-	25	-	-	-	**25**
Securization of receivables	7	5	-	-	-	**12**
Bilateral credit facilities	5	3	1	-	-	**9**
Finance leases debts	3	4	1	1	1	**10**
Other debts	2	1	1	5	17	**26**
Sub-total long term	**17**	**38**	**410**	**465**	**1,092**	**2,022**

24.4 Analysis of borrowings by currency

(in millions of euros)	**2007**	**2006**
Euro	1,745	1,668
US Dollar	86	636
Pound sterling	1	35
Chinese yuan	47	35
Brazilian real	25	38
Japanese yen	7	19
Other	7	4
TOTAL BORROWINGS	**1,918**	**2,435**

The decline in dollar-denominated debt mainly results from the redemption of dollar-denominated notes in February and June 2007 for a principal amount of USD 720 million.

NOTE 25 Fair Value of Financial Instruments and Accounting Categories

At December 31, 2007

(in millions of euros)	Assets/liabilities at fair value through profit or loss		Available-for-sale assets	Loans and receivables	Liabilities at amortized cost	Hedging derivatives	Total net carrying amount	Fair value	
		Trading						Fair value option	
Financial assets	**66**	**427**	**14**	**841**	**-**	**30**	**1,378**	**948**	**430**
Non-current financial assets	**-**	**-**	**11**	**102**	**-**	**-**	**113**	**113**	**-**
Other current financial assets	-	12	3	4	-	-	**19**	4	15
Trade receivables	-	-	-	735	-	-	**735**	735	-
Derivative financial instruments	66	-	-	-	-	30	**96**	96	-
Cash and cash equivalents	-	415	-	-	-	-	**415**	-	415
Current financial assets	**66**	**427**	**3**	**739**	**-**	**30**	**1,265**	**835**	**430**
Financial liabilities	**43**	**-**	**-**	**-**	**2,698**	**25**	**2,766**	**1,202**	**1,607**
Borrowings	-	-	-	-	1,675	-	**1,675**	111	1,607
Non-current financial liabilities	**-**	**-**	**-**	**-**	**1,675**	**-**	**1,675**	**111**	**1,607**
Borrowings	-	-	-	-	243	-	**243**	243	-
Derivative financial instruments	43	-	-	-	-	25	**68**	68	-
Trade payables	-	-	-	-	780	-	**780**	780	-
Current financial liabilities	**43**	**-**	**-**	**-**	**1,023**	**25**	**1,091**	**1,091**	**-**

At December 31, 2006

(in millions of euros)	Assets/liabilities at fair value through profit or loss		Available-for-sale assets	Loans and receivables	Liabilities at amortized cost	Hedging derivatives	Total net carrying amount	Fair value	
		Trading						Fair value option	
Financial assets	**29**	**479**	**22**	**903**	**-**	**5**	**1,438**	**956**	**482**
Non-current financial assets (1)	**-**	**-**	**19**	**101**	**-**	**-**	**120**	**120**	**-**
Other current financial assets	-	12	3	4	-	-	**19**	4	15
Trade receivables	-	-	-	798	-	-	**798**	798	-
Derivative financial instruments	29	-	-	-	-	5	**34**	34	-
Cash and cash equivalents	-	467	-	-	-	-	**467**	-	467
Current financial assets	**29**	**479**	**3**	**802**	**-**	**5**	**1,318**	**836**	**482**
Financial liabilities	**33**	**-**	**-**	**-**	**3,238**	**1**	**3,272**	**1,332**	**2,063**
Borrowings	-	-	-	-	2,022	-	**2,022**	82	2,063
Non-current financial liabilities	**-**	**-**	**-**	**-**	**2,022**	**-**	**2,022**	**82**	**2,063**
Borrowings	-	-	-	-	413	-	**413**	413	-
Derivative financial instruments	33	-	-	-		1	**34**	34	-
Trade payables	-	-	-	-	803	-	**803**	803	-
Current financial liabilities	**33**	**-**	**-**	**-**	**1,216**	**1**	**1,250**	**1,250**	**-**

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

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

The fair value of derivatives is determined as follows:

- interest rate swaps are measured by discounting contractual flows;
- options are measured based on valuation models (such as Black & Scholes) using quotes published on active markets and/or by obtaining quotations from third party financial institutions;
- forward exchange contracts are measured by discounting net future cash flows;
- commodity-based derivatives are measured by counterparties based on market quotations;
- carbon derivatives (CER and EUA) are measured using market quotations.

The fair value of the notes corresponds to the most recent market quote. For other borrowings, fair value is calculated by discounting contractual flows at the market interest rate.

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

NOTE 26 Financial Risk Management and Derivatives

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

26.1 Derivative financial instruments

At December 31, 2007, Rhodia held derivatives, some of which are designated as cash flow hedges, as well as non-hedging derivatives. Derivatives are recognized in the balance sheet at their fair value in the following amounts:

		At December 31, 2007		At December 31, 2006	
(in millions of euros)	**Notes**	**Current assets**	**Current liabilities**	**Current assets**	**Current liabilities**
Interest rate instruments	26.2	13	-	7	3
Foreign exchange instruments	26.3	24	4	6	15
Oil-based commodities instruments	26.4	-	9	1	1
Carbon instruments	26.5	59	55	20	14
Other instruments		-	-	-	1
TOTAL		**96**	**68**	**34**	**34**

26.2 Interest rate risk management

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

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

Management of fixed and floating rates

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

(in millions of euros)	2007	2006
Floating rate	1,301	1,399
Fixed rate	594	1,011
Borrowings excluding accrued interest payable	**1,895**	**2,410**
Cash and cash equivalents	(415)	(467)
Other current financial assets	(19)	(19)
Accrued interest payable	23	25
Net indebtedness	**1,484**	**1,949**

The decline in fixed-rate debt in 2007 was mainly due to the redemption of notes in February and June.

In 2006, in order to hedge interest rate increases on its floating-rate debt, Rhodia purchased caps and interest rate swaps totaling €1,100 million. These derivatives were recognized under cash flow hedge accounting.

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

(in millions of euros)	2007	2006
Floating rate	224	299
Capped floating rate	350	350
Fixed rate	1,321	1,761
Borrowings excluding accrued interest payable	**1,895**	**2,410**

At December 31, 2007, the average rate of the fixed-rate debt was around 6.6%, compared to 8% as of December 31, 2006.

Analysis of interest rate sensitivity

Interest rate sensitivity for floating-rate instruments was analyzed taking into account all the variable cash flows of non-derivative and derivative instruments. The analysis is performed assuming that the amounts of debt and financial instruments shown in the balance sheet as of December 31, 2007 and 2006 remain constant during the year.

An interest rate fluctuation by 100 basis points at the year-end would result in an increase (decrease) in equity and profit or loss (prior to the tax impact) by the above amounts. For the purposes of this analysis, all the other variables, particularly exchange rates, are considered to be constant.

	2007				2006			
	Net profit/(loss)		Equity (*)		Net profit/(loss)		Equity (*)	
In millions (excluding taxes)	100bp increase	100bp decrease	100bp increase	100bp decrease	100bp increase	100bp decrease	100bp increase	100bp decrease
Floating-rate debt	(13)	13			(14)	14		
Derivatives designated as cash flow hedges	11	(10)	20	(14)	10	(8)	28	(20)
Cash equivalents	4	(4)	-	-	4	(4)	-	-

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

Analysis of interest rate hedges

Derivatives designated as cash flow hedges

As of December 31, 2007, interest rate swaps and options (caps) hedge the floating-rate bonds issued in October 2006. The notional amounts of these contracts and their fair value are detailed in the table below:

(in millions of euros)		2007						2006	
		Nominal					Fair value	Nominal value	Fair value
	Currency	**< 1 year**	**1 to 2 years**	**2 to 5 years**	**< 5 years**	**Total**	**-**	**-**	**-**
	EUR	-	750	-	-	750	9	750	4
	Lender Fixed rate	-	-	-	-	-	-	-	-
Interest rate swaps	Lender Floating rate	-	750	-	-	750	9	750	4
Sub-total		**-**	**750**	**-**	**-**	**750**	**9**	**750**	**4**
	EUR	-	350	-	-	350	3	350	1
	Purchase	-	350	-	-	350	3	350	1
Caps	Sale	-	-	-	-	-	-	-	-
Sub-total		**-**	**350**	**-**	**-**	**350**	**3**	**350**	**1**
TOTAL		**-**	**1,100**	**-**	**-**	**1,100**	**12**	**1,100**	**5**

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

The ineffective portion of cash flow hedges which impacts profit or loss was immaterial in 2007 and 2006.

The contractual flows related to interest rate swaps are paid at the same time as the contractual flows of floating-rate borrowings and the amount deferred in equity is recognized in profit or loss for the period in which the fluctuations in the debt's interest rate impact profit or loss. Furthermore, the impact of hedging future fixed-rate loan issues, prior to January 1, 2006, was recognized in equity under "Cash flow hedge reserve" in an amount of €4 million at December 31, 2006. This amount in reserves was fully transferred to profit or loss during 2007 due to the redemption of the underlying borrowings.

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

In € millions (excluding taxes)	2007	2006
Carrying amount as of January 1	**1**	**(5)**
Amount transferred to profit or loss [(1)]	3	1
Amount recorded directly in equity	8	5
Carrying amount as of December 31	**12**	**1**

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

Derivatives designated as fair value hedges

No derivatives were designated as fair value hedges in 2007 and 2006.

In 2004, the three interest rate swaps designated as fair value hedges were cancelled. The adjustment arising from the cancelled hedges was included in the amortized calculation of the hedged debt in the amount of €2 million. Previously hedged debts were redeemed in 2007.

Amortization of the impact of these fair value hedges using the effective interest rate method generated income of €2 million in 2007, compared to €3 million in 2006.

Derivatives not designated as hedges

Interest rate swaps are entered into for terms of between 1 and 2 years. The nominal amounts and the fair values of interest rate derivatives are detailed below.

		2007								2006	
		Nominal							Fair value	Nominal value	Fair value
(in millions of euros)	**Currency**	**< 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**> 5 years**	**Total**			
	EUR	-	-	-	-	-	-	-	-	300	(1)
	Lender Fixed rate	-	-	-	-	-	-	-	-	150	(3)
Interest rate swaps	Lender Floating rate	-	-	-	-	-	-	-	-	150	2
Sub-total		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**300**	**(1)**
	EUR	-	750	-	-	-	-	750	1	-	-
	Purchase	-	750	-	-	-	-	750	1	-	-
Floors	Sale	-	-	-	-	-	-	-	-	-	-
Sub-total		**-**	**750**	**-**	**-**	**-**	**-**	**750**	**1**	**-**	**-**
TOTAL		**-**	**750**	**-**	**-**	**-**	**-**	**750**	**1**	**300**	**(1)**

These interest rate derivatives not designated as hedges generated an immaterial net financial income in fiscal year 2007.

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

A sudden 100 basis point fluctuation in interest rates at the year-end would results in an increase (decrease) in profit or loss by the above amounts. For the purposes of this analysis, all the other variables are considered to be constant. A similar analysis, on this same basis, is shown in respect of 2006.

In € millions (excluding taxes)	2007		2006	
	100bp increase	100bp decrease	100bp increase	100bp decrease
Derivatives designated as cash flow hedges	(1)	4	-	-

26.3 Foreign exchange risk management

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

Rhodia's policy consists in limiting its exposure to short-term fluctuations in exchange rates by calculating on a daily basis its net exposure to foreign currencies in its transactions, including both sales and purchases, and by using derivatives to reduce such exposure. The main derivatives used by Rhodia are forward foreign exchange contracts with terms of less than one year.

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

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

As of December 31, 2007, Rhodia's foreign exchange risk (excluding foreign exchange derivatives designated as hedges) by main currency breaks down as follows:

(in millions of euros)	At December 31, 2007				At December 31, 2006			
Currency	**USD**	**GBP**	**EUR (*)**	**JPY**	**USD**	**GBP**	**EUR (*)**	**JPY**
Borrowings	41	255	(53)	4	(462)	267	(29)	2
Trade receivables and payables	151	3	(13)	10	199	(9)	(8)	14
Foreign exchange contracts	(203)	(266)	58	(11)	157	(261)	15	(9)
Net exposure	**(11)**	**(8)**	**(8)**	**3**	**(106)**	**(3)**	**(22)**	**7**

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

Analysis of foreign exchange risk sensitivity

As of December 31, 2007, a sudden 10% fluctuation of the euro against the foreign currencies would have, in proportion of the assets and liabilities recorded in the balance sheet, an immaterial impact on foreign exchange gains or losses. For the purposes of this analysis, all the other variables, particularly interest rates, are considered to be constant.

(in millions of euros)	At December 31, 2007				At December 31, 2006			
Currency	**USD**	**GBP**	**EUR**	**JPY**	**USD**	**GBP**	**EUR**	**JPY**
10% increase in the euro against the foreign currency	1	1	(1)	-	10	-	(2)	(1)
10% decrease in the euro against the foreign currency	(1)	(1)	1	-	(12)	-	2	1

Portfolio of foreign exchange derivatives not designated as hedges

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

		2007		2006	
(in millions of euros)	**Currency**	**Nominal**	**Fair value**	**Nominal**	**Fair value**
Forward purchases	USD	169	-	96	(1)
	GBP	43	-	14	-
	JPY	12	-	3	-
	BRL	205	-	123	-
	Other	10	-	109	-
Total		**439**	**-**	**345**	**(1)**
Forward sales	USD	372	-	263	1
	GBP	309	7	275	(2)
	JPY	22	-	11	-
	BRL	109	-	67	-
	Other	91	1	79	-
Total		**903**	**8**	**695**	**(1)**
Call purchases	USD	31	-	324	2
	Other	-	-	-	-
Total		**31**	**-**	**324**	**2**
Call sales	USD	-	-	-	-
	Other	-	-	-	-
Total		**-**	**-**	**-**	**-**
Put purchases	USD	-	-	-	-
	Other	-	-	-	-
Total		**-**	**-**	**-**	**-**
Put sales	USD	-	-	324	(10)
	Other	-	-	-	-
Total		**-**	**-**	**324**	**(10)**
TOTAL		**1,373**	**8**	**1,688**	**(10)**

At December 31, 2006, the purpose of foreign exchange options was to hedge exposure to US dollar-denominated debt.

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

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

Portfolio of foreign exchange derivatives designated as cash flow hedges

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

		2007		2006	
(in millions of euros)	**Currency**		**Nominal**	**Fair value**	**Nominal**
Forward purchases	USD	13	-	-	-
	BRL	13	-	-	-
Forward sales	USD	161	12	27	1
Total		**187**	**12**	**27**	**1**
Call purchases	USD	15	-	-	-
Total		**202**	**12**	**27**	**1**

In connection with the hedging of Rhodia's ordinary business transactions, future transaction exchange hedges are regularly set up. At December 31, 2007, the changes in fair value of these forward exchange contracts considered as effective were recognized in equity under the "Cash flow hedge reserve" heading in an amount of €13 million.

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

(in millions of euros)	**2007**	**2006**
Carrying amount as of January 1	**1**	**1**
Amount transferred to profit or loss [1]	(9)	(1)
Amount recorded directly in equity	21	1
Carrying amount as of December 31	**13**	**1**

(1) Amount recognized in Net sales.

The financial expenses relating to the ineffective portion of this hedge recognized in 2007 and 2006 were immaterial.

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

Sensitivity analysis of foreign exchange derivatives qualified as cash flow hedges

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

(in millions of euros)	10% decrease in the euro		10% increase in the euro	
Impact	**Equity increase (decrease)**	**Net Profit/(loss)**	**Equity increase/decrease**	**Net Profit/(loss)**
12/31/2007	(11)	-	9	-
12/31/2006	(2)	-	2	-

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

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

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

At December 31, 2007, Rhodia held derivatives designated as cash flow hedges, whose fair value was recognized in the Rhodia balance sheet under liabilities in the amount of €9 million (immaterial as of December 31, 2006).

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

in millions of euros (excluding taxes)	2007	2006
Carrying amount as of January 1	**-**	**-**
Amount transferred to profit or loss	-	-
Amount recorded directly in equity	(9)	-
Carrying amount as of December 31	**(9)**	**-**

Sensitivity analysis of derivative instruments

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

in millions of euros (excluding taxes)	10% price increase		10% price decrease	
Impact	**Equity increase (decrease)**	**Net Profit/(loss)**	**Equity increase (decrease)**	**Net Profit/(loss)**
12/31/2007	5	-	(5)	-
12/31/2006	1	-	-	-

26.5 Carbon instrument risk management (EUA/CER)

CER future sale hedges

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

At December 31, 2007, Rhodia sold forward CERs with delivery guarantees in a notional amount of around €162 million (€26 million at December 31, 2006). These derivatives were recognized under cash flow hedge accounting.

The fair value of these forward CER sales was recognized in the Rhodia balance sheet under assets in the amount of €6 million (€1 million as of December 31, 2006) and under liabilities in the amount of €16 million (immaterial as of December 31, 2006).

Furthermore, in 2006, Rhodia undertook to sell forward CERs without any delivery guarantee over the period from 2007 to 2012, as these sales were not designated as derivatives in the financial statements.

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

in millions of euros (excluding taxes)	2007	2006
Carrying amount as of January 1	**1**	**-**
Amount transferred to profit or loss (1)	14	-
Amount recorded directly in equity	(28)	1
Carrying amount as of December 31	**(13)**	**1**

(1) Amount recognized in Net sales.

Other activities of ORBEO

ORBEO also performs proprietary trading and arbitrage transactions. At December 31, 2007, the fair values of the derivatives contracted by ORBEO were recognized in Rhodia's assets for €53 million and in its liabilities for €39 million.

Sensitivity analysis of EUA/CER derivative instruments

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

in millions of euros (excluding taxes)	10% price increase		10% price decrease	
Impact	**Equity increase (decrease)**	**Net Profit/(loss)**	**Equity increase (decrease)**	**Net Profit/(loss)**
12/31/2007	(16)	-	16	-
12/31/2006	3	(14)	(3)	14

26.6 Credit risk

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

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

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

Cash investments and derivatives

Rhodia mainly invests its short-term investments and enters into interest rate and currency contracts with banks or financial institutions with S&P and Moody's ratings which are equal to or greater than A- and A3, respectively.

Trade receivables

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

Rhodia's customer portfolio is much diversified with more than 10,000 customers, with a limited concentration (the 30 largest customers represent less than 25% of Group net sales).

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

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

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

Customer risk management procedures were set up at Group level:

a) a risk category and credit line must be allocated to each customer invoiced by Rhodia:

- the risk category is determined using a scoring method for which the criteria are the customer's size, profitability and indebtedness;
- the credit line is assessed by credit management; it may be the amount of guarantees (credit insurance, etc.) obtained for the customer; if there is no guarantee, it is determined according to a financial analysis of the customer's financial statements and/or an external rating;

b) in addition, Rhodia partially hedges net sales using credit insurance; this is particularly used to hedge the export sales of Group subsidiaries; for certain business segments considered as risky, domestic sales are also insured.

When exports, sales cannot be insured, they are hedged by documentary credit or letters of credit.

Rhodia's general terms and conditions of sale contain a reservation of ownership clause, so that the Group is guaranteed in the event of default.

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

Trade receivables aging report

(in millions of euros)	At December 31, 2007	At December 31, 2006
Not due	694	685
Overdue:	114	87
less than 30 days	27	53
between 30 and 180 days	8	14
more than 180 days	79	20
Allowance	(73)	(48)
TOTAL	**735**	**798**

Other receivables

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

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

26.7 *Liquidity risk*

Cash flows arising from financial liabilities by maturity date

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

(in millions of euros)	Carrying amount		Contractual cash flows	12 months or less	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities	**2,698**		**3,451**	**1,126**	**165**	**298**	**1,862**
Non-secured bonds	*1,106*		*1,609*	*85*	*108*	*254*	*1,162*
OCEANE (1)	*482*		*694*	*2*	*3*	*9*	*680*
Securization of receivables	*127*		*157*	*127*	*19*	*11*	*-*
Bilateral credit facilities	*142*		*147*	*99*	*28*	*20*	*-*
Finance leases debts	*13*		*15*	*4*	*6*	*2*	*3*
Accrued interest payable	*23*		*23*	*23*	*-*	*-*	*-*
Trade payables	*780*		*780*	*780*	*-*	*-*	*-*
Other debts	*25*		*26*	*6*	*1*	*2*	*17*
Derivative financial liabilities		**68**	**68**	**58**	**8**	**2**	**-**
Of which foreign exchange derivatives		*4*	*4*	*4*	*-*	*-*	*-*
Disbursements		*4*	*4*	*4*	*-*	*-*	*-*
Collections		*-*	*-*	*-*	*-*	*-*	*-*
Total financial liabilities		**2,766**	**3,519**	**1,184**	**173**	**300**	**1,862**

(1) Assuming the OCEANE bonds are not converted.

Given the significant structural changes impacting the balance sheet following the various refinancing measures undertaken by Rhodia since 2005, the cash flow maturity dates of December 31, 2006 differ considerably from the actual flows.

Liquidity risk management

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

At December 31, 2007 and 2006, the liquidity position breaks down as follows:

(in millions of euros)	2007	2006
Other liquid current financial assets	7	7
Non-utilized credit facilities	537	252
Cash and cash equivalents	415	467
Liquidity position	**959**	**726**

At December 31, 2007, Rhodia has, via its syndicated credit facility ("RCF"), an undrawn and immediately available credit line of €537 million.

Rhodia also extends its debt maturity through regular renegotiations undertaken in the course of refinancing (see Note 24.3).

Finally, the fact that Rhodia can grant collateral and financial guarantees and its debt rating has steadily improved means that it is always able to raise new financing if need be.

26.8 Capital management

Rhodia's objective is to offer its shareholders an attractive compensation, whether it be a dividend or an increase in its share price.

The recurring net debt/EBITDA ratio is the indicator monitored by Rhodia in order to manage its indebtedness compared to the profitability of its operations. Net debt is defined as the sum of long-term borrowings, short-term borrowings and the current portion of long-term borrowings less cash and cash equivalents and other current assets.

Rhodia commited itself to achieve a net debt/recurring EBITDA ratio of less than 2 in 2008.

As of December 31, 2007, this ratio amounted to 1.9, thus enabling it to reach the Group objective one year ahead of plan.

The Group contemplate performing periodic capital increases reserved for employees. However, Rhodia has not set any objective with regard to the percentage of the Group's capital held by its employees.

NOTE 27 Retirement Benefits and Similar Obligations

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

(in millions of euros)	**2007**	**2006**
Obligations recognized in liabilities:		
Retirement benefits	1,161	1,233
Other employee benefits	85	92
Total	**1,246**	**1,325**
Of which:		
Non-current	1,154	1,227
Current	92	98
Expenses recognized in profit or loss:		
Retirement benefits	56	50
Other employee benefits	9	4
Total	**65**	**54**

Actuarial assumptions

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

	2007			**2006**		
	France	**United States**	**United Kingdom**	**France**	**United States**	**United Kingdom**
Discount rate	5.25%	6.00%	5.70%	4.50%	5.50%	5.10%
Salary increase rate	4.00%	3.50%	3.75%	3.00%	3.50%	3.25%
Retirement pension increase rate	2.00%	2.50%	3.25%	2.00%	2.50%	2.75%
Mortality table	TGH 05 and TGF 05 (Insee 2002)	RP 2000 Combined	PA92	TPG 93	RP 2000 Combined	PA92

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

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

Sensitivity of commitments to the actuarial assumptions

In the event of increases or decreases in the discount rates, the present value of the obligations at December 31, 2007 and cost of services rendered in 2008 would be as follows:

(in millions of euros)	**– 50 basis points**	**+ 50 basis point**
Present value of the obligations	2,651	2,340
Cost of services rendered	25	21

A 100 basis point change in the presumed medical cost rates would have a negligible impact on the profit or loss components (cost of services rendered and interest cost) and the cumulative obligation in respect of post-employment benefits relating to medical costs (€1 million).

The medical cost rates totaled 9% in the US and 7.5% in the UK.

Rate of return on plan assets

Plan assets are comprised of the following:

(in percentage)	**2007**	**2006**
Shares	48.5%	50.2%
Bonds	49.6%	46.0%
Other (*)	1.9%	3.8%

(*) Including real estate assets occupied by the Group for 0.1%.

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

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

	At December 31, 2007			**At December 31, 2006**		
	France	**United States**	**United Kingdom**	**France**	**United States**	**United Kingdom**
Expected return on pension plan assets	n/a	7.50%	7.00%	n/a	7.50%	7.50%

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

27.1 Retirement benefits

Description of obligations in connection with defined benefit plans

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

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

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

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

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

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

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

Obligations recognized in the balance sheet

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

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

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

Past service costs not yet amortized relating to the amendment of this plan amounted to €3 million at December 31, 2007. They are recognized in profit or loss based on the residual vesting period which on average is 6 years.

Analysis of the present value of the recognized obligation

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

(in millions of euros)	2007	2006
Present value of obligations at the beginning of the period	**2,520**	**2,567**
Cost of services rendered	19	24
Interest cost	126	121
Benefits paid	(157)	(166)
Employee contributions	2	4
Past service cost	(1)	-
Actuarial gains and losses	5	84
Currency translation differences	(119)	(19)
Liabilities associated with assets classified as held for sale	-	(12)
Changes in the consolidation scope	(3)	(84)
Curtailments and settlements (1)	6	1
Present value of obligations at the end of the period	**2,398**	**2,520**
Fair value of plan assets at the beginning of the period	**1,287**	**1,327**
Expected return on assets	94	97
Actuarial gains and losses on fund yield	(2)	41
Employer contributions	45	26
Employee contributions	2	4
Benefits paid	(97)	(105)
Currency translation differences	(95)	(14)
Changes in the consolidation scope	-	(89)
Curtailments and settlements	-	-
Fair value of plan assets at the end of the period	**1,234**	**1,287**
Present value of the obligation	**1,164**	**1,233**
Unrecognized past service cost	(3)	(4)
Assets not recognized in accordance with capping rules	-	3
Present value of the recognized obligation	**1,161**	**1,232**

(1) Including termination benefits allocated to employees who retired prior to normal retirement age.

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

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

	At December 31, 2007			At December 31, 2006		
(in millions of euros)	France	Other countries	Total	France	Other countries	Total
Present value of the obligation	825	1,573	2,398	803	1,717	2,520
Fair value of plan assets	-	(1,234)	(1,234)	n/a	(1,287)	(1,287)
TOTAL	**825**	**339**	**1,164**	**803**	**430**	**1,233**

The actual rate of return on plan assets amounted to €138 million in 2006 and €92 million in 2007. The expected rate of return was €97 million for 2006, €94 million for 2007. Actuarial gains and losses were recognized to account for the difference between these two amounts, i.e. a €41 million gain for 2006 and a €(2) million loss for 2007.

The amount disbursed by the Group with respect to defined benefit plans corresponds to benefits paid to employees (€157 million in 2007, €166 million in 2006) and Rhodia's contributions to funds (€45 million in 2007, €26 million in 2006), less the benefits paid directly by these funds (€97 million in 2007, €105 million in 2006). This amount totaled €105 million in 2007 and €87 million in 2006 and is estimated at €106 million with respect to 2008.

Expense for the year

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

(in millions of euros)	2007	2006
Cost of services rendered	19	24
Interest cost	126	121
Expected return on plan assets	(94)	(97)
Amortization of past service cost	(1)	1
Curtailments and settlements (1)	6	1
Total expense recognized on profit or loss	**56**	**50**

(1) Including specific termination benefits for €8 million in 2007 and €5 million in 2006.

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

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

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

27.2 *Other employee benefits*

Description of obligations and actuarial assumptions

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

Obligations recognized in the balance sheet

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

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

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

The net obligation recognized under liabilities breaks down as follows:

(in millions of euros)	At December 31, 2007	At December 31, 2006
Present value of obligations at the beginning of the period	**98**	**114**
Cost of services rendered	6	5
Interest cost	5	5
Benefits paid	(10)	(10)
Actuarial gains and losses	(1)	(5)
Currency translation differences	(4)	(4)
Liabilities associated with assets held for sale	-	(5)
Changes in the consolidation scope	(2)	(1)
Curtailments and settlements	-	(1)
Present value of obligations at the end of the period	**92**	**98**
Fair value of plan assets at the beginning of the period	**6**	**5**
Employer contributions	2	2
Expected return on assets	1	
Benefits paid	(1)	(1)
Currency translation differences	(1)	-
Changes in the consolidation scope	-	-
Fair value of plan assets at the end of the period	**7**	**6**
Present value of the obligation recognized under liabilities in the balance sheet	**85**	**92**

The amount disbursed by the Group totaled €11 million in 2007, as in 2006, and is estimated at €8 million for 2008.

Expense for the year

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

(in millions of euros)	2007	2006
Cost of services rendered	6	5
Interest cost	5	5
Expected return on assets	(1)	
Actuarial gains and losses	(1)	(5)
Impact of liquidations	-	(1)
Expense/(income) recognized in the income statement	**9**	**4**

NOTE 28 Provisions

28.1 Analysis by type

	At December 31, 2007			At December 31, 2006		
(in millions of euros)	More than one year	Less than one year	Total	More than one year	Less than one year	Total
Restructuring	15	53	68	19	39	58
Environmental	170	33	203	173	34	207
Other provisions for contingencies and losses	133	52	185	114	74	188
TOTAL	**318**	**138**	**456**	**306**	**147**	**453**

28.2 Movements over the year

(in millions of euros)	January 1, 2007	Net Charge	Utilization	Changes in consolidation scope	Currency translation differences	Other movements	At December 31, 2007
Restructuring	58	53	(38)	-	(3)	(2)	68
Environmental	207	21	(26)	-	1	-	203
Other provisions for contingencies and losses	188	30	(44)	3	1	7	185
TOTAL	**453**	**104**	**(108)**	**3**	**(1)**	**5**	**456**

28.3 Restructuring

Restructuring provisions cover the following costs:

(in millions of euros)	At December 31, 2007	At December 31, 2006
Employee expenses	36	34
Site closure costs	32	24
TOTAL	**68**	**58**

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

Changes in fiscal year 2007

New measures represent a total estimated cost of €51 million and mainly concern Organics and Acetow as well as Corporate and Other. They mainly correspond to the following transactions:

In France

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

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

Foreign operations

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

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

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

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

Changes in fiscal year 2006

New measures represented an estimated €21 million and mainly corresponded to the following transactions:

In France

The new measures represented a cost of €11 million and mainly corresponded to the additional measures in the Group's support functions reorganization plan initiated at the end of 2003.

Foreign operations

The new measures represented a cost of €10 million and mainly corresponded to the administrative productivity measures in the UK, Germany, the US and Brazil.

Changes in estimates for previous plans in 2006 resulted in an additional charge of €15 million, corresponding to the additional provisions at the Organics and Polyamide sites.

Utilizations of provisions relating to employee expenses and site closures represent €(80) million and break down as follows:

- €(49) million in France mainly corresponding to the support functions plan initiated at the end of 2003 for €(18) million and industrial restructuring plans mainly at the Organics and Polyamide sites for €(29) million. The Horizon plan concerning the "asbestos" classification of the Pont-de-Claix platform represented €(5) million corresponding to the departure of around 230 employees;
- €(20) million excluding France, including €(9) million in the UK corresponding mainly to streamlining costs at the Avonmouth and Oldbury sites as well the head office closure costs and €(11) million corresponding mainly to administrative structure streamlining measures in the US, Brazil Germany, Spain and Italy;
- €(11) million for employee expenses and site closures relating to discontinued operations in 2006.

In addition, non-utilized provisions were reversed in 2006 in the amount of €(13) million and mainly corresponded to the support functions plan.

28.4 *Environment*

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

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

The discount rates used at December 31, 2007 are set up by geographical area based on inflation and risk-free interest rates (government bonds) over the probable term of the remediation obligations related to the sites.

	5 years	10 years	20 ars
France	-	2.50%	-
United Kingdom	2.40%	-	2.40%
United States	1.00%	1.50%	-
Brazil	-	5.50%	5.50%

At December 31, 2007, provisions related to environmental risks totaled €203 million, compared with €207 million at December 31, 2006.

The main provisions by geographical area are as follows:

(in millions of euros)	At December 31, 2007	At December 31, 2006
South America	89	84
France	54	56
North America	39	43
United Kingdom	21	24
TOTAL ENVIRONMENTAL PROVISIONS	**203**	**207**

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

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

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

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

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

Changes in fiscal year 2007

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

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

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

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

Changes in fiscal year 2006

A net charge of €9 million was recognized and breaks down as follows:

- €11 million corresponding to additional provisions of insignificant individual amounts;
- €(2) million corresponding to the increase in the discount rate which mainly affected provisions relating to the long-term remediation plans of sites, particularly Cubatao in Brazil.

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

- Cubatao in Brazil for €(8) million;
- Whitehaven in United Kingdom for €(1.5) million;
- Martinez, New Brunswick and Silverbow in United States for €(2), €(1.5) and €(2) million, respectively.

A provision of €(6) million was reversed in the amount of €(3) million for various remediation plan re-estimates, while the remaining amount corresponded to the increase in the discount rate at the Staveley site in the UK and the La Rochelle site in France.

The interest accretion effect resulted in a €7 million increase in the provision.

Contingent environmental liabilities and re-estimates

Based on current information, Rhodia's management estimates that it does not have probable liabilities for environmental matters other than those provided for at December 31, 2007. However, Rhodia may need to incur additional expenditure if there are changes to existing laws, regulations or their interpretations.

Estimated contingent liabilities before discounting amounting to around €158 million at December 31, 2007 have increased since December 31, 2006 by around €12 million, mainly relating to the Freeport site in the United States. Excluding the impact of this site, contingent liabilities have not significantly changed since December 31, 2006. They mainly relate to the sites in La Rochelle and Pont de Claix in France, Silver Bow (Montana, US) and Cubatao (Brazil), with respect to the possible obligations to store or treat non-hazardous waste or materials off-site in addition to the possible containment of an internal landfill in France. No provision has been recognized at December 31, 2006 to cover these contingent liabilities in the absence of any obligation as of this date.

28.5 Other provisions

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

NOTE 29 Trade and Other Payables

(in millions of euros)	At December 31, 2007	At December 31, 2006
Operating goods and services payables	733	754
Capital expenditure payables	47	49
Employees and social security	163	181
French State and local authorities (1)	68	122
Accrued expenses	27	29
Other	33	43
TOTAL	**1,071**	**1,178**

(1) *At the end of December 2007, the heading "French State and local authorities" includes a liability with respect to CO_2 allowances to be delivered for €9 million (€39 million at the end of December 2006).*

NOTE 30 Leases

30.1 Operating leases

The income and expenses relating to operating leases in 2007 and 2006 break down as follows:

(in millions of euros)	2007	2006
Minimum lease payments	(27)	(24)
Conditional lease payments	-	-
Sub-lease payments	2	3
TOTAL	**(25)**	**(21)**

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

(in millions of euros)	At December 31, 2007	At December 31, 2006
Less than one year	40	25
From one to five years	86	83
More than five years	47	60
TOTAL	**173**	**168**

30.2 Finance leases

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

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

(in millions of euros)	Less than one year	From one to five years	More than five years	Total
At December 31, 2006				
Minimum future lease payments	14	10	1	24
Interest	(1)	(1)	-	(1)
Minimum future lease payments excluding interest	**13**	**9**	**1**	**23**

NOTE 31 Off-Balance Sheet Commitments and Contractual Obligations

(in millions of euros)	At December 31, 2007	At December 31, 2006
Commitments to purchase		
Firm orders for the acquisition of industrial assets	60	70
Commitments for the purchase of goods and services:		
Commitment for the acquisition of goods	2,206	2,252
Commitment for the acquisition of energy	973	820
Guarantees and liens granted		
Guarantees given to associates to guarantee their debt	-	3
Guarantees given to unconsolidated entities to guarantee their debt	6	7
Guarantees given on forward sales	-	1
Liens granted	122	88
TOTAL COMMITMENTS AND GUARANTEES GIVEN	**3,367**	**3,241**

Assets pledged can be analyzed as follows:

(in millions of euros)	At December 31, 2007	At December 31, 2006
Property, plant and equipment	66	51
Financial assets	56	37
TOTAL	**122**	**88**

NOTE 32 Litigation

32.1 Legal proceedings

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

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

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

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

AMF administrative proceedings

On June 21, 2007, on completion of the administrative proceedings involving, *inter alia*, Rhodia and relating to facts dating back to the years 2001-2003, the AMF Enforcement Committee made its decision public. The Company has been fined € 750,000. Rhodia has lodged an appeal on August 20, 2007.

Litigation with shareholders

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

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

Both proceedings were adjourned due to the existence of a criminal investigation conducted by examining magistrates of the financial division of the Paris Court of First Instance concerning the same facts and pursuant to three criminal proceedings instituted in 2003 and 2004 against an unspecified defendant by the same shareholders for misuse of company assets, insider dealings, publication of false or misleading information, fraudulent balance sheet and disclosure of inaccurate accounts. Rhodia decided to join the criminal investigation as a plaintiff claiming damages ("partie civile") on January 25, 2006. The investigation was still in progress as of December 31, 2007.

On March 19, 2005, one of the shareholders in the cases mentioned above brought a suit (in an ut singuli proceeding) against the Chairman of the Board of Directors and the Chief Executive Officer before the Nanterre Commercial Court alleging personal mismanagement, in an attempt to have them repay Rhodia the amounts paid to Mr. Jean-Pierre Tirouflet upon his departure in October 2003 (severance payment of €2.1 million and, if applicable, payments made under a supplementary retirement plan for which no sums have been paid to date). On November 21, 2007, whereas the case was ready to be tried, the plaintiff requested an adjournment on the grounds that a non-peremptory charge had been brought by the Paris Prosecutor's office. The defendants and the Company dispute the merits of such demands, including the application for adjournment. On February 13, 2008, the Nanterre Commercial Court has declared itself to be the competent authority and did not announce a stay in the proceedings. A decision on the matter is expected during the second half of 2008.

Since April 7, 2005, various complaints have been filed by shareholders in United States against Rhodia as well as certain of its Directors and senior management. The plaintiffs have generally alleged that between April 26, 2001 and March 23, 2004 or March 24, 2005, depending on the plaintiff, certain provisions of the Securities Exchange Acts of 1933 and 1934 were violated, notably in terms of financial communication.

Some of these "Erisa" type complaints have been filed by participants in the Company's US pension schemes. In this context, the parties have entered into an out-of-court settlement (of approximately $2.4 million, fully assumed by the Company's insurers) produced in Court on October 1, 2007 as the Court must approve it prior to serving any notice to the plaintiffs. At the 2007 year-end, the approval process was still pending.

In respect of the other complaints, the U.S. District Court for the Southern District of New York has ruled, in its September 26 and December 12, 2007 rulings, to dismiss all the plaintiffs' claims brought as part of class action suit. In the absence of appeal against these decisions, these proceedings are definitely closed.

Trade litigation

Rhodia/Innophos litigation

On November 8, 2004, Rhodia received from Innophos, a subsidiary of Bain Capital, a complaint originating from Mexico's National Water Commission relating to water use at the Coatzacoalcos site during the period from 1998 to 2002. The total claim amounts to approximately 1.5 billion Mexican pesos (around €100 million), including user fees, interest and penalties. The Coatzacoalcos site was part of the specialty phosphates business that was sold in August 2004 to Bain Capital, giving rise to the creation of a new company, Innophos. To best protect its interests, Rhodia then informed Bain that it was willing to assume direct responsibility, subject to certain legal reservations, for resolving this matter with the Mexico National Water Commission. Since then, Rhodia has worked closely with Innophos to prepare a response, which was filed in Innophos' name on January 17, 2005. The amount of the initial claim was lowered following the application made by Rhodia to the administrative authority to reconsider and materialized by a decision rendered in August 29, 2005. The total amount of the revised claim is approximately €16.5 million. Rhodia still believed that stronger arguments exist in its defense and with respect thereto made public in November 2005 its imminent demand to cancel the claim pending before the Mexican federal administrative and tax courts. Should the case be decided against Innophos, the New York Court has ruled that Rhodia should totally indemnify Innophos. The case is still pending as of December 31, 2007. Based on its analysis of the merits of the case, Rhodia did not consider it necessary to recognize a provision in respect of this claim.

Other proceedings

Rhodia litigation with the Securities and Exchange Board of India

Rhodia S.A. is involved in proceedings in India initiated by the Securities and Exchange Board of India ("SEBI"), which is seeking to require Rhodia to initiate a public tender for 20% of the shares of Albright & Wilson Chemicals India Limited ("AWCIL"), a listed subsidiary of the group formerly known as Albright & Wilson, which Rhodia acquired in 2000 and of which it now owns 72.79%. These shares would be acquired at a price of 278 rupees per share, based on the value of those shares at the time of our acquisition of Albright & Wilson, and increased by interest accrued since 2000. Such a decision by the SEBI would increase Rhodia's holding of AWCIL from 72.79% to 92.79%. As its shareholding would exceed 90%, Rhodia would then be required to initiate a mandatory public tender offer (or "squeeze out") for the remaining 7.21% of outstanding shares for the same price. In this case, all the shares not yet held by Rhodia (27.21%) would be acquired for €7.2 million. Rhodia is challenging the merits of SEBI's claim but this risk is provided in the financial statements. The High Court of Mumbai, which is hearing the case on Rhodia's appeal following an initial unfavorable judgment, is expected to make a final decision in 2008.

Significant proceedings entered into by the Company

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

32.2 Commitments relating to disposals

In connection with disposals made in 2007 and previously, Rhodia provided the usual warranties related to accounting, tax, employee and environmental matters.

No warranties granted as part of the disposals were triggered during the year 2007.

NOTE 33 Related Party Transactions

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

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

(in millions of euros)	2007	2006
Revenue	**141**	**237**
Non-consolidated subsidiaries	14	12
Associates	9	114
Joint ventures	118	111
Cost of sales	**52**	**75**
Non-consolidated subsidiaries	7	8
Associates	1	19
Joint ventures	44	48

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

(in millions of euros)	2007	2006
Trade and other receivables	**39**	**87**
Non-consolidated subsidiaries	5	5
Associates	2	46
Joint ventures	32	36
Trade and other payables	**9**	**21**
Non-consolidated subsidiaries	1	4
Associates	–	5
Joint ventures	8	12
Net cash (borrowings)	**1**	**(3)**
Non-consolidated subsidiaries	–	-
Associates	–	(3)
Joint ventures	1	-

The strong decrease in all transactions with associates is a result of the disposal in 2007 of the investment in the Nylstar Group.

33.2 *Compensation and benefits paid to key Group executives*

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

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

(in thousands of euros, except for subscription options and bonus shares)	2007	2006
Wages, charges and short-term benefits	6,035	5,616
Accumulated retirement and other post-employment benefits	16,074	17,014
Severance payments (1)	6,009	6,126
Total stock subscription options and bonus shares granted (2)	516,082	430,016

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

(2) The 2006 figures are presented after the reverse share split in 2007 (1 for 12).

Amounts paid during the year:

(in thousands of euros, except for subscription options and bonus shares)	2007	2006
Wages, charges and short-term benefits	5,900	5,430
Accumulated retirement and other post-employment benefits	–	-
Severance payments	696	-
Total stock subscription options and bonus shares granted (1)	168,424	167,833

(1) The 2006 figures are presented after the reverse share split in 2007 (1 for 12).

33.3 *Loans granted to key Group executives*

At December 31, 2007, no loans had been granted to any key Group executives.

NOTE 34 Share-Based Payment

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

		2007			2006	
		Options	Bonus shares	Total	Options	Bonus shares
Outstanding at the beginning of the year prior to reverse share split	**25,695,334**	**8,799,350**	**34,494,684**	**26,640,063**	**-**	**26,640,063**
Outstanding at the beginning of the year after reverse share split	2,141,278	733,279	2,874,557	-	-	**-**
Adjustment for reverse share split	931	506	1,437	-	-	**-**
Granted	-	923,360	923,360	-	9,306,250	**9,306,250**
Cancelled	(50,689)	(28,494)	(79,183)	(944,729)	(506,900)	**(1,451,629)**
Exercised	(18,984)	-	(18,984)	-	-	**-**
Outstanding at year-end	**2,072,536**	**1,628,651**	**3,701,187**	**25,695,334**	**8,799,350**	**34,494,684**

34.1 Share capital increase reserved for employees

Contrary to 2006, Rhodia did not perform any capital increases reserved for employees in 2007.

Description of the offers proposed in 2006

Group employees, in addition to those taking retirement or early retirement in France, were able to subscribe to a reserved capital increase in the first half of 2006 through two options:

- the standard offer: subscription to Rhodia shares at a discount (15%) compared to the benchmark price (determined on June 16 as the average opening Rhodia share price on the Paris stock market for the twenty trading days prior to June 16 and therefore set at €1.59 prior to the reverse share split);
- the leverage offer: subscription via the Group's Saving Plans to a number of Rhodia shares entitling the holder, upon expiry of the 5-year holding period, to benefit from the best return between a yearly 2% personal contribution bonus and a multiple of 9.2 or 8.7 times, depending on the country (10.2 times for Group employees in Germany), the average increase in the Rhodia shares subscribed to with the personal contribution calculated in relation to the subscription price.

Compensation cost for 2006

The subscription price was defined using the benchmark price (prior to the reverse share split) set on June 16 at €1.59 and discounted at 15% to €1.35. However, the grant date was set for June 21, the expiry date of the subscribers' retraction period, resulting in a share price on this date of €1.50.

In accordance with IFRS 2 and after taking into account the cost of non-transferability of shares by the subscriber, determined using observable market data and the specific market characteristics of the Rhodia share, the compensation cost relating to this transaction is nil.

34.2 Stock option plans

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

Current stock option plans

During 2006 and 2007, the Board of Directors did not grant any new stock option plans.

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

Options granted as part of the 2004 B plan are definitely vested, as the performance criteria to which the plan was subject were met at the 2006 year-end.

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

Options issued under the 1998, 1999 and 2000 plans are exercisable over a ten-year period, with a holding period of five years for French tax residents and three years for foreign tax residents as from the grant date by the Board of Directors.

In accordance with IFRS 2, only the plans granted after November 7, 2002 those were not yet vested at January 1, 2005 were measured and recognized in employee expenses.

Main changes in stock option and bonus share plans outstanding at December 31, 2007:

	2007		2006	
	Options	**Weighted average exercise price (in €)**	**Options**	**Weighted average exercise price (in €)**
Options outstanding at the beginning of the period (1)	2,141,278	61.34	2,220,005	60.91
Adjustment for reverse share split	931	-		-
Options forfeited (2)	(50,689)	59.88	(78,727)	49.24
Options exercised	(18,984)	23.28	-	-
Options outstanding at the end of the period	2,072,536	61.73	2,141,278	61.34

(1) Options outstanding at the beginning of the period correspond to the number of options after the one-for-twelve reverse share split.

(2) Stock subscription options forfeited during the year.

The weighted-average remaining contractual life of the stock subscription options outstanding as of December 31, 2007 is 4 years versus 5.1 years in 2006.

In 2007, of all plans granted by the Rhodia Board of Directors, 18,984 options (after reverse share split) have been exercised, of which 11,947 on the 2003 plan, 6,242 on the A 2004 plan and 795 on the B 2004 plan.

Main features of the stock option plans outstanding at December 31, 2007

The options figures presented in the table below are presented after the 2007 one-for-twelve reverse share split.

Stock subscription option plan	**1998 Plan**	**1999/1 Plan**	**1999/2 Plan**	**2000/1 Plan**	**2000/2 Plan**	**2001 Plan**	**2002 Plan**	**2003 Plan**	**2004 A Plan**	**2004 B Plan**
Date of shareholders' meeting approval	05/13/1998	05/13/1998	05/13/1998	05/13/1998	04/18/2000	04/18/2000	04/18/2000	05/21/2002	05/21/2002	05/21/2002
Date of grant as approved by the Board of Directors	06/24/1998	02/23/1999	02/23/1999	03/30/2000	09/27/2000	03/16/2001	03/20/2002	05/28/2003	06/17/2004	06/17/2004
Exercise period [a]	7 years from 06/24/01	7 years from 02/23/02	7 years from 03/01/02	7 years from 03/30/03	7 years from 09/27/03	9 years from 03/16/04	9 years from 03/20/05	9 years from 05/28/06	5 years from 06/17/07	5 years from 06/17/07
Original options granted	133,333	131,667	100,000	175,000	12,500	215,022	166,667	109,412	225,125	114,375
Of which granted to the Board of Directors and Executive Committee [b]	6,667	7,792	5,000	17,250	-	19,750	14,837	8,542	29,500	46,250
Fair value of the option	-	-	-	-	-	-	-	6.30	2.68	2.76
Original exercise price (in €)	256.08	180.00	180.00	205.68	195.12	188.40	144.48 [f]	66.00 [f]	18.00	18.00
Maximum term (years)	10	10	10	10	10	12	12	12	8	8
Weighted-average remaining contractual life at December 31, 2007 (years)	0.5	1.2	1.2	2.2	-	5.2	6.2	7.4	4.5	4.5
Adjusted exercise price [c]	108.96	76.56	76.56	87.48	-	80.16	61.44 [f]	28.08 [f]	15.12	15.12
Weighted average exercise price	108.96	76.56	76.56	87.48	-	80.16	62.76	31.44	15.12	15.12
Weighted average exercise price of exercisable options	108.96	76.56	76.56	87.48	-	80.16	62.76	31.44	15.12	15.12
Options outstanding at December 31, 2006	3,301	267,301	199,088	333,729	-	417,412	339,022	232,385	225,293	123,748
Adjustment for reverse share split [d]	3	66	101	95		176	172	133	144	41
Options forfeited between January 1 and December 31, 2007	(686)	(4,309)	(2,940)	(5,628)	-	(9,576)	(12,970)	(9,913)	(2,780)	(1,886)
Options exercised between January 1 and December 31, 2007	-	-	-	-	-	-	-	(11,947)	(6,242)	(795)
Options outstanding at December 31, 2007	2,618	263,058	196,249	328,195	-	408,012	326,224	210,658	216,415	121,107
Of which granted to the Board of Directors and Executive Committee [e]	-	12,828	7,345	35,642	-	40,537	30,167	11,066	31,918	50,336
Options outstanding at December 31, 2007	2,618	263,058	196,249	328,195	-	408,012	326,224	210,658	216,415	121,107
Of which granted to the Board of Directors and Executive Committee [e]	-	12,828	7,345	35,642	-	40,537	30,167	11,066	31,918	50,336
Number of beneficiaries at December 31, 2007	10	279	276	382	-	572	402	417	254	69

(a) Without taking into account the tax holding period for tax residents in France of 4 years as from 2001 and 5 years previously.
(b) As made up on the stock subscription option grant date.
(c) After the capital increases which took place on May 7, 2004 and December 20, 2005, the Board of Directors adjusted the exercise price and the number of options outstanding in accordance with the French Commercial Code and applicable regulations to stock option plans.
(d) The adjustment represents the fractional shares resulting from the reverse share split.
(e) Actual data.
(f) Due to a personal commitment, Mr. Tirouflet accepted that the exercise price of his options would be set at €15 (after the 2004 and 2005 adjustments, this price was reduced to €6.38 before the reverse share split or €76.56 after the reverse share split).

The expense incurred during the period relating to services compensated by equity-based instruments (stock options) totaled less than €1 million at December 31, 2007 and December 31, 2006.

34.3 Bonus share plan

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

The terms and conditions of these plans are as follows:

2007 A and B plans

In accordance with the resolutions adopted by the Extraordinary General Meeting of June 23, 2005, the Board of Directors approved on January 15, 2007 the terms and conditions governing two bonus shares allotment plans subject to performance criteria and the vesting and holding period.

	Plan A	Plan B
Number of shares	4,129,500 (before reverse share split) (*)	4,129,500 (before reverse share split) (*)
Number of beneficiaries	448	448
Grant date	January 15, 2007	January 15, 2007
Vesting date	At the close of January 15, 2009	At the close of January 15, 2009
Holding period	Minimum at the close of January 17, 2011	Minimum at the close of January 17, 2011
Performance criteria	Net debt/recurring EBITDA ratio as resulting from the consolidated financial statements of the Company as of December 31, 2007 below or equal to 2.2.	Recurring EBITDA margin exceeding the average margin of a panel of competitors for the period ended 12/31/2007
Validation of vesting conditions	Board of Directors	Board of Directors

(*) i.e.: 344,125 shares after reverse share split.

Under both the above plans, 2,020,000 bonus shares (168,334 shares after reverse share split) have been granted to key Group executives.

As the performance criteria of both plans were met at the 2007 year-end, shares are definitely vested, subject to the continued employment provisions mentioned above.

2007 "2 + 2" and "4 + 0" plans

In accordance with the 16th resolution adopted by the Combined General Meeting of May 3, 2007, the Board of Directors' meeting of July 30, 2007 approved the terms and conditions governing two other bonus shares allotment plans which provides for different vesting and holding periods (more particularly with regard local legal and fiscal constraints) and are not subject to performance criteria.

The terms and conditions of these plans are as follows:

	"Plan 2 + 2"	"Plan 4 + 0"
Number of shares	92,355	142,755
Number of beneficiaries	6,157	9,517
Grant date	July 30, 2007	July 30, 2007
Vesting date	July 31, 2009	July 31, 2011
Holding period	Minimum July 31, 2011	-
Validation of vesting conditions	Board of Directors	Board of Directors

2006 A and B plans

In accordance with the resolutions adopted by the Extraordinary General Meeting of June 23, 2005, the Board of Directors approved on January 13, 2006 the terms and conditions governing two bonus shares allotment plans subject to performance criteria and the vesting and holding period.

The performance criteria to which the 2006 A and B plans were subject were met at the 2006 year-end.

Expense recognized

The expense recognized in respect to all bonus share allotment plans at December 31, 2007 totaled €18 million (€9 million in 2006), of which €11 million in respect to plans granted during the year.

Major changes in the bonus shares allotment plans outstanding at December 31, 2007

The number of bonus shares shown in the table below is presented after conversion of the one-for-twelve shares resulting from the 2007 reverse share split.

Bonus shares allotment plan	2006 A Plan [d]	2006 B Plan [d]	2007 A Plan [e]	2007 B Plan [e]	2007 "2 + 2" Plan	2007 "4 + 0" Plan
Date of shareholders' meeting approval	06/23/2005	06/23/2005	06/23/2005	06/23/2005	05/03/2007	05/03/2007
Date of grant as approved by the Board of Directors	01/13/2006	01/13/2006	01/15/2007	01/15/2007	07/30/2007	07/30/2007
Vesting date	01/14/2008	01/14/2008	01/16/2009	01/16/2009	07/31/2009	07/31/2011
Original bonus shares granted	387,760	387,760	344,308	344,308	92,355	142,755
Of which granted to the Board of Directors and Executive Committee [a]	83,917	83,917	84,167	84,167	90	-
Fair value of the share	21.99	21.99	30.44	30.44	33.03	34.08
Period of non-transferability	2 years, after the vesting period	2 years, after the vesting period	2 years, after the vesting period	2 years, after the vesting period	2 years, after the vesting period	-
Number of bonus shares outstanding at December 31, 2006	366,640	366,640	-	-	-	-
Bonus shares granted between January 1 and December 31, 2007 [b]	70	70	344,308	344,308	92,355	142,755
Bonus shares forfeited between January 1 and December 31, 2007	(7,397)	(7,397)	(4,818)	(4,818)	(660)	(3,405)
Number of bonus shares outstanding at December 31, 2007	359,313	359,313	339,490	339,490	91,695	139,350
Of which granted to the Board of Directors and Executive Committee [c]	73,917	73,917	74,167	74,167	75	-
Number of beneficiaries at December 31, 2007	303	303	438	438	6,113	9,290

(a) *As made up on the grant date.*
(b) *Including the (506) fractional shares resulting from the reverse share split.*
(c) *Actual data.*
(d) *The performance criteria were met as of December 31, 2006.*
(e) *The performance criteria were met as of December 31, 2007.*

NOTE 35 Subsequent Events

- on January 15, 2008, Rhodia increased its capital by €8,617,512 in accordance with its 2006 plan for the allotment of free shares;
- on March 17, 2008, the Board of Directors approved a new bonus share plan for 342 participants (2 x 511,980 shares) subject to the conditions governing Rhodia's performance and the continued employment of the participants;
- on March 19, 2008, Rhodia is entered into exclusive negotiations for the sale of its Isocyanates businesses to the Swedish Perstorp group. These activities are essentially based in Pont-de-Claix (France) and Freeport (USA). The finalization of this divestment project should take place over the next few months.

NOTE 36 List of Companies Included in the Consolidated Financial Statements for the Year Ended December 31, 2007

The consolidated financial statements for the year ended December 31, 2007 included 106 companies, of which 93 subsidiaries, 9 joint ventures, 4 associates.

Subsidiaries	Country	%
RHODIA ACETOW GmbH	Germany	100.00
RHODIA DEUTSCHLAND GmbH	Germany	100.00
RHODIA GmbH	Germany	100.00
RHODIA CHEMICALS PTY Ltd.	Australie	100,00
RHODIA AUSTRALIA PTY Ltd.	Australia	100.00
RHODIA BELGIUM	Belgium	100.00
RHODIA BRASIL LTDA	Brazil	100.00
RHODIA ENERGY BRASIL LTDA	Brazil	100.00
RHODIA ENERGY BRASIL LTDA	Brazil	100.00
RHODIA ENERGY BRASIL LTDA	Brazil	100.00
RHOPART – PARTICIPAÇÕES, SERVI SERVIÇOS E COMÉRCIO LTDA	Brazil	100.00
RHODIA CANADA Inc.	Canada	100.00
JADE FINE CHEMICALS (WUXI) Co. Ltd.	China	100.00

Subsidiaries	Country	%
RHODIA (SHANGHAI) INTERNATIONAL TRADING Co. Ltd.	China	100.00
RHODIA (CHINA) Co. Ltd.	China	100.00
RHODIA PERFUMERY WUXI Co. Ltd.	China	100.00
RHODIA POLYAMIDE (SHANGHAI) Co. Ltd.	China	100.00
RHODIA SILICA QINGDAO Co. Ltd.	China	100.00
RHODIA SPECIALTY CHEMICALS WUXI Co. Ltd.	China	100.00
RHODIA WUXI PHARMACEUTICAL Co. Ltd.	China	100.00
RUOHAI (ZHEJIANG) FINE CHEMICALS Co. Ltd.	China	100.00
LIYANG RHODIA RARE EARTH NEW MATERIALS Co. Ltd.	China	95.00
RHODIA HENGCHANG (ZHANGJIAGANG) SPECIALTY CHEMICAL Co. Ltd.	China	70.00
BEIJING RP EASTERN CHEMICAL Co. Ltd.	China	60.00
BAOTOU RHODIA RARE EARTH Co. Ltd.	China	55.00
RHODIA (ZHENJIANG) CHEMICALS Co. Ltd.	China	100.00
RHODIA ENERGY KOREA Co. Ltd.	South Korea	100.00
RHODIA POLYAMIDE Co. Ltd.	South Korea	100.00
RHODIA SILICA KOREA Co. Ltd.	South Korea	100.00
RHODIA IBERIA SL	Spain	100.00
ALCOLAC, Inc.	United States	100.00
RHODIA FUNDING CORP.	United States	100.00
HEAT TREATMENT SERVICES Inc.	United States	100.00
RHODIA ELECTRONICS & CATALYSIS Inc.	United States	100.00
RHODIA FINANCIAL SERVICES Inc.	United States	100.00
RHODIA HOLDING Inc.	United States	100.00
RHODIA Inc.	United States	100.00
RHODIA-INDIA HOLDING Inc.	United States	100.00
CHLORALP	France	100.00
RHODIA CHIMIE	France	100.00
RHODIA ELECTRONICS & CATALYSIS	France	100.00
RHODIA ENERGY	France	100.00
RHODIA ENERGY GHG	France	100.00
RHODIA FINANCE	France	100.00
RHODIA LABORATOIRE DU FUTUR	France	100.00
RHODIA OPERATIONS	France	100.00
RHODIA PARTICIPATIONS	France	100.00
RHODIA	France	100.00
RHODIA SERVICES	France	100.00
RHODIANYL S.N.C.	France	100.00
RHODIA HONG KONG Ltd.	Hong Kong	100.00
ALBRIGHT & WILSON CHEMICALS INDIA Ltd.	India	72.93
CEIMIC-RE Ltd.	Ireland	100.00
RHODIA ITALIA S.p.A.	Italy	100.00
RHODIA JAPAN Ltd.	Japan	100.00
ANAN KASEI Co., Ltd.	Japan	67.01
RHODIA NICCA Ltd.	Japan	60.00
CAREDOR	Luxembourg	100.00
PARTICIPATIONS CHIMIQUES	Luxembourg	100.00
RHODIA MALAYSIA SDN.BHD	Malaysia	100.00
RHODIA DE MEXICO S.A. DE CV	Mexico	100.00
RHODIA ESPECIALIDADES S.A. DE CV	Mexico	100.00
RHODIA NEW ZEALAND Ltd.	New Zealand	100.00

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

Joint ventures	Country	%
WÄRMEVERBUNDKRAFTWERK FREIBURG GmbH	Germany	49.90
LUOPING PHOSPHOROUS CHEMICAL Co. Ltd.	China	50.00
PRIMESTER	United States	50.00
BUTACHIMIE	France	50.00
COGENERATION CHALAMPE	France	50.00
ORBEO	France	50.00
RHODIGAZ	France	50.00
HINDUSTAN GUM & CHEMICALS Ltd.	India	50.00
P.T. RHODIA MANYAR	Indonesia	50.00

Associates	Country	%
QINGDAO DONGYUE RHODIA CHEMICAL CO. LTD.	China	30.00
GIE OSIRIS	France	41.00
GIE CHIMIE SALINDRES	France	50.00
ZAKLAD ENERGOELEKTRYCZNY "ENERGO-STIL" SP. Z O. O.	Poland	25.00

20.3.2 COMPANY FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2007

20.3.2.1 STATUTORY AUDITORS' REPORT ON THE STATUTORY ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

Ladies and Gentlemen,

In compliance with the assignment entrusted to us by your general shareholders meeting, we present to you our report for the year ended December 31, 2007 on:

- the audit of the annual financial accounts of Rhodia S.A., accompanying this report,
- justification of our assessment,
- specific verification of the information required by law.

The annual financial accounts have been approved by the Board of Directors. Our role is to express an opinion on these annual financial accounts based on our audit.

I. Opinion on the financial accounts

We conducted our audit in accordance with professional standards applicable in France. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit consists of examining, on a test basis, evidence supporting the amounts and disclosures in the financial accounts. An audit also involves assessing the accounting principles used and significant estimates made to approve the financial accounts, as well as evaluating their overall presentation. We believe that our audit provides a reasonable basis for our opinion.

We certify that the statutory accounts, with regard to the French accounting rules and principles, are accurate and consistent and provide a true and fair picture of the operating results of the past year as well as the financial position and the assets and liabilities of the company at the end of the year.

II. Justification of our assessments

In accordance with the requirements of Article L. 823-9 of the Commercial Code relating to the justification of our assessments, we bring to your attention the following matters:

The company estimates the value in use of its holdings in accordance with the methods described in note 2.a. of the annex and recognizes depreciations when the value in use is lower than the carrying amount. We evaluated the methods adopted by the company and verified, on a test basis, their correct application. Our work also consisted of assessing the information and assumptions used by the company and to verify, on a test basis, the carried out calculations.

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

III. Specific information and verification

In accordance with professional standards applicable in France, we have also verified specific information as required by law.

We have no matters to report as to:

- the accuracy and agreement with the annual financial accounts of the information provided in the management report of the Board of Directors and in the documents addressed to the shareholders concerning the financial position and the annual financial accounts,
- the accuracy of information provided in the management report related to the compensation and benefits paid to the company's interested officers as well as the commitments agreed to in their favor at the time of their assuming, ending or changing positions or following these events.

In application of the law, we ensured that the various information related to the identity of holders of capital and voting rights was communicated to you in the management report.

Neuilly-sur-Seine and Paris La Défense, March 27, 2008

Statutory Auditors

PricewaterhouseCoopers Audit	**Salustro Reydel**
	Member of KPMG International
Christian Perrier	Dominique Stiegler

20.3.2.2 STATUTORY ACCOUNTS YEAR ENDED DECEMBER 31, 2007

A. BALANCE SHEET

ASSETS		At December 31, 2007			At December 31, 2006
(in millions of euros)	Notes	Gross amount	Depreciation and amortization	Net amount	Net amount
Intangible assets, and property, plant and equipment	3	9	8	1	1
Non-consolidated investments	4	3,812	1,692	2,120	2,116
Loans to non-consolidated investments	5	3,273	2	3,271	3,805
Other long-term investments		9		9	43
Non-current assets		**7,103**	**1,702**	**5,401**	**5,965**
Receivables	6	189	3	186	107
Cash advances to subsidiaries	7	393		393	543
Marketable securities	8	210		210	175
Cash and short-term investments		1		1	35
Current assets		**793**	**3**	**790**	**860**
Deferred charges	9	9		9	38
Unrealized foreign exchange losses		109		109	56
TOTAL ASSETS		**8,014**	**1,705**	**6,309**	**6,919**

LIABILITIES AND SHAREHOLDERS' EQUITY		At December 31, 2007	At December 31, 2006
(in millions of euros)	Notes	Before appropriation	Before appropriation
Share capital		1,204	1,204
Additional paid-in capital		23	23
Legal reserve		37	32
Other reserves		105	11
Retained earnings/(deficit)			(120)
Net profit for the year		45	219
Shareholders' equity	10	**1,414**	**1,369**
Provisions	11	**354**	**176**
Bank borrowings		1,737	2,013
Other borrowings		2,096	2,587
Borrowings	12	**3,833**	**4,600**
Tax and employee-related liabilities		3	3
Other liabilities	13	694	705
Liabilities		**4,530**	**5,308**
Deferred income		-	3
Unrealized foreign exchange gains		11	63
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**6,309**	**6,919**

B. INCOME STATEMENT

(in millions of euros)	Notes	2007	2006
Dividends received from non-consolidated investments		46	20
Interest income		315	287
Interest expense		(232)	(250)
Sub-total		**129**	**57**
Net charges to provisions for impairment of securities		5	(75)
Net charges to provisions for subsidiary-related risks		(75)	(113)
Gains/(losses) on loans to non-consolidated investments		-	26
Other financial income/(expenses)		(60)	319
Net financial items	14	**(1)**	**214**
Operating profit/(loss)	15	(18)	(27)
Net profit from ordinary activities		**(19)**	**187**
Net exceptional items	16	(7)	7
Net profit from ordinary activities before tax		**(26)**	**194**
Corporate income tax	17	71	25
Net profit for the year		**45**	**219**

C. CASH FLOW STATEMENT

(in millions of euros)	2007	2006
Operating activities		
Net profit for the year	45	219
Elimination of non-cash and non-operating income and expenses		
* Charges to depreciation, amortization and provisions	148	111
* Capital gains on assignment and waiver of receivables	26	(18)
Impact of changes in the timing differences of cash flows from operating activities	(111)	19
Net cash from/(used in) operating activities (A)	***108***	***331***
Investing activities		
Disbursements related to acquisitions of non-consolidated investments	-	(24)
Proceeds from disposal of non-consolidated investments	2	121
Net changes in loans to non-consolidated investments and other long-term investments	571	(499)
Net cash from/(used in) investing activities (B)	***573***	***(402)***
Financing activities		
Par value amount of capital increase	-	27
Additional paid-in capital issued in connection with capital increase	-	10
Capital increase costs deducted from additional paid-in capital	-	(1)
Proceeds from assignment of receivables	-	12
New bonds and bank borrowings	595	1,102
Redemption of bonds and repayment of bank borrowings	(883)	(1,440)
Net changes in inter-company loans	(492)	499
Cash advances to subsidiaries	89	(540)
Net cash from/(used in) financing activities (C)	***(691)***	***(331)***
Change in cash and cash equivalents (A+B+C)	**(10)**	**(402)**
Cash and cash equivalents at the beginning of the year (D)	204	606
Cash and cash equivalents at the end of the year (A+B+C+D)	194	204

20.3.2.3 NOTES TO THE STATUTORY ACCOUNTS YEAR ENDED DECEMBER 31, 2007

NOTE 1 Activities and Highlights of the Year

Rhodia S.A. (hereinafter referred to as "Rhodia" or the "Company") is the parent company of the Rhodia specialty chemicals group and its sole business is that of a holding company.

During the past fiscal year, the Company has pursued the rescheduling of its external debt so as to extend maturity dates and reduce its cost. The exceptional interest expenses thereby incurred have been rebilled to the subsidiaries.

NOTE 2 Accounting Policies and Methods

The annual financial statements of Rhodia have been prepared in accordance with the legislative and regulatory provisions enacted in France, it being specified that the balance sheet and profit or loss presentation has been adapted to the Company's holding company status.

2.1 Investments

Non-consolidated investments are shown on the face of the balance sheet at the lower of acquisition cost or value in use. The acquisition costs of non-consolidated investments are expensed as incurred.

The value in use of non-consolidated investments of operating entities for which there is no recent independent valuation is based on a multicriteria method taking into account (i) the share of equity held and (ii) the enterprise value generaly based on market multiples applied to "recurring EBITDA", net of any indebtedness or the future discounted cash flow.

The share of equity held is determined using the accounting policies applied by Rhodia for the preparation of its consolidated financial statements.

Recurring EBITDA corresponds to operating profit or loss before restructuring costs, net charges to depreciation, amortization and impairment, and other operating income and expenses.

Ponderation between share of equity held and the enterprise value net of any indebtedness is determined regarding for each entities, its own situation, business and profitability forecasts.

The value in use of investments held in non-operating or minor entities is mainly determined based on the share of equity held.

2.2 Intangible assets

Acquired brands are capitalized. Brands with unlimited useful lives are not amortized. Renewal costs of brands developed internally are expensed as incurred.

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

2.3 Bonds that can be converted or exchanged for shares

OCEANE bonds (bonds that can be converted or exchanged for new or existing shares) have been recorded under the unique approach.

Bonds are recorded in borrowings at nominal value on issuance, exclusive of the redemption premium.

A provision determined on an actuarial basis to cover the risk that bonds may not be converted and the redemption premium-related expense is recorded so long as the conversion is not reasonably probable.

2.4 Foreign currency transactions

Foreign currency-denominated income and expenses are recorded for their euro equivalent amount on the date of the transaction or commitment. Foreign currency-denominated payables, receivables and cash are shown on the face of the balance sheet for their euro equivalent amount at the exchange rate prevailing at the year-end. Differences arising from the revaluation of payables and receivables denominated in foreign currencies at the year-end exchange rate are shown on the face of the balance sheet as Currency translation adjustments. A provision is set aside for unrealized exchange losses that have not been offset by unrealized exchange gains.

2.5 Bond issuance costs and redemption premiums

Costs and redemption premiums incurred by Rhodia in respect of the issuance of bonds are spread out over the terms of the bonds on a straight-line basis when they are not rebilled to subsidiaries.

A one-time amortization charge is recognized in the event of early redemption or buyback of the bonds.

2.6 Derivative financial instruments

Rhodia uses derivative financial instruments in order to manage and mitigate its exposure to foreign exchange and interest rate risks.

Rhodia's policy is to manage its positions on an overall basis without necessarily setting up specific hedges.

Interest-rate derivatives:

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

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

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

Foreign exchange derivatives:

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

2.7 Retirement obligations

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

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

2.8 Dividends

Dividends receivable by Rhodia from its subsidiaries and non-consolidated investments are recorded as income on the date of approval by their General Shareholders' Meetings.

2.9 Stock subscription plans

Stock subscription plans are recorded when options are exercised as a capital increase in an amount corresponding to the subscription price paid by option holders. The difference between the subscription price and the par value of the stock represents additional paid-in capital where appropriate.

2.10 Bonus shares to be issued

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

2.11 Corporate income tax

Rhodia and certain of its French subsidiaries have entered into a tax consolidation group agreement whereby each subsidiary computes its tax expense as if it were not part of a tax group. The tax savings resulting from the utilization of the tax losses of subsidiaries included in the tax group are immediately recognized in profit or loss by Rhodia and do not give rise to any subsequent cash payback. When subsidiaries become profit-making, Rhodia assumes, as appropriate, an additional tax expense as a result of having already deducted its subsidiaries' tax losses.

2.12 Statement of cash flows

Cash and cash equivalents include cash in bank, marketable securities with a maturity of less than 3 months at inception and bank balances in credit.

NOTE 3 Intangible Assets and Property, Plant and Equipment

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

NOTE 4 Non-Consolidated Investments

(in millions of euros)	December 31, 2006	Increase	Decrease	December 31, 2007
Gross	3,819		(7)	3,812
Impairment	(1,703)	(86)	97	(1,692)
Net	2,116	(86)	90	2,120

The decrease in the gross amount is primarily attributable to the inter-company transfer of Rhodia Nederland to Rhodia International Holding BV.

The charges to provisions for impairment mainly relate to Rhodia Iberia (€44 million), Rhodia Brazil Ltda (€3 million), Sopargest (€33 million) and Rhodia China Co Ltd (€5 million). The charge recognized in respect of Rhodia Iberia primarily results from the subsidiary's losses incurred subsequent to the disposal of its Phosphates business and from the impairment recognized in respect of the receivables from the Nylstar group which went into bankruptcy proceedings in 2007. The charge recognized in respect of Sopargest results from the decrease in this non-operating subsidiary's equity subsequent to the payment of an exceptional dividend in 2007.

Provisions reversals of €6 million mainly relates to Rhodia Nederland, following its sale to Rhodia International Holding BV and Rhodia Deutschland Gmbh for a consideration of €90 million, primarily attributable to an increase in the value in use in Rhodia Acetow Gmbh, the operating subsidiary.

As of December 31, 2007, the gross and net amounts of non-consolidated investments pledged in connection with the set-up of a new credit facility in 2007 both amount to €425 million, compared to €3,543 million and €1,850 million, respectively, as of December 31, 2006. Collateral security given to lenders as part of this new credit facility has been significantly reduced in comparison with those given as part of the previous credit facility.

NOTE 5 Loans to Non-Consolidated Investments

All items under this heading concern equity affiliates.

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

Loans to affiliates break down by maturity as follows:

(in millions of euros)	December 31, 2007
2008	2,554
2009	144
2010	153
2011	96
2012	326
TOTAL	**3,273**

As of December 31, 2007, the loans pledged in connection with the set-up of a new credit facility in 2007 total €200 million, versus €3,159 million as of December 31, 2006. This decrease is attributable to the reduced collateral security given by Rhodia (see Note 4).

NOTE 6 Other Receivables

As of December 31, 2007, this heading totals €189 million and includes €167 million (€82 million as of December 31, 2006) of receivables from equity affiliates, €8 million of receivables from the French State in respect of the 2007 fiscal year research tax credit (€10 million as of December 31, 2006) and accrued income on interest rate swaps of €11 million (€15 million as of December 31, 2006).

As of December 31, 2007, receivables from equity affiliates include the rebilling of expenses incurred in respect of Group refinancing transactions of €89 million and current accounts pertaining to the tax group of €71 million.

In addition, receivables from the French State of €10 million in respect of the 2006 fiscal year research tax credit were the subject of a trade receivable assignment agreement with a bank. The 2007 fiscal year research tax credit totals €8 million.

NOTE 7 Cash Advances to Subsidiaries

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

NOTE 8 Marketable Securities

As of December 31, 2007, marketable securities comprise negotiable medium-term notes of €210 million.

As of December 31, 2007, the carrying amount of these investments approximated their net asset value.

NOTE 9 Deferred Charges

Deferred charges total €9 million as of December 31, 2007 and relate to bond issuance costs that are to be spread forward (€2 million in respect of the 2006 fourth quarter bond issue and €7 million in respect of the new bond issue subscribed during the first half of 2007).

In 2007, the early redemption of bonds maturing in 2010 and 2011 (see Notes 12 and 14) resulted in a one-time amortization charge to deferred charges of €23 million.

NOTE 10 Equity

10.1 Share capital and additional paid-in capital

On June 12, 2007, pursuant to the decision of the Combined Shareholders' Meeting of May 3, 2007, Rhodia's shares were consolidated based on the exchange of 12 former Rhodia shares with a par value of €1 each for one new Rhodia share with a par value of €12. Non-consolidated shares were listed on the Euronext Paris market until December 12, 2007. Shareholders have a period of two years to claim the consolidated shares. Upon expiry of this two-year period, i.e. June 12, 2009, any consolidated shares that have not been claimed by the beneficiaries will be sold on the Paris stock market and the net proceeds from the sale will be kept for the beneficiaries in a blocked account at BNPP Securities Services for a period of ten years.

At December 31, 2007, Rhodia's share capital totaled €1,204,413,972, comprising 100,367,831 Rhodia shares with a par value of €12 each. At December 31, 2007, the number of shares that holders did not ask to be issued prior to consolidation was 3,877,152.

During fiscal year 2007, the exercise of stock subscription options resulted in the creation of 18,984 shares with a total par value of €227,808 and additional paid-in capital of €214,074.

The 215,193 stock subscription warrants (prior to share consolidation) issued as part of the June 2006 capital increase reserved for employees entitle the employees to subscribe to one new share at the price of €1.59 and may be exercised until July 1, 2011.

10.2 Breakdown of changes in equity

(in millions of euros)	**As of January 1, 2007**	**Appropriation of the 2006 earnings**	**Net profit for the year 2007**	**As of December 31, 2007**
Share capital	1,204			1,204
Additional paid-in capital (1)	23			23
Legal reserve	32	5		37
Other reserves	11	94		105
Retained earnings/(loss)	(120)	120		-
Net profit for the year	219	**(219)**	**45**	**45**
Shareholders' equity	**1,369**	**-**	**45**	**1,414**

(1) Of which €9 million restricted as earmarked to finance the allotment of bonus shares to Group employees as part of the 2006 plan and €11 million in respect of the 2007 allotment plans (see Note 22).

As the capital increase resulting from the 2007 exercise of stock subscription options is below €1 million, it is not reflected in the table below.

10.3 Proposed appropriation of the 2007 earnings

It will be proposed at Shareholders' General Meeting to appropriate the profit 2007, being €45 million, as follows:

(millions of euros)	
Year profit	45 446 921,30
Proposed appropriation:	
Legal reserve	2 272 346,07
Dividends*	25 091 957,75
Other reserves	18 082 617,48

* *This amount will be adjusted according to the number of non-splited shares remaining in circulation on the date of dividend payment.*

NOTE 11 Provisions

Provisions as of December 31, 2007 and changes during fiscal year 2007 break down as follows:

(in millions of euros)	Amount as of January 1, 2007	Charges	Reversals	Amount as of December 31, 2007
Unrealized exchange losses (1)	-	93		93
Termination payments on retirement and long service medals	20	4	(1)	23
Subsidiary-related contingencies (2)	142	75		217
Other contingencies and losses (3)	14	13	(6)	21
TOTAL PROVISIONS	**176**	**185**	**(7)**	**354**

(1) As of December 31, 2007, the revaluation of foreign currency-denominated receivables and payables, and foreign exchange derivative instruments results in a net unrealized loss which has been provided for in the financial statements. This unrealized loss is mainly attributable to the depreciation of the pound sterling versus the euro.

(2) Subsidiaries with negative equity. The charges for the year mainly concern Rhodia Chimie (France) (€(10) million) and Rhodia Holding Ltd (United Kingdom) (€(61) million) due to the losses of the period, mainly attributable to the restructuring costs and the rebilling of the refinancing costs by Rhodia S.A., and a decrease in the value of the investment as a result of disposals and operations discontinued over prior years.

(3) Of which risks associated with warranties given in respect of subsidiaries sold or their buyers (€12 million), and financial risk (redemption premium) associated with the 2007 bond issue (€7 million) (see Note 2 c).

NOTE 12 Borrowings

12.1 Refinancing plans

High Yield Notes and OCEANE bonds

During the fiscal year ended December 31, 2007, Rhodia continued to reschedule its debt by performing the following transactions:

- early redemptions:
  - in February, 98.7% of the US dollar-denominated High Yield Notes bearing interest at 10.25% and maturing on June 1, 2010. The principal thus redeemed amounted to €415 million,
  - in June, US dollar-denominated Senior 7.625% High Yield Notes and euro-denominated Senior 8% High Yield Notes, both maturing in 2010, for respective amounts of €3 million and €97 million,
  - in June, US dollar-denominated Senior 8.875% High Yield Notes and euro-denominated Senior 9,25% High Yield Notes, both maturing in 2011, for respective amounts of €302 million and €235 million;
- the issue on April 27 of OCEANE bonds (bonds that can be converted or exchanged for new or existing shares) in a nominal amount of €595 million, maturing on January 1, 2014 and bearing interest at 0.5%. The issue price was €48.1 per bond. OCEANE bondholders may, at any time, exercise their conversion option on a 1 for 1 basis. OCEANE bonds carry a 13.22% redemption premium and a buyback option that may be exercised by Rhodia under certain conditions.

Syndicated credit line

Rhodia entered into a multi-currency syndicated credit facility with a limited number of lending banks for €600 million ("Multicurrency Revolving Credit and Guaranty Facility" or "RCF") maturing on June 30, 2012. This new syndicated credit facility replaced the €300 million RFA ("Refinancing Facilities Agreement" or "RFA") maturing on June 30, 2008.

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

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

The continuation of the RCF syndicated credit facility is subject to the compliance with certain financial ratios ("covenants") by Rhodia which are tested on a quarterly basis.

As of and prior to December 31, 2007, Rhodia has complied with all applicable financial covenants.

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

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

12.2 Breakdown by type

(in millions of euros)	December 31, 2007	December 31, 2006	Maturity as of December 31, 2007
2003 Senior Notes (€ denominated)	0	97	
2003 Senior Notes ($ denominated)	0	2	
2003 Subordinated Notes (€ denominated)	0	235	
2003 Subordinated Notes ($ denominated)	0	229	
2004 Senior Notes ($ denominated)	4	320	06/01/2010
2004 Senior Notes (€ denominated)	1	1	06/01/2010
2013 Bond issue (€ denominated)	1,100	1,100	10/15//2013
2014 OCEANE bonds (€ denominated)	595	0	01/01/2014
Commercial paper	0	2	
Banks with a credit balance	17	6	
Accrued interest and other borrowings	20	21	
Sub-total bonds and bank borrowings	**1,737**	**2,013**	
Inter-company loans	**2,096**	**2,587**	
TOTAL	**3,833**	**4,600**	

12.3 Breakdown by foreign currency

(in millions of euros)	December 31, 2007	December 31, 2006
Inter-company		
Euro	1,753	2,209
Swiss Franc	12	45
US dollar	56	40
Pound Sterling	263	274
Singapore dollar	12	8
Canadian dollar	-	7
Other foreign currencies	-	4
Sub-total inter-company	**2,096**	**2,587**
Bonds and bank borrowings		
Euro	1,733	1,458
US dollar	4	555
Sub-total bonds and bank borrowings	**1,737**	**2,013**
TOTAL	**3,833**	**4,600**

12.4 Breakdown by maturity

As of December 31, 2007, the maturity dates of these borrowings are as follows:

(in millions of euros)	December 31, 2007	December 31, 2006
Equity affiliates		
2007	-	425
2008	2,096	2,162
2009	-	-
Sub-total equity affiliates	**2,096**	**2,587**
Bonds and bank borrowings		
2007	-	29
2008	37	-
2009	-	-
2010 and beyond	1,700	1,984
Sub-total bonds and bank borrowings	**1,737**	**2,013**
TOTAL	**3,833**	**4,600**

12.5 Breakdown by rate

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

(in millions of euros)	December 31, 2007	December 31, 2006
Floating rate	2,820	3,695
Fixed rate	1,013	905
TOTAL	**3,833**	**4,600**

12.6 Market value of borrowings

As of December 31, 2007, Rhodia's debt was discounted by some 6% versus its nominal attributable to the changes in interest rates and the general downward market trends arising from investors' uncertainty as to the outlook in macro-economic conditions.

12.7 Rating

Rhodia is rated by two international rating agencies.

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

12.8 Available credit facilities

As of December 31, 2007, Rhodia had €600 million of committed credit facilities, of which €537 million were unused, the drawn down amount of €63 million corresponding to bank guarantees issued. Contrary to the syndicated credit facility, Rhodia may directly use the entire syndicated loan.

NOTE 13 Other Liabilities

This item includes cash advances from subsidiaries as part of the Group cash pooling system.

NOTE 14 Profit/(Loss) from Financial Items

Profit/(loss) from financial items break down as follows:

(in millions of euros)	2007	2006
Dividends from non-consolidated investments	46	20
Interest income	315	287
Interest expense	(232)	(250)
Net foreign exchange gains/(losses)	2	16
Net reversal from/(charge to) provisions for impairment of non-consolidated investments and for subsidiary-related contingencies	(70)	(188)
Gains and losses on loans to non-consolidated investments	-	26
Other net interest income/(expense)	(62)	303
TOTAL	**(1)**	**214**

14.1 Dividends from non-consolidated investments

All dividends received are from equity affiliates.

14.2 Interest income and expense

Interest income relates to loans and cash advances granted to equity affiliates for €275 million (€263 million in 2006) and interest rate swaps for €40 million (€24 million in 2006).

Interest expense relates to bonds and bank borrowings for €105 million (€158 million in 2006), loans and cash advances to equity affiliates for €89 million (€72 million in 2006) and interest rate swaps for €38 million (€20 million in 2006).

Net interest income totals €83 million in 2007, compared to €37 million in 2006. The change compared to the previous year results primarily from interest expense savings on the 2006 and 2007 refinancings and the temporary investment of income from bonds convertible or exchangeable for new or existing shares (OCEANE) issue.

14.3 Impairment of non-consolidated investments and provisions for subsidiary-related contingencies

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

14.4 Other interest income and expense

In 2007, this item primarily includes:

- share in the losses of Rhodianyl SNC and Rhodia Participations SNC (French unlimited partnerships) totaling €(47) million;
- in 2006, Rhodianyl SNC and Rhodia Participations SNC had recorded profits totaling €353 million, mostly reflecting gains on disposals and reversals of impairment losses on securities recognized in respect of transactions conducted in 2006 as part of the simplification of the legal organization chart of the Group's businesses in France. As part of this simplification, Rhodianyl SNC and Rhodia Participations SNC transferred their investments in the Group's main French operating subsidiaries to Rhodia Opérations;
- the amortization of the 2003 and 2004 bond issuance costs in an amount of €(23) million, mainly comprising one-time amortization charges arising from their redemption, offset by the reversal of prepaid interest income in an amount of €2 million;
- penalties incurred with respect to the 2003 and 2004 bond redemptions in a net amount of €(8) million, since €72 million was rebilled to the Group borrowing entities in respect of 2007;
- a €23 million non-recurring net income corresponding for €34 million to an additional rebilling of the 2006 refinancing expenses to the subsidiaries and for €(11) million to a one-time amortization charge to the corresponding deferred charges.

NOTE 15 Operating Profit or Loss

Operating profit or loss breaks down as follows:

(in millions of euros)	December 31, 2007	December 31, 2006
Services billed to equity affiliates	-	1
Taxes	1	-
Personnel cost (exclusive of retirement)	(5)	(4)
Net retirement costs [1]	(3)	5
Grant transferred to the income statement [2]	3	-
Other operating expenses [3]	(14)	(29)
Net operating loss	**(18)**	**(27)**

(1) See Note 11.
(2) Grant received as part of the Group's industrial investments in South Korea.
(3) Of which €9 million in services billed to equity affiliates in 2007, versus €19 million in 2006.

NOTE 16 Net Exceptional Items

(in millions of euros)	December 31, 2007	December 31, 2006
Net gains/(losses) on disposals of securities and assignment of receivables [1]	-	24
Investment disposal costs (2)	(6)	(17)
Other	(1)	-
TOTAL	**(7)**	**7**

(1) The net loss recognized in 2007 on the inter-company transfer of the Rhodia Nederland securities is offset by the reversal of the provision for impairment of such securities.
(2) These expenses result primarily from the triggering of warranties granted by Rhodia to the buyer of Rhodia Industrial Yarns (industrial yarn and fiber business in Europe) sold in 2006.

NOTE 17 Tax Position

Rhodia has been under a tax consolidation group regime since 1999. The scope of the tax group includes 14 companies in 2007 versus 24 in 2006 primarily as a result of the merger of the business conducted in France in Rhodia Operations.

In 2007, under the tax consolidation group regime, the Group reported net tax savings of €71 million (€25 million in 2006), equivalent to the tax charge of the profitable companies in the tax group.

Had Rhodia not belonged to a tax group, it would not have incurred any tax charge in respect of 2007 and 2006 due to its own loss-making position.

As of December 31, 2007, the tax group's tax loss carryforwards total €2,200 million (as a base), of which €1,703 million in losses transferred from consolidated subsidiaries included in the tax group.

NOTE 18 Off-Balance Sheet Commitments and Transactions Involving Derivative Financial Instruments

18.1 Commitments given

(in millions of euros)	December 31, 2007	December 31, 2006
To guarantee the obligations of equity affiliates	124	248
To guarantee the obligations of related parties	1	5
Other	19	18
TOTAL	**144**	**271**

The decrease in commitments given to guarantee the obligations of equity affiliates is primarily attributable to the disposal of subsidiary guarantees for €65 million and to guarantees reaching their maturity dates in an amount of €44 million.

In addition, certain Rhodia subsidiaries are financed as part of trade receivable assignment programs entered into with financial institutions and Rhodia is committed to guarantee the payment of any amount payable by its subsidiaries under such programs. Rhodia had realized trade receivable assignments for itself. As of December 31, 2007, financings secured by Rhodia's subsidiaries and Rhodia under such programs totaled €98 million.

Rhodia has granted Orbeo a guarantee up to a maximum of €200 million to cover its subsidiaries' obligations arising from the sale of greenhouse gas emissions ("CER"). Orbeo is a joint venture created in 2006 with *Société Générale Énergie* (a subsidiary of Société Générale) for the purpose of having the CER products marketed by the Rhodia Group in Brazil and South Korea. As the forward CER sales price negotiated with Orbeo and not executed as of December 31, 2007 is higher than the spot exchange rate at this date, the risk covered by this guarantee is nil at the year-end.

18.2 Environment

Rhodia has no direct commitment to environmental matters except, possibly, as part of the warranties provided to transferees of businesses sold.

18.3 Commitments relating to disposals

With the exception of warranties provided to the buyer of Rhodia Industrial Yarns (see Note 16), no significant triggering of warranties granted as part of the disposals completed during the year 2007 occurred.

It should be noted that the litigation between the Group and Innophos Inc. pursuant to the triggering of the warranty in the contract for the sale of the North American phosphates business is still pending (see Note 19.c).

18.4 Derivative financial instruments

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

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

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

Interest rate risk management

Derivatives designated as hedges

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

		At December 31, 2007					
		Nominal					
(in millions of euros)	**Currency**	**<1 year**	**1 to 2 years**	**2 to 5 years**	**>5 years**	**Total**	**Fair value**
	€		750			750	9
	Lender Fixed rate						
Interest rate swaps	Lender Floating rate		750			750	9
Sub-total			**750**			**750**	**9**
	€		350			350	3
	Purchase		350			350	3
Caps	Sale						
Sub-total			**350**			**350**	**3**
TOTAL			**1,100**			**1,100**	**12**

Derivatives not designated as hedges

Interest rate swaps are entered into for terms of between 1 and 2 years. The nominal amounts and the fair values of interest rate derivatives are detailed below by currency.

		At December 31, 2007					
(in millions of euros)	**Currency**	**<1 year**	**1 to 2 years**	**2 to 5 years**	**>5 years**	**Total**	**Fair value**
	€						
	Lender Fixed rate						
Interest rate swaps	Lender Floating rate						
Sub-total							
	€		750			750	1
	Purchase		750			750	1
Floors	Sale						
Sub-total			**750**			**750**	**1**
TOTAL			**750**			**750**	**1**

Foreign exchange risk management

Rhodia's policy consists in limiting its exposure to short-term fluctuations in exchange rates by calculating on a daily basis its net exposure to foreign currencies in its transactions, including both sales and purchases, and by using derivatives to reduce such exposure. The main derivatives used by Rhodia are forward foreign exchange contracts with terms of less than one year.

The financial instruments held by Rhodia, sensitive to changes in exchange rates, include foreign currency denominated debts and financial assets hedged by foreign exchange derivatives.

During fiscal year 2007, Rhodia has repaid the essentially of all its dollar denominated debt. Forward currency purchase and sale contracts, and option contracts are mainly entered into by Rhodia SA to hedge its inter-company loans and borrowings and operating cash flows denominated in foreign currencies.

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

		As of December 31, 2007	
(in millions of euros)	**Foreign currencies**		
	USD	369	(12)
		GBP	55
		JPY	21
Forward purchases		Other	30
Total		**475**	**(12)**
	USD	402	12
		GBP	319
		JPY	24
Forward sales		Other	52
Total		**797**	**19**
	USD	46	-
Purchase of call options		Other	-
	Total	**46**	**-**
	USD	15	-
Sale of call options	Other	-	-
	Total	**15**	**-**
TOTAL		**1,333**	**7**
Cross currency swap	USD	30	3
	JPY	30	-
TOTAL		**60**	**3**

18.5 Counterparty risk

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

- short-term investments;
- derivative instruments.

Rhodia mainly invests its short-term deposits and enters into interest rate and currency contracts with banks or financial institutions with S&P and Moody's ratings which are equal to or greater than A- and A3, respectively.

As of December 31, 2007, Rhodia's counterparty risk was therefore immaterial.

NOTE 19 Pending Litigation and Proceedings

Legal proceedings

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

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

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

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

19.1 AMF administrative proceedings

On June 21, 2007, on completion of the administrative proceedings involving, *inter alia*, Rhodia and relating to facts dating back to the years 2001-2003, the AMF Enforcement Committee made its decision public. The Company has been fined € 750,000. Rhodia has lodged an appeal on August 20, 2007.

19.2 Litigation with shareholders

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

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

Both proceedings were adjourned due to the existence of a criminal investigation conducted by examining magistrates of the financial division of the Paris Court of First Instance concerning the same facts and pursuant to three criminal proceedings instituted in 2003 and 2004 against an unspecified defendant by the same shareholders for misuse of company assets, insider dealings, publication of false or misleading information, fraudulent balance sheet and disclosure of inaccurate accounts. Rhodia decided to join the criminal investigation as a plaintiff claiming damages (*"partie civile"*) on January 25, 2006. The investigation was still in progress as of December 31, 2007.

On March 19, 2005, one of the shareholders in the cases mentioned above brought a suit (in an *ut singuli* proceeding) against the Chairman of the Board of Directors and the Chief Executive Officer before the Nanterre Commercial Court alleging personal mismanagement, in an attempt to have them repay Rhodia the amounts paid to Mr. Jean-Pierre Tirouflet upon his departure in

October 2003 (severance payment of €2.1 million and, if applicable, payments made under a supplementary retirement plan for which no sums have been paid to date). On November 21, 2007, whereas the case was ready to be tried, the plaintiff requested an adjournment on the grounds that a non-peremptory charge had been brought by the Paris Prosecutor's office. The defendants and the Company dispute the merits of such demands, including the application for adjournment. On February 13, 2008, the Nanterre Commercial Court has declared itself to be the competent authority and did not announce a stay in the proceedings. A decision on the matter is expected during the second half of 2008

Since April 7, 2005, various complaints have been filed by shareholders in United States against Rhodia as well as certain of its directors and senior management. The plaintiffs have generally alleged that between April 26, 2001 and March 23, 2004 or March 24, 2005, depending on the plaintiff, certain provisions of the Securities Exchange Acts of 1933 and 1934 were violated, notably in terms of financial communication.

Some of these "Erisa" type complaints have been filed by participants in the Company's US pension schemes. In this context, the parties have entered into an out-of-court settlement (of approximately $2.4 million, fully assumed by the Company's insurers) produced in Court on October 1, 2007 as the Court must approve it prior to serving any notice to the plaintiffs. At the 2007 year-end, the approval process was still pending.

In respect of the other complaints, the U.S. District Court for the Southern District of New York has ruled, in its September 26 and December 12, 2007 rulings, to dismiss all the plaintiffs' claims brought as part of class action suit. In the absence of appeal against these decisions, these proceedings are definitely closed.

19.3 Trade litigation

Rhodia/Innophos litigation

On November 8, 2004, Rhodia received from Innophos, a subsidiary of Bain Capital, a complaint originating from Mexico's National Water Commission relating to water use at the Coatzacoalcos site during the period from 1998 to 2002. The total claim amounts to approximately 1.5 billion Mexican pesos (around 100 million), including user fees, interest and penalties. The Coatzacoalcos site was part of the specialty phosphates business that was sold in August 2004 to Bain Capital, giving rise to the creation of a new company, Innophos. To best protect its interests, Rhodia then informed Bain that it was willing to assume direct responsibility, subject to certain legal reservations, for resolving this matter with the Mexico National Water Commission. Since then, Rhodia has worked closely with Innophos to prepare a response, which was filed in Innophos' name on January 17, 2005. The amount of the initial claim was lowered following the application made by Rhodia to the administrative authority to reconsider and materialized by a decision rendered in August 29, 2005. The total amount of the revised claim is approximately 16.5 million. Rhodia still believed that stronger arguments exist in its defense and with respect thereto made public in November 2005 its imminent demand to cancel the claim pending before the Mexican federal administrative and tax courts. Should the case be decided against Innophos, the New York Court has ruled that Rhodia should totally indemnify Innophos. The case is still pending as of December 31, 2007. Based on its analysis of the merits of the case, Rhodia did not consider it necessary to recognize a provision in respect of this claim.

19.4 Other proceedings

Rhodia litigation with the Securities and Exchange Board of India

Rhodia is involved in proceedings in India initiated by the Securities and Exchange Board of India ("SEBI"), which is seeking to require Rhodia to initiate a public tender for 20% of the shares of Albright & Wilson Chemicals India Limited ("AWCIL"), a listed subsidiary of the group formerly known as Albright & Wilson, which Rhodia acquired in 2000 and of which it now owns 72.79%. These shares would be acquired at a price of 278 rupees per share, based on the value of those shares at the time of our acquisition of Albright & Wilson, and increased by interest accrued since 2000. Such a decision by the SEBI would increase Rhodia's holding of AWCIL from 72.79% to 92.79%. As its shareholding would exceed 90%, Rhodia would then be required to initiate a mandatory public tender offer (or "squeeze out") for the remaining 7.21% of outstanding shares for the same price. In this case, all the shares not yet held by Rhodia (27.21%) would be acquired for €7.2 million. Rhodia is challenging the merits of SEBI's claim but this risk is provided in the financial statements. The High Court of Mumbai, which is hearing the case on Rhodia's appeal following an initial unfavorable judgment, is expected to make a final decision in 2008.

19.5 Significant proceedings entered into by the Company

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

NOTE 20 Compensation of Management and Administrative Senior Executives

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

AMOUNTS PAID DURING THE PERIOD

(in thousands of euros, except for subscription options and bonus shares)	**2007**	**2006**
Wages, costs and short-term benefits	3,748	3,074
Total stock subscription options and bonus shares granted (1)	98,379	97,833

(1) The 2006 figures are presented after the reverse share split in 2007 (1 for 12).

AMOUNTS DUE IN RESPECT OF THE YEAR (SALARY) OR OBLIGATIONS EXISTING AT THE END OF THE YEAR (OTHER ELEMENTS)

(in thousands of euros, except for subscription options and bonus shares)	**2007**	**2006**
Wages, costs and short-term benefits	3,825	3,374
Accumulated retirement and other post-employment benefits	6,198	6,104
Severance payments (1)	4,714	3,858
Total stock subscription options and bonus shares granted (2)	290,528	192,141

(1) Severance payments acquired correspond to the commitments undertaken by Rhodia for the Group's key executives in the event of employment contract termination.
(2) The 2006 figures are presented after the reverse share split in 2007 (1 for 12).

NOTE 21 Average Number of Employees

	2007	**2006**
Management	6	7
Non-management	1	1
TOTAL	**7**	**8**

NOTE 22 Stock Subscription Options and Bonus Shares Granted

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

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

	2007			2006		
	Options	Bonus shares	Total	Options	Bonus shares	Total
Outstanding at the beginning of the year prior to reverse share split	**25,695,334**	**8,799,350**	**34,494,684**	**26,640,063**	**-**	**26,640,063**
Outstanding at the beginning of the year after reverse share split	**2,141,278**	**733,279**	**2,874,557**	**-**	**-**	**-**
Adjustment for reverse share split	931	506	**1,437**	-	-	**-**
Granted	-	923,360	**923,360**	-	9,306,250	**9,306,250**
Cancelled	(50,689)	(28,494)	**(79,183)**	(944,729)	(506,900)	**(1,451,629)**
Exercised	(18,984)	-	**(18,984)**	-	-	**-**
Outstanding at the yearend	**2,072,536**	**1,628,651**	**3,701,187**	**25,695,334**	**8,799,350**	**34,494,684**

22.1 Share capital increase reserved for employees

In 2007, Rhodia has not issued any shares to employees.

Description of the offers proposed in 2006

Group employees, in addition to those taking retirement or early retirement in France, were able to subscribe to a reserved capital increase in the first half of 2006 through two options:

- the standard offer: Subscription through a bridge fund to Rhodia shares at a discount (15%) compared to the benchmark price (determined on June 16 as the average opening Rhodia share price on the Paris stock market for the twenty trading days prior to June 16 and therefore set at €1.59 prior to reverse share split);
- the leverage offer: Subscription via the Group's Saving Plans to a number of Rhodia shares entitling the holder, upon expiry of the 5-year holding period, to benefit from the best return between a yearly 2% personal contribution bonus and a multiple of 9.2 or 8.7 times, depending on the country (10.2 times for Group employees in Germany), the average increase in the Rhodia shares subscribed to with the personal contribution calculated in relation to the subscription price.

22.2 Stock subscription options and bonus shares

Stock subscription option plan in force

During 2006 and 2007, the Board of Directors did not grant any new stock option plans.

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

Options granted as part of the B 2004 plan are definitely vested, as the performance criteria to which the plan was subject were met at the 2006 year-end.

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

Options issued under the 1998, 1999 and 2000 plans are exercisable over a ten-year period, with a holding period of five years for French tax residents and three years for foreign tax residents as from the grant date by the Board of Directors.

Main changes in the stock subscription option plans outstanding at December 31, 2007:

	2007		2006	
	Options	**Weighted average exercise price (in euros)**	**Options**	**Weighted average exercise price (in euros)**
Options outstanding at the beginning of the period (1)	2,141,278	61.34	2,220,005	60.91
Adjustment for reverse share split	931	-	-	-
Options forfeited (2)	(50,689)	59.88	(78,727)	49.24
Options exercised	(18 984)	23,28	-	-
Options outstanding at the end of the period	**2,072,536**	**61.73**	**2,141,278**	**61.34**

(1) Options outstanding at the beginning of the period correspond to the number of options after the one-for-twelve reverse share split.

(2) Stock subscription options forfeited during the year.

The weighted-average remaining contractual life of the stock subscription options outstanding as of December 31, 2007 is 4 years versus 5.1 years in 2006.

As of December 31, 2007, of all plans granted by the Rhodia Board of Directors, 18,984 options (after reverse share split) have been exercised, of which 11,947 on the 2003 plan, 6,242 on the A 2004 plan and 795 on the B 2004 plan.

Main features of the stock option plans outstanding at December 31, 2007:

The options figures presented in the table below are presented after the 2007 one-for-twelve reverse share split.

Stock subscription option plan	1998 Plan	1999/1 Plan	1999/2 Plan	2000/1 Plan	2000/2 Plan	2001 Plan	2002 Plan	2003 Plan	2004 A Plan	2004 B Plan
Date of shareholders' meeting approval	05/13/1998	05/13/1998	05/13/1998	05/13/1998	04/18/2000	04/18/2000	04/18/2000	05/21/2002	05/21/2002	05/21/2002
Date of grant as approved by the Board of Directors	06/24/1998	02/23/1999	02/23/1999	03/30/2000	09/27/2000	03/16/2001	03/20/2002	05/28/2003	06/17/2004	06/17/2004
Exercise period [(a)]	7 years from 06/24/01	7 years from 02/23/02	7 years from 03/01/02	7 years from 03/30/03	7 years from 09/27/03	9 years from 03/16/04	9 years from 03/20/05	9 years from 05/28/06	5 years from 06/17/07	5 years from 06/17/07
Original options granted	133,333	131,667	100,000	175,000	12,500	215,022	166,667	109,412	225,125	114,375
Of which granted to the Board of Directors and Executive Committee [(b)]	6,667	7,792	5,000	17,250	-	19,750	14,837	8,542	29,500	46,250
Original exercise price (in euros)	256.08	180.00	180.00	205.68	195.12	188.40	144.8 [(f)]	66.00 [(f)]	18.00	18.00
Maximum term (years)	10	10	10	10	10	12	12	12	8	8
Weighted-average remaining contractual life at December 31, 2007 (years) remaining contractual life at December 31, 2007 (years)	0.5	1.2	1.2	2.2	-	5.2	6.2	7.4	4.5	4.5
Adjusted exercise price [(c)]	108.96	76.56	76.56	87.48	-	80.16	61.44 [(f)]	28.08 [(f)]	15.12	15.12
Weighted average exercise price	108.96	76.56	76.56	87.48	-	80.16	62.76	31.44	15.12	15.12
Weighted average exercise price of exercisable options	108.96	76.56	76.56	87.48	-	80.16	62.76	31.44	15.12	15.12
Options outstanding at December 31, 2006	3,301	267,301	199,088	333,729	-	417,412	339,022	232,385	225,293	123,748
Adjustment for reverse share split [(d)]	3	66	101	95		176	172	133	144	41
Options forfeited between January 1 and December 31, 2007	(686)	(4,309)	(2,940)	(5,628)	-	(9,576)	(12,970)	(9,913)	(2,780)	(1,886)
Options exercised between January 1 and December 31, 2007	-	-	-	-	-	-	-	(11,947)	(6,242)	(795)
Options outstanding at December 31, 2007	2,618	263,058	196,249	328,195	-	408,012	326,224	210,658	216,415	121,107
Of which granted to the Board of Directors and Executive Committee [(e)]	-	12,828	7,345	35,642	-	40,537	30,167	11,066	31,918	50,336
Options exercisable at December 31, 2007	2,618	263,058	196,249	328,195	-	408,012	326,224	210,658	216,415	121,107
Of which granted to the Board of Directors and Executive Committee [(e)]	-	12,828	7,345	35,642	-	40,537	30,167	11,066	31,918	50,336
Number of beneficiaries at December 31, 2007	10	279	276	382	-	572	402	417	254	69

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

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

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

(d) The adjustment represents the fractional shares resulting from the reverse share split.

(e) Actual data.

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

Bonus share plan

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

2007 A and B plans

In accordance with the resolutions adopted by the Extraordinary General Meeting of June 23, 2005, the Board of Directors approved on January 15, 2007 the terms and conditions governing two bonus shares allotment plans subject to performance criteria and the vesting and holding periods.

The terms and conditions of these plans are as follows:

	Plan A	Plan B
Number of shares	4,129,500 (before reverse share split) *	4,129,500 (before reverse share split) *
Number of beneficiaries	448	448
Grant date	January 15, 2007	January 15, 2007
Vesting date	At the close of January 15, 2009	At the close of January 15, 2009
Holding period	Minimum at the close of January 17, 2011	Minimum at the close of January 17, 2011
Performance criteria	Net debt/recurring EBITDA ratio as resulting from the consolidated financial statements of the Company as of December 31, 2007 below or equal to 2.2.	Recurring EBITDA margin exceeding the average margin of a panel of competitors for the period ended December 31, 2007
Validation of vesting conditions	Board of Directors	Board of Directors

* *i.e.: 344,125 shares after reverse share split.*

Under both the above plans, 2,020,000 bonus shares (168,334 shares after reverse share split) have been granted to key Group executives.

As the performance criteria of both plans were met at the 2007 year-end, shares are definitely vested, subject to the continued employment provisions mentioned above.

2007 "2+2" and "4+0" plans

In accordance with the 16th resolution adopted by the Combined General Meeting of May 3, 2007, the Board of Directors' meeting of July 30, 2007 approved the terms and conditions governing two other bonus shares allotment plans which provides for different vesting and holding periods (more particularly with regard local legal and fiscal constraints) and are not subject to performance criteria.

The terms and conditions of these plans are as follows:

	"Plan 2 + 2"	"Plan 4 + 0"
Number of shares	92,355	142,755
Number of beneficiaries	6,157	9,517
Grant date	July 30, 2007	July 30, 2007
Vesting date	July 31, 2009	July 31, 2011
Holding period	Minimum July 31, 2011	-
Validation of vesting conditions	Board of Directors	Board of Directors

2006 A and B plans

In accordance with the resolutions adopted by the Extraordinary General Meeting of June 23, 2005, the Board of Directors approved on January 13, 2006 the terms and conditions governing two bonus shares allotment plans subject to performance criteria and vesting and holding periods.

The performance criteria to which the 2006 A and B plans were subject were met at the 2006 year-end.

Major changes in the bonus shares allotment plans outstanding at December 31, 2007:

The number of bonus shares shown in the table below is presented after conversion of the one-for-twelve shares resulting from the 2007 reverse share split.

Bonus shares allotment plan	2006 A Plan [(d)]	2006 B Plan	2007 A Plan [(e)]	2007 B Plan [(e)]	2007 "2+2" Plan	2007 "4+0" Plan
Date of shareholders' meeting approval	06/23/2005	06/23/2005	06/23/2005	06/23/2005	05/03/2007	05/03/2007
Date of grant as approved by the Board of Directors	01/13/2006	01/13/2006	01/15/2007	01/15/2007	07/30/2007	07/30/2007
Vesting date	01/14/2008	01/14/2008	01/16/2009	01/16/2009	07/31/2009	07/31/2011
Original bonus shares granted	387,760	387,760	344,308	344,308	92,355	142,755
Of which granted to the Board of Directors and Executive Committee [(a)]	83,917	83,917	84,167	84,167	90	-
Period of non-transferability	2 years, after the vesting period	2 years, after the vesting period	2 years, after the vesting period	2 years, after the vesting period	2 years, after the vesting period	-
Number of bonus shares outstanding at December 31, 2006	366,640	366,640	-	-	-	-
Bonus shares granted between January 1 and December 31, 2007 [(b)]	70	70	344,308	344,308	92,355	142,755
Bonus shares forfeited between January 1 and December 31, 2007	(7,397)	(7,397)	(4,818)	(4,818)	(660)	(3,405)
Number of bonus shares outstanding at December 31, 2007	359,313	359,313	339,490	339,490	91,695	139,350
Of which granted to the Board of Directors and Executive Committee [(c)]	73,917	73,917	74,167	74,167	75	-
Number of recipients at December 31, 2007	303	303	438	438	6,113	9,290

(a) As made up on the grant date.
(b) Including the (506) fractional shares resulting from the reverse share split.
(c) Actual data.
(d) The performance criteria were met as of December 31, 2006.
(e) The performance criteria were met as of December 31, 2007.

NOTE 23 Subsequent Events

- on January 15, 2008, Rhodia proceeded to a capital increase relating to the bonus share plan of 2006 for €8,617,512;
- on March 17, 2008, the Board of Directors approved a new bonus share plan for 342 participants (2 x 511,980 shares) subject to the conditions governing Rhodia's performance and the continued employment of the participants;
- on March 19, 2008, Rhodia is entered into exclusive negotiations for the sale of its Isocyanates businesses to the Swedish Perstorp group. These activities are essentially based in Pont-de-Claix (France) and Freeport (USA). The finalization of this divestment project should take place over the next few months.

NOTE 24 Subsidiaries and Non-Consolidated Investments

(in millions of euros)	Share capital	Shareholders' equity (exclusive of net income for the year)	% held	Gross carrying amount	Net carrying amount	Loans granted by the Company not yet repaid	Amount of guarantees given by the Company	Previous year revenue exclusive of tax	Net profit or loss of previous year	Dividends received by the Company during the previous year
		(a)						(b) (c)	(d)	
French subsidiaries										
Rhodia Participations	110	112	100.00%	110	110	701	-	-	12	-
Rhodianyl	605	615	100.00%	615	615	442	-	-	(59)	-
Rhodia Finance	252	253	99.98%	252	252	-	-	-	5	5
Rhodia Chimie	29	175	100.00%	84	-	-	-	7	1	-
TOTAL FRENCH SUBSIDIARIES				**1,061**	**977**	**1,143**	**-**	**7**	**-41**	**5**
Foreign subsidiaries [(d)]										
Rhodia Holding INC	768 USD	126	89.02%	425	425	-	-	-	1	
Rhodia de Mexico SA de CV	283 MXN	(6)	100.00%	25	-	5	-	18	(1)	
Rhodia Silica Koréa Co Ltd	12,989 KRW	14	100.00%	9	9	-	-	47	(1)	
Rhodia Holding Ltd	306 GBP	(107)	100.00%	929	-	543	-	-	(45)	
Sopargest	20 CHF	15	99.99%	74	18	-	-	-	1	33
Rhodia Ibéria	16 EUR	16	100.00%	115	70	-	-	70	7	
Rhodia Polyamides Co Ltd	24,629 KRW	36	59.40%	24	24	32	-	277	4	2
Rhodia Brasil LTDA	313 BRL	93	100.00%	410	291	-	-	33	1	
Rhodia China Co LTD	405 CNY	36	100.00%	43	38	-	-	10	-	
Rhodia Deutschland	8 EUR	182	100.00%	677	256	273	-	-	(10)	
Other companies more than 50% held				13	10	1		94	8	5
TOTAL FOREIGN SUBSIDIARIES				**2,744**	**1,141**	**854**	**-**	**549**	**(35)**	**40**
Total subsidiaries more than 50% held				**3,805**	**2,118**	**1,997**	**-**	**556**	**(76)**	**45**
Subsidiaries 50% held or less										
French subsidiaries				4	1	-	-	508	(20)	-
Foreign subsidiaries				3	1	-	-	330	1	1
Total subsidiaries 50% or less				**7**	**2**	**-**	**-**	**838**	**(19)**	**1**
Total non-consolidated investments				**3,812**	**2,120**	**1,997**	**-**	**1,394**	**(95)**	**46**

(a) The currency translation rate used for foreign companies is that prevailing at the end of December 2007.
(b) The currency translation rate used for foreign companies is the cumulative average rate from January 1 through December 31, 2007.
(c) For foreign companies, revenues exclusive of services and ancillary revenues.
(d) Share capital in (millions of) local currency. Shareholders equity, revenue and net income are derived from the statutory accounts estimated to date.

20.3.3 PORTFOLIO OF NON-CONSOLIDATED INVESTMENTS AND MARKETABLE SECURITIES

20.3.3.1 NON-CONSOLIDATED INVESTMENTS

Subsidiaries	Number of Shares	% capital	Value at 31/12/2007
			(in millions of euros)
French subsidiaries			
Rhodia Participations	7,348,699	100.00%	110
Rhodianyl	40,357,499	100.00%	615
Rhodia Finance	16,797,466	99.98%	252
Rhodia Chimie	28,836,752	100.00%	-
TOTAL FRENCH SUBSIDIARIES			**977**
Foreign subsidiaries			
Rhodia Holding INC	1,540	89.02%	425
Rhodia de Mexico S.A. de CV	283,053,127	100.00%	-
Rhodia Silica Koréa Co Ltd	2,597,810	100.00%	9
Rhodia Holding Ltd	306,000,000	100.00%	-
Sopargest	19,997	99.99%	18
Rhodia Ibéria	2,609,690	100.00%	70
Rhodia Polyamides Co Ltd	2,925,780	59.40%	24
Rhodia Brasil LTDA	369,823	100.00%	291
Rhodia China Co LTD	49,000	100.00%	38
Rhodia Deutschland	7,721	100.00%	256
Other companies held at more than 50%			10
TOTAL FOREIGN SUBSIDIARIES			**1,141**
TOTAL SUBSIDIARIES HELD AT MORE THAN 50%			**2,118**
Subsidiaries held at 50% and less			
French subsidiaries			1
Foreign subsidiaries			1
Total subsidiaries held at 50% and less			**2**
Total non-consolidated investments			**2,120**

20.3.3.2 MARKETABLE SECURITIES

Mutual Funds	Number held	Unit value (in euros)	Value at 31/12/2007
BMTN			
Société Générale BMTN TR 52	567	167,867	95
Société Générale BMTN TR 57	320	164,188	53
Société Générale BMTN TR 67	33	183,552	6
Société Générale BMTN TR 80	60	245,821	15
Société Générale BMTN TR 82	203	204,584	41
Total BMTN			**210**
Total Marketable Securities			**210**

20.3.4 COMPANY FIVE YEAR FINANCIAL SUMMARY

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

PERIOD END DATE	31/12/2007	31/12/2006	31/12/2005	31/12/2004	31/12/2003
	12 months	12 months	12 months	12 months	12 months
Capital at year-end					
Share capital (in thousands of euros)	1,204,414	1,204,186	1,176,717	627,582	179,309
Number of shares					
ordinary [(1)]	100,367,831	1,204,186,174	1,176,716,541	627,582,158	179,309,188
priority dividend					
Maximum number of shares					
by conversion of bonds					
by subscription right					
Results of o perations (in thousands of euros)					
Net sales excluding tax	1,197	595	12,702	7,807	9,481
Profit before tax, investments, depreciation, amortization and provisions	140,102	326,577	(400,485)	(332,444)	(890,489)
Income tax (including net gain under the tax consolidation group regime)	71,149	24,356	13,476	24,004	15,806
Participation of employees					
Depreciation, amortization and provisions	(165,803)	(132,426)	(288,899)	44,560	(1,233,818)
Net profit for the year	45,447	218,507	(675,908)	(263,880)	(2,108,501)
Distributed profit	25,092	0	0	0	0
Earnings per share (in euros)					
Earnings per share after tax and investments and before depreciation, amortization and provisions	2.10	0.29	- 0.33	- 0.49	- 4.88
Earnings per share after tax, investments, depreciation, amortization and provisions	0.45	0.18	- 0.57	- 0.42	- 11.76
Dividends [(3)]	0.25				0
Employees					
Average number of employees	7	8	24	25	27
Payroll (in thousands of euros) [(2)]	3,413	4,921	12,204	20,467	5,763
Employee benefits (social security) (in thousands of euros) [(2)]	1,633	1,166	3,423	5,067	2,045
(1) Recapitulation of successive issuances of ordinary shares forming the capital		*27,469,633*	*549,134, 383*	*448,272,970*	
Reverse share split (number of shares)	*(1,103,818,343)*				
Capital increase with access to capital with preferential subscription rights			*549,134*	*448,273*	
Increase reserved for employees (in thousands of euros)	*228*	*27,470*			

(2) Including severance payments and post-employment benefits

(3) Upon proposal of the general shareholders' meeting of May 16, 2008

20.3.5 COMPANY FINANCIAL SITUATION AND PROFITS

20.3.5.1 FINANCIAL SITUATION AND ANNUAL FINANCIAL STATEMENTS

During the period, Rhodia S.A. continued its activities as Group holding company, including:

- management of its portfolio of holdings, and;
- centralization of the Group financial management and cash position, including management of its exposure to market risks.

The annual financial statements for the year ended December 31, 2007 showed net profits of €45 million and a total balance sheet of €6,309 million.

These financial statements were prepared in accordance with accounting rules and principles applicable in France.

Significant events during the year ended December 31, 2007 included:

- ongoing refinancing activities aimed at reducing the cost of the Group's financial resources and involving in 2007, as in 2006, the item for extraordinary expenses in the income statement that were charged to the subsidiaries;
- free allocation of shares to certain categories of employees subject to performance and presence in January 2007, and free allocation of shares without performance conditions to 15,674 Group employees in July 2007. This transaction does not impact financial statements based on French accounting standards.

20.3.5.2 PRINCIPAL BALANCE SHEET CHANGES

20.3.5.2.1 Fixed assets

- the item "Investments" showed a decline in gross value of €(7) million, corresponding primarily to the internal sale of Rhodia Nederland to Rhodia International Holding BV;
- depreciation of €86 million includes the following: Rhodia Iberia by €(44) million, Rhodia Brazil Ltda. by €(3) million, Sopargest by €(33) million, and Rhodia China Co. Ltd. by €(5) million. Depreciation for Rhodia Iberia results from losses of the subsidiary primarily following the sale of its phosphates operations and from the losses of value of receivables owed by the Nylstar group, whose principal subsidiaries declared a termination of payments in July 2007. Depreciation corresponding to Sopargest resulted from a decrease in shareholders' equity, which has no operating activities, following the payment of an extraordinary dividend in 2007;
- provision reversals essentially correspond to Rhodia Nederland in the amount of €6 million, following its sale to Rhodia International Holding BV and Rhodia Deutschland Gmbh for €90 million, specifically due to the increase in value of its share in the operating subsidiary Rhodia Acetow Gmbh;
- provisions and reversals are determined based on the useful value of equity instruments, for which there is no recent independent evaluation, estimated at the close, as indicated in the Company's financial statements, taking into consideration, on the one hand, the portion of shareholders' equity held and, on the other hand, the Company's value determined based on market multiples applied to "recurring EBITDA," net debt or future consolidated cash flow.

  The portion of shareholders' equity held is determined by using the accounting principles applied by Rhodia in preparing its consolidated financial statements.

  "Recurring EBITDA" is defined as operating profit or loss prior to depreciation and impairment, restructuring costs and other operating income and expenses.

  The weighting between the portion of shareholders equity and the net business value of debt is evaluated as a function of the specific situation of each subsidiary and its business outlook and its projected profitability;
- the item "Receivables from holdings" had a net decline of €534 million, representing the change in loans granted to Group subsidiaries.

20.3.5.2.2 Current assets

Current assets, as a whole, declined by €70 million. This overall decline resulted from the following principal changes:

- the item "Receivables" increased by €79 million, from €107 million as of December 31, 2006, to €186 million as of December 31, 2007, primarily due to increased invoicing to Group entities of expenses related to refinancing activities, representing €89 million as of December 31, 2007, and current accounts relative to tax integration of €71 million;
- the item "Cash advances to subsidiaries" declined by €150 million, from €543 million as of December 31, 2006, to €393 million as of December 31, 2007, consisting of advances made by Rhodia to its subsidiaries within the framework of the Group's centralized cash management;
- the item "Investment securities" increased by €35 million as of December 31, 2007, with investment securities consisting of €210 million in negotiable, medium-term bonds;
- as of December 31, 2007, the book value of these investments was close to their liquidation value.

20.3.5.2.3 Adjustment accounts

The item "Expenses to be distributed" totaled €9 million as of December 31, 2007, corresponding to expenses from the issuance of loans remaining to be distributed.

The decline in this item in 2007 resulted primarily from the depreciation in 2007 of €23 million through early redemptions of bonds maturing in 2010 and 2011.

20.3.5.2.4 Shareholders' equity

Shareholders' equity increased from €1,369 million as of December 31, 2006, to €1,414 million, or by €45 million, as a result of earnings for the year.

Pursuant to the decision of the general shareholders' meeting, earnings for the year ended December 31, 2006, or €219 million, were allocated, on the one hand, to cover the loss carried forward totaling €120 million, and to legal reserves in the amount of €5 million, with the balance of €94 million allocated to other reserves.

20.3.5.2.5 Provisions

Provisions for contingencies and expenses totaled €354 million as of December 31, 2007, an increase of €178 million compared to the previous year. This increase is primarily attributable to the following allocations:

- as of December 31, 2007, the revaluation of credits and debts denominated in foreign currencies and foreign exchange derivatives yielded, on the one hand, a net underlying loss of €93 million, subject to provisions in the financial statements. This underlying loss was primarily related to depreciation of the pound sterling against the euro;
- €75 million to provisions for subsidiary risk hedging to cover the negative shareholders' equity of certain subsidiaries. These allocations are attributable up to €61 million to Rhodia Holding Ltd. (United Kingdom) due to the losses during the period (restructuring costs, re-invoicing of financing charges by Rhodia) and the diminution in value of the shareholding due to disposals or termination of activity during the preceding years;
- €3 million in net allocations for reversals of the retirement provision;
- €7 million in net allocations for the risk provisions, including risks related to guarantees given in favor of subsidiaries sold or their purchasers (€12 million), financial risk (redemption premium) linked to the bond issued in 2007 (€7 million).

20.3.5.2.6 Debt

"Loans and debts to credit establishments" decreased by €276 million, corresponding primarily to the following:

- the accelerated repurchase of "High Yield" bonds maturing in 2010, totaling $415 million in February 2007, for $3 million and €97 million in June 2007, and finally, the redemption of the senior subordinated "High Yield" 8.875% dollar-denominated bonds, and the senior subordinated "High Yield" 9.25% euro-denominated bonds, both maturing in 2011, for $302 million and €235 million, respectively;
- the issuance on April 27, 2007 of bonds with option of conversion and/or exchange to new or existing shares (OCEANEs) in the nominal amount of €595 million, maturing January 1, 2014, and bearing interest at an annual rate of 0.5%. The issuance price totaled €48.1 per bond;
- "Other loans and financial debts" decreased by €491 million, corresponding to the net change in loans to Group companies;
- "Other debts" remained stable compared to 2006, and included cash advances from Group subsidiaries within the framework of centralized cash management.

20.3.5.2.7 Adjustment accounts

Adjustment accounts reflected a decrease in unrealized foreign exchange gains (€11 million as of December 31, 2007, compared to €63 million as of December 31, 2006), primarily representing the fall of the latent exchange profits due to the depreciation of the pound sterling compared to the euro.

20.3.5.3 CALCULATION OF INCOME

Net book income in 2007 totaled €45 million, compared to €219 million in 2006.

20.3.5.3.1 Financial income

Financial income, totaling €(1) million, specifically included:

- net sales net of interest on the financing activity of Group subsidiaries, totaling €83 million;
- dividends received from holdings, totaling €46 million;
- reversals of provisions from holdings totaling €5 million, and €(75) million in net provisions for subsidiary risks;
- a net foreign exchange gain of €2 million; and
- other financial changes totaling €(62) million.

This item specifically includes:

- amortization of issuance expenses for bonds in 2003 and 2004 in the net amount of €(23) million, primarily consisting of exceptional payments related to their repurchase;
- penalties related to the repurchase of 2003 and 2004 bonds for the net amount of €(8) million, €72 million having been passed on to borrowing entities of the Group in 2007;
- net non-recurring revenue of €23 million, with €34 million corresponding to a supplemental rebilling of 2006 refinancing

expenses to subsidiaries, and €(11) million corresponding to an extraordinary amortization of the corresponding expenses to be distributed;

- the shares of the loss of the SNC Rhodianyl and earnings from the SNC Rhodia participations, totaling €(47) million (see Note 14 relative to the corporate financial statements in chapter 20.3.2.3 of this document).

20.3.5.3.2 Operating profit/(loss)

Operating loss, which totaled €(18) million, specifically included:

- personnel expenses of €(5) million, excluding retirements;
- net retirement expenses and similar commitments totaling €(3) million;
- a subsidy received within the framework of the Group's industrial investments in South Korea; and
- other operating expenses totaling €(14) million, including €(9) million corresponding to services billed by related companies in 2007, compared to €(19) million in 2006.

20.3.5.3.3 Extraordinary income/(loss)

Extraordinary loss totaled €(7) million and resulted primarily from the charge on the divestment of holdings corresponding to exercise of the guarantees granted by Rhodia to the acquirer of Rhodia Industrial Yarns (industrial threads and fibers operations in Europe), sold in 2006.

20.3.5.3.4 Income tax

Revenue from the income tax on earnings of €71 million for the year ended 2007 corresponded primarily to the tax consolidation gain.

20.3.5.4 CASH FLOW

Cash declined by €(10) million to a194 million as of December 31, 2007. This change resulted from:

- cash from operating activities, or €108 million;
- cash from investment activities, or €573 million; and
- cash from financing activities, or €(691) million.

20.3.6 ALLOCATION OF INCOME IN 2007

At the general shareholders' meeting to allocate earnings for the year ended December 31, 2007, the following proposals will be made:

Origin *(in euros)*	
Profit for the year	45,446,921.30
To allocate as follows:	
Legal reserves (5% of the profit for the year)	2,272,346.07
Dividends*	25,091,957.75
Balance of Other Reserves	18,082,617.48

* *This amount will be adjusted depending on the number of outstanding non-consolidated shares on the date of dividend distributions.*

20.4 Verification of the Annual Historical Information

20.4.1 REPORT OF THE STATUTORY AUDITORS

See the reports of the Statutory Auditors on the consolidated financial statements and the corporate financial statements for the year ended December 31, 2007, found respectively in chapters 20.3.1.1 and 20.3.2.1 of the present reference document.

20.4.2 OTHER INFORMATION VERIFIED BY THE STATUTORY AUDITORS

See the report and certification of the Statutory Auditors on the aspects of health, environment and safety found in chapter 5.4 of the present reference document.

20.5 Date of the Last Financial Information

Not applicable.

20.6 Interim and Other Financial Information

Not applicable.

20.7 Dividend Distribution Policy

Over the course of the last five years, net paid dividends, taxes pre-paid to the tax authorities (tax credits) and overall income have been in the following amounts:

Year corresponding to the dividend payment	Net dividend per share (in euros)	Taxes prepaid to the authorities (tax credit)	Overall income (in euros)
2002	0.12	0.06	0.18
2003	0	0	0
2004	0	0	0
2005	0	0	0
2006	0	0	0

The Board of Directors has suggested payment of a dividend of € 0.25 per ordinary share if the Rhodia's 2007 financial results allow such a payment. The decision to make a dividend payment and the suggested amount will be submitted to shareholder approval during the annual shareholders' meeting (see chapter 20.3.6 for the information about the distribution of profits for 2007).

Rhodia foresees that its dividends will either remain the same or increase in upcoming years to the extent allowed by its future financial performance.

Dividends which are not claimed within five years of their distribution revert to the French government.

20.8 Legal Proceedings

See Note 31to the consolidated financial statements.

20.9 Significant Changes and Trends

See information found in chapter 5.1.5 and Note 34 to the consolidated financial statements related to events after the closing in chapter 20.3.1.3 above.

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contents

21.1 Share Capital

21.1.1 SHARE CAPITAL AT DECEMBER 31, 2007 – REVERSE SHARE SPLIT OF RHODIA SHARES

At December 31, 2007, following the Company's reverse share split, Rhodia's capital stock amounted to one billion two hundred four million four hundred thirteen thousand nine hundred seventy two (1,204,413,972) euros, divided into one hundred million three hundred sixty seven thousand eight hundred thirty one shares (100,367,831) with the nominal value of twelve (12) euros per share, fully paid and of the same class.

At December 31, 2006, Rhodia's share capital increased to one billion two hundred four million one hundred eighty six thousand one hundred seventy four (1,204,186,174) euros and was divided into one billion two hundred four million one hundred eighty six thousand one hundred seventy four (1,204,186,174) ordinary shares with the nominal value of one (1) euro per share.

The reverse share split took place on June 12, 2007. On that date, it was decided to consolidate one billion two hundred four million two hundred thirty one thousand nine hundred ninety two (1,204,231,992) shares with the nominal value of one (1) euro per share into one hundred million three hundred fifty two thousand six hundred sixty six new shares (100,352,666) with the nominal value of twelve (12) euros per share (or one new share with the nominal value of twelve (12) euros for twelve (12) old shares with the nominal value of one (1) euro).

At December 31, 2007, the number of post-reverse split shares with a nominal value of €12 per share which were not delivered to shareholders was 323,096.

The shareholders have two years from the time of the reverse share split, or until June 12, 2009, to claim their post-reverse split shares. During this two-year period and in accordance with Article 18 of the Company's bylaws, every pre-reverse split share will provide its holder with the right to one (1) voting right and every post-reverse split share to twelve (12) voting rights, such that the number of voting rights attached to the shares of the Company is proportional to the part of the capital that they represent.

By default, post-reverse split shares not reclaimed by their holders will be sold in the market and the net proceeds of the sale will be held on behalf of such holders for 10 years in a blocked bank account at BNP Paribas Securities Services. At the expiry of the 10 year period, the outstanding sums due to such holders will be transferred to the *Caisse des Dépôts et Consignations* (the Deposit and Consignment Office) and will remain at the holders' disposal subject to the thirty-year statute of limitations period, after which the sums revert to the Republic of France.

In addition, and for the remainder, the change in the share capital between December 31, 2006 and December 31, 2007 was due to the exercises of stock options during 2007.

The historical development of the share capital is found in chapter 21.1.7 below.

21.1.2 SECURITIES NOT REPRESENTING CAPITAL

Since the entry into force of Order 2004-604 of June 24, 2004 introducing certain reforms in the securities sector, the new Article L. 228-40 of the Commercial Code provides that the Board of Directors has the authority to decide or authorize the issuance of bonds, except if the bylaws reserve this power to the general meeting of shareholders or if the latter decides to exercise this power. Because the Company's bylaws do not grant this power to the shareholders, the Board of Directors has the authority to issue bonds. It will not have to demand new authorizations for the issuance of bonds during future general meetings of shareholders.

Rhodia did not issue any bonds in 2007.

Detailed information of different prior or existing loans is found in chapter 10.3 above.

21.1.3 THE COMPANY'S ACQUISITION OF ITS OWN SHARES

SPECIAL REPORT ON THE PURCHASE BY THE COMPANY OF ITS OWN SHARES IN 2007

In conformity with Article L. 225-209, second paragraph of the Commercial Code, we inform you that in 2007, your Board of Directors did not authorize any program for the purchase by the Company of its own shares.

Number of the Company's shares owned by the Company

Rhodia does not own any of its own shares as of today.

Existing authorization

The combined annual shareholders' meeting on May 3, 2007, authorized the Board of Directors for the period of 18 months from the date of the meeting, to purchase or make the Company purchase its shares:

- limited to the number of shares representing 10% of the authorized capital at the time of purchase, that is December 31, 2007, a maximum number of 10,036,783 consolidated shares (noting that the maximum number of shares held after these purchases could not exceed 10% of the share capital);
- for the maximum purchase price of €60 per share (after taking into account the reverse share split).

Such purchase must have for its objective one of the following: (i) the Company's participation in the reverse share split, (ii) allotment of shares to the employees or officers of the Company and/or companies or groups related to it, in the context of option plans for subscription to or purchase of shares or free allocation of shares, (iii) delivery of shares at the time of the exercise of rights attached to securities giving access to the capital, (iv) conservation or delivery subsequent to the exchange or payment within the framework of possible transactions for external growth, (v) ensuring liquidity and animating the market for the Company's shares by an investment service provider within the framework of a liquidity agreement, and (vi) allocation with any other objective conforming to the regulations in force and to the market practice.

This authorization put an end to the authorization given by the combined annual shareholders' meeting on June 23, 2005.

To date, the authorization for purchase of shares has not been used; consequently, no report by the Company to the *Autorité des marchés financiers* has been made (such information having to be transmitted in case of purchase, sale, transfer or cancellation of the Company's shares by the Company).

This authorization will expire in November 2008. A new authorization on this subject will be submitted to the vote of the general meeting of shareholders scheduled to take place on May 16, 2008 (upon second notice of meeting).

21.1.4 AUTHORIZATIONS AND USE

SUMMARY TABLE OF CURRENT AUTHORIZATIONS:

Transactions	Maximum nominal amount of issuance	Use (date)	The duration of the authorization (and expiration)
Purchase of the Company's shares, General Shareholders' Meeting 05/03/07 – 7th Resolution	10 % of the capital Purchase price: ≤ 60 €	no	18 month (11/08)
Capital increase, all types of stock with shareholders' preferential subscription rights, General Shareholders' Meeting 05/03/07 – 10th Resolution	In capital = €600 million In loan = €800 million	no	26 months (07/09)
Capital increase reserved for participants in a Company savings plan, General Shareholders' Meeting 05/03/07 – 14th Resolution	€50 million, nominal value (*)	no	26 months (07/09)
Capital increase reserved to a category of beneficiaries, General Shareholders' Meeting 05/03/07 - 15th Resolution	€50 million, nominal value(*)	no	18 months (11/08)
Free allocation of shares to employees and managers (Article L. 225-197-1 and following of the Commercial Code), General Shareholders' Meeting 05/03/07 – 16th Resolution	2 % of the capital (at the date of the allotment(s))	235,110 allotted shares (07/07) (**) 1,023,960 allotted shares (03/08) (***)	26 months (07/09)
Allotment of options for subscription to or purchase of shares (Article L. 225-177 and following of the Commercial Code). General Shareholders' Meeting 05/03/07 – 17th Resolution	1 % of the capital (at the date of the allotment(s))	no	26 months (07/09)

(*) The two delegations with respect to capital increase for the benefit of employees are subject to the total limit of €50 million nominal value.

(**) Of which 92,355 as part of the "2+2" plan and 142,755 as part of the second plan known as "4+0" in the framework of a global plan for the free allocation of shares to 15,674 employees (for a detailed description of these allotments, see chapter 17.2.3 on the "Free allocations of shares", above)

(***) As part of the plans for free allocations of shares authorized by the Board of Directors at the session held on February 27, 2008 (for a detailed description of these allotments, see chapter 17.2.3 on the "Free allocations of shares", above).

SUMMARY TABLE OF AUTHORIZATIONS EXPIRED DURING THE YEAR:

Transactions	Maximum Nominal Amount of Issuance	Use (date)	Expiration Date
Capital Increase, all types of stock with shareholders' preferential subscription rights, General Shareholders' Meeting 06/23/05 – 17th Resolution	In capital = €1 billion (*) In loan = €1 billion (*)	€549,134,383 (**) (12/05)	May 2007
Capital Increase, all types of stock without shareholders' preferential subscription rights, General Shareholders' Meeting 06/23/05 – 18th Resolution	In capital = €1 billion (*) In loan = €1 billion (*)	€595,124,994.10 (***) (04/07)	August 2007
Increase of the number of shares to be issued in the event of oversubscription, General Shareholders' Meeting 06/23/05 – 19th Resolution	Limited to (i) 15 % of the initial issuance and (ii) the cap in the delegation used*	€595,124,994.10 (***) (04/07)	August 2007
Free allocations of shares to the employees and managers (Article L. 225-197-1 and following. of the Commercial Code), General Shareholders' Meeting 06/23/05 – 20th Resolution	1,5 % of the capital (at the date of the decision of the Board of Directors)	9,306,250 allotted shares (01/06) (****) 8,259,000 allotted shares (01/07) (*****)	May 2007
Capital increase reserved for participants in a Company savings plan, General Shareholders' Meeting 06/23/05 – 22nd Resolution	€30 million	€27,469,633 (06/06) (******)	May 2007

(*) *The three delegations with respect to the capital increase with or without shareholders' preferential subscription rights and the increase of the number of shares to be issued in case of additional demands will be subject to the global limit (in capital = €1 billion (*)/ in loan = €1 billion).*

(**) *Issuance in December 2005 of 549,134,383 new shares, €1 nominal value, representing a capital increase of €604,047,821 (with an issue premium of €54,913,438).*

(***) *Issuance on April 27, 2007 of bonds convertible and/or exchangeable for new or existing shares (OCEANEs) for the nominal amount of €595,124,994.10, expiring on January 1, 2014 and bearing interest at the annual rate of 0.5%.*

(****) *Of which, 4,653,125 shares under Plan A and 4,653,125 shares under Plan B (the conditions for execution have been met – see chapter 17.2.3 on the "Free allocations of shares", above).*

(*****) *Of which, 4,129,500 shares under Plan A and 4,129,500 shares under Plan B, these allotments being subject to the economic performance of the Company (for a detailed description of these allotments, see chapter 17.2.3 on "Free allocations of shares", above).*

(******) *Issuance in June 2006 of 27,469,633 new shares, €1 nominal value, representing a capital increase of €37,237,767 (with an issue premium of €9,768,134) as well as 215,193 share warrants.*

Authorizations that will be proposed for vote at the general meeting of shareholders scheduled for May 16, 2008 (upon second notice of meeting) are presented in the following table:

Transactions	Maximum Nominal Amount of Issuance	The duration of the authorization (and expiration)
Repurchase of shares – Resolution 12	10 % of the capital Purchase price: ≤ 45 €	18 months (11/09)
Capital reduction of the stated capital by cancelling treasury stock - Resolution 13	10% of the capital	24 months (11/09)

21.1.5 SHARES, SECURITIES GIVING ACCESS TO CAPITAL, OPTIONS FOR SUBSCRIPTION TO SHARES AND FREE ALLOCATIONS OF SHARES

21.1.5.1 RECAPITULATION OF THE EXISTING AUTHORIZATIONS

Authorization to increase capital by issuance of ordinary shares and/or of all types of securities giving immediate or future access to capital with preferential subscription rights

The combined annual shareholders' meeting on May 3, 2007, delegated to the Board of Directors for a period of 26 months the power to decide to increase capital, one or several times, in the amount and at the time it decides appropriate, by issuing shares of the Company as well as all types of securities giving immediate or future access to capital, with preferential subscription rights setting €600 million as the maximum nominal amount for the issue of shares and debt €800 million as the maximum nominal amount for the issue of securities.

This delegation put an end to the authorization related to the issuance of shares and securities giving access to the capital with preferential subscription rights that was granted by the general meeting of June 23, 2005.

Authorization to increase capital by issuance of shares and/or securities giving immediate or future access to the capital issued by the Company reserved for participants in a Company savings plan

The general shareholders' meeting held on May 3, 2007 authorized the Board of Directors to issue shares and/or securities giving access to the capital issued by the Company:

- reserved to employees participating in one of the Company's savings plan, for a maximum nominal amount of €50 million. This authorization to issue is valid for a period of 26 months and put an end to that conferred by the general meeting of shareholders on June 23, 2005 in the 22nd Resolution;
- reserved to a category of beneficiaries (employees and officers of the companies of the Rhodia Group situated outside of France and/or the mutual funds for employee shareholders of Rhodia), for the maximum nominal amount of €50 million. This authorization for issuance is valid for 18 months.

An overall limit of €50 million was set as the maximum nominal amount of capital increases that can be made pursuant to these two delegations.

Authorization to make free allocations of shares for the benefit of certain officers and employees of the Group or certain categories among them

The general shareholders' meeting held on May 3, 2007, authorized the Board of Directors to make free allotments of existing or newly issued shares by the Company limited to the equivalent of 2% of the capital at the date of the decision.

The beneficiaries of allotments could be the employees of the Company and companies and economic interest groups that are related to the Company within the meaning of Article L. 225-197-2 of the Commercial Code as well as certain officers.

The authorization provides that the allotment of shares to their beneficiaries can only be end of:

- a vesting period of two years, the minimal duration of the obligation of conservation of shares (holding period) by the beneficiaries running from the time of the delivery of shares being also set for two years; or
- a vesting period with a minimal duration of four years, the period of conservation (holding period) can be thus eliminated.

It should be clarified that the Board of Directors could provide for vesting and holding periods longer than these minimal periods.

The authorization provides that the free allocations of shares must further be accompanied by certain conditions of economic performance, except for a limited number of shares representing a maximum nominal value of €3 million.

This authorization is valid for a period of 26 months and put an end to the one conferred by the general meeting of shareholders of June 23, 2005.

Detailed information concerning different plans for the free allocations of shares currently available in Rhodia is found in chapter 17.2, above.

Allotment of options for subscription to or purchase of shares

The general shareholders' meeting of May 3, 2007, authorized the Board of Directors to approve, within the limit equivalent to 1% of the capital at the date of the decision, one or several times, options giving right to subscription of new shares in the Company or purchase of existing shares in the Company related to the repurchases made by the Company.

The beneficiaries will be the employees, or some of them, of the Company and companies or economic interest groups that are related to it directly or indirectly within the meaning of Article L. 225-180 of the Commercial Code as well as certain officers.

This authorization is valid for 26 months.

Detailed information on the option plans for subscription to shares currently available in Rhodia is found in chapter 17.2, above.

21.1.5.2 TRANSACTIONS CARRIED OUT IN 2007

a) Free allocations of shares to certain officers and employees of the Group – January 2007

For a detailed description of these allotments, see chapter 17.2.3, “Free allocations of shares”, above.

b) Global plan for free allocations of shares to employees of the Group – July 2007

For a detailed description of these allotments, see chapter 17.2.3, “Free allocations of shares”, above.

c) Capital increase with the suppression of preferential subscription rights of shareholders by issuance of bonds convertible and/or exchangeable for new or existing shares (OCEANEs)

(i) Description

On April 27, 2007, the Company issued 12,372,661 bonds with the option to be converted and/or exchanged into new or existing shares (OCEANEs, the “Bonds”) for the nominal amount of €595,124,994.10, with the following characteristics:

- nominal value: €48.10 per bond;
- issue Premium: 42% above the reference price of the Rhodia share;
- maturity: January 1, 2014;
- allotment Ratio: one OCEANE gives right to the allotment of one consolidated share;
- interest: the annual rate is equal to 0.5% of the nominal value payable in arrears on January 1st of each year.

This issuance of OCEANEs was completed pursuant to the authorizations by the combined annual shareholders’ meeting of June 23, 2005 (twenty eighth and twenty ninth resolutions).

(ii) Additional report of the board of directors relating to the capital increase with suppression of preferential subscription rights of the shareholders by the issuance of bonds convertible and/or exchangeable for new or existing shares (OCEANEs)

The transaction described below was the subject of the *Note d’opération* (public offering circular) with a visa attributed by the *Autorité des marchés financiers* under number 07-127 and dated April 19, 2007. The present report established in conformity with Articles R. 225-115 and following of the Commercial Code describes the definitive terms of the transaction and provides background information on the results of the transaction on Rhodia’s shareholders (hereinafter “Company”). This report is being currently developed.

1) Authorizations and decisions

The general meeting of the shareholders of the Company, assembled as the combined annual shareholders’ meeting on June 23, 2005 adopted the following resolutions:

- in its twenty eighth resolution, related to the quorum and majority conditions required for the general extraordinary meeting, after having taken note of the report of the Board of Directors and the special report of the auditors, in conformity with the terms of Articles L. 225-129-2, L. 225-135, L. 225-136 and L. 228-92 of the Commercial Code, the shareholders:

– delegated to the Board of Directors, for a period of 26 months, the power to decide capital increases, on one or more occasions, in the amount and at the time it finds appropriate, by issuing shares of the Company as well as all other types of securities giving immediate or future access to the Company ’s capital,

– decided that the total amount of capital increases likely to be immediately realized and/or for the period under this delegation could not be more than €1 billion, the amount to which is added, if necessary, an additional amount of shares to be issued to preserve, in conformity with law, the rights of the holders of the securities giving rights to shares,

– decided that in case of an issuance of debt securities giving access to the Company’s shares, that may be issued under the above-mentioned delegation, the maximum nominal amount of all the debt securities cannot exceed €1 billion, or the exchange value of this amount in case the issuance is in a different currency or in any other monetary unit established by reference to several currencies, at the date of the issuance. This amount does not include redemption premiums eventually agreed upon,

– decided to suppress the preferential subscription rights of the shareholders to securities issued under the present delegation, and

– conferred all powers to the Board of Directors, with the power to subdelegate, under the conditions set by law and the bylaws, to implement the present delegation and, notably, to set the conditions for the issuance, record any realized capital increases, modify corresponding provisions of the bylaws, accomplish the required formalities and generally do everything necessary to achieve its task.

In its nineteenth resolution, laying out the conditions of quorum and majority requirements for the general extraordinary meetings of shareholders, after having taken notice of the report of the Board of Directors and the special report of the Auditors, in conformity with the terms of Article L. 225-135-1 of the Commercial Code, the general shareholders’ meeting authorized the Board of Directors for a period of 26 months to decide for each issue of shares determined by the application of the seventeenth and eighteenth resolutions, that the number of shares to be issued can be increased during the 30 day period following the closure of the subscription by the Board, with the power to subdelegate, when that will constitute an additional demand, within the limit of 15% of the initial issuance.

On April 12, 2007, the Board of Directors, pursuant to the delegation of power and the above-mentioned authorization:

- decided to increase the capital of the Company by way of public issue, by issuing the bonds convertible and/or exchangeable for new or existing shares (OCEANEs), with the suppression of the preferential subscription right of the shareholders:

– within the limit of the nominal value of a maximum loan for €450 million (or its exchange-value in foreign currencies or other monetary units) before the possible use of the clauses of flexibility (extension clause for 15% and the over-allotment option equal to 15%),

– within the limit of a maximum nominal value of €170 million, by the issuance of up to a maximum of €170 million new shares, with the nominal value of €1 per share, resulting from the conversion of OCEANEs.

- acknowledged, when necessary, that the above-mentioned delegation, by law and for the benefit of the holders of the securities giving access to the Company's capital, results in the renunciation of the shareholders' preferential subscription right for shares for which these transferable securities give right;

- decided, in conformity with the terms of Article L. 225-129-4 of the Commercial Code as well as based on the authorization by the above-mentioned general shareholders' meeting in the eighteenth resolution, to subdelegate to the Chief Executive Officer, for the period up to December 31, 2007, inclusive, the powers necessary to implement and to realize this capital increase by the issue of OCEANEs.

On April 19, 2007, as a result, and making use of the delegation that was granted to him by the Board of Directors, the Chief Executive Officer:

- decided to issue, with the suppression of the preferential subscription rights of shareholders, 10,758,836 shares convertible and/or exchangeable for new or existing shares of the Company, corresponding to the following characteristics:

– nominal value: €48,10, resulting in, after taking into account the allotment ratio of 12 shares for 1 OCEANE, a 42% issue premium over the Rhodia share reference price, of €2,8228. This reference price is equal to the volume-weighted average price of the Rhodia share on the Eurolist market of Euronext Paris since the launch of the stock market session on April 19, 2007 until the time the final terms of the OCEANEs are determined,

– maturity: January 1, 2014,

– allotment Ratio: 1 OCEANE gives right to the allotment of 12 shares,

– interest: the OCEANEs will carry interest at the annual rate of 0.5% of the nominal value, or €0.24050 for each OCEANE, payable in arrears on January 1st of each year. For the period from April 27, 2007 to December 31, 2007, inclusive, the payment for the interest is due on January 1, 2008, calculated *prorata temporis,*

– public Subscription Period: from April 20, 2007 to April 24, 2007 inclusive;

- among other aspects and conditions set out in the *note d'opération*, setting forth notably the conditions of normal amortization, early amortization upon Rhodia's decision, early redemption in favor of the holders of OCEANEs in case of a change in control, in cases of early payability;

- authorized, when necessary, the increase of the number of OCEANEs to be issued, in case of additional demands, until April 25, 2007 (inclusive), within the limit of 15% of the initial issue.

Finally, on April 25, 2007, the Chief Executive Officer:

- observed that the nominal amount of the loan Rhodia 0.5% 2007-2014, represented by 10,758,836 OCEANEs with the nominal unit value of €48.10, was increased from €77,624,982.50 by the issue of 1,613,825 additional OCEANEs, with the nominal unit value of €48.10 following the full exercise of the over-allotment option granted by Rhodia to the Global Coordinators, Managers, and Joint Bookrunners, the total nominal amount of the loan is thus €595,124,994.10, represented by 12,372,661 OCEANEs with the nominal unit value of €48.10;

- declared that the settlement and delivery will take place on April 27, 2007.

2) Definitive terms of the transaction

The definitive principal terms of the transaction are the following:

Number of OCEANEs issued and the nominal amount of the issuance

The loan is a total nominal amount of €517,500,011.60 represented by 10,758,836 OCEANEs. In addition, the over-allotment option was fully exercised by the Global Coordinators, Joint Lead Managers, and Joint Bookrunners, bringing the final amount of the issuance of OCEANEs to €595,124,994.10 million, corresponding to 12,372,661 OCEANEs.

Nominal value of each OCEANE

The nominal value of each OCEANE is set at €48.10, resulting, after taking into account the allotment ratio of 12 shares for one bond, in a 42% issue premium above the Rhodia share reference price, or €2.8228. This reference price is equal to the volume-weighted average price of the Rhodia share on the Eurolist market of Euronext Paris since the launch of the stock market session on April 19, 2007 until the time the final terms of the OCEANEs are determined.

Absence of the preferential subscription rights

The shareholders of the Company renounced their preferential subscription rights.

There is no priority subscription period.

Intention of principal shareholders

No shareholder informed the Company about its intention to subscribe to the issuance.

Placing of bonds

The OCEANEs are issued firstly for private placing intended exclusively for qualified investors in France and the institutional investors outside of France, excluding the United States of America, Canada, Australia, and Japan, as announced by the Company in a press release dated April 19, 2007.

This private placement was carried out, once the final terms of the issuance had been set at the end of the process known as book-building and the visa had been granted by the *Autorité des marchés financiers* for the prospectus, of the public offer in France only.

The issuance did not include a specific portion intended for a specific market.

Subscription of the public

The subscription was opened to the public on April 20, 2007 until April 24, 2007, inclusive.

Establishments responsible for placing

A banking syndicate led by CALYON, Credit Suisse Securities (Europe) Limited et Société Générale was responsible for the placement of the OCEANEs.

Underwriting

The placing and the subscription of the issuance were underwritten by a banking syndicate led by CALYON, Credit Suisse Securities (Europe) Limited et Société Générale, which can be terminated up to (and including) the date of settlement and delivery of the OCEANEs upon the occurrence of certain events that could jeopardize the success of the issuance.

Issue price

€48.10 per Bond.

Date of settlement–Date of issuance

April 27, 2007.

Interest

The OCEANEs will bear an interest at the annual rate of 0.5% per Bond, equal to €0.24050, payable in arrears on January 1st of each year. For the current period from April 27, 2007 until December 31, 2007, inclusive, an amount of interest calculated *prorata temporis* will be paid on January 1, 2008.

Term of bonds

6 years and 249 days.

Normal redemption

The OCEANEs will be redeemed in full on January 1, 2014 by a repayment of at the price of €54.46, or 113.22% of the nominal value of the OCEANEs.

Early redemption at the option of the Company

The Company will be able to carry out early redemption OCEANEs, at any moment, under the following conditions:

- without limitation on price or quantity, for all or a portion of the outstanding OCEANEs, by purchasing on or off the market or by way of public offers;
- at any time, starting on April 27, 2009, and until the maturity date of the OCEANEs at the Early Redemption Price, plus interest accrued since the last date of interest payments preceding the date of early redemption and up to the date of actual redemption, subject to a 30-day notice in accordance with the following conditions: (i) from April 27, 2009 to April 27, 2011 (inclusive), if the mathematical average, calculated for a period of 15 consecutive stock-exchange trading days during which the share is quoted, chosen by the Company from among the 30 consecutive stock exchange trading days prior to the publication of the notice announcing the early redemption, of the products of the first quoted price of the share multiplied by the share allotment ratio in force as at that date, exceeds 170% of the Early Redemption Price and (ii) from April 28, 2011 until the maturity date of the Bonds, if the mathematical average, calculated for a period of 15 consecutive stock-exchange trading days during which the share is quoted, chosen by the Company from among the 30 consecutive stock exchange trading days prior to the publication of the notice announcing the early redemption, of the product of the first quoted price of the share multiplied by the share allotment ratio in force as at that date, exceeds 135% of the Early Redemption Price;
- for the totality of the outstanding OCEANEs at the Early Redemption Price, subject to the requirement of a 30-day notice if their number is less than 15% of the number of the issued OCEANEs.

Early redemption at the option of the holders of OCEANEs in the event of a change of control

In the event of a change of control of the Company (the term control having the meaning as defined by Article L. 233-3 of the Commercial Code), any holder of OCEANEs may request the early redemption of all or part of OCEANEs, at the Early Redemption Price, during the period of 10 business days expiring at the latest 40 business days following the notification of the change of control, plus interest accrued since the last date of interest payments (at issuance date of the Bonds as the case may be) preceding the date of early redemption and up to the date of actual redemption.

Case of early payability/default

The general shareholder's meeting of the holders of OCEANEs may render the totally of OCEANEs due and payable at the Early Redemption Price, plus interest accrued since the last date of interest payments (at issuance date of the Bonds as the case may be) preceding the date of the early redemption until the date of the actual redemption, upon the occurrence of certain events (default of payment, failure to respect the terms related to OCEANEs, cross default, early enforceability of other financial debts, insolvency proceedings, de-listing of shares of the Company from a regulated market).

Gross annual interest return

2.35% on the date of the issue of OCEANEs (in the absence of the exercise of the right to the allotment of shares and in the absence of early redemption by repurchase or exchange).

Type of credit

The OCEANEs and the interest thereon constitute an unsecured debt, direct, general, unconditional, unsubordinated and not supported by the Company's guaranty, of the same rank as any other unsecured debts and guarantees (subject to those benefiting from a legal preference), present or future, of the Company.

Rating of the loan

The loan was assigned, on April 19, 2007, a "B" rating from Standard and Poor and "B1" from Moody's.

Allotment of new and/or existing shares

The holders of OCEANEs will have, at any moment until the seventh business day preceding the date of the normal redemption, which is December 20, 2013, or, if need be, the date of early redemption, the right for the allotment of new and/or existing Rhodia shares (hereinafter the "Share Allotment Right") that will be fully paid-up and/or settled through repayment of the underlying debt, subject to the provisions of the paragraph "Payment for fractional shares" below.

Rhodia will be able to, upon its decision, to delivery new shares to be issued or existing shares or a combination of the two.

The seventeenth resolution proposed to vote of the combined annual shareholders' meeting scheduled for May 3, 2007, authorized the Board of Directors to acquire the shares of Rhodia within the limit of 10% of the number of shares constituting its capital. This authorization will be valid, if it is adopted, during the period of 18 months from the date of the meeting. On the date of the signing of the *note d'opération*, Rhodia will not own any of its new shares.

<u>Suspension of the Share Allotment Right</u> – In the event of a capital increase or the issue of new bonds or securities giving access to the capital, merger or splitting or other financial transactions involving a preferential subscription right or reserving a priority right for the benefit of Rhodia's shareholders, the Company reserves the right to suspend the exercise of the Share Allotment Right for a period that cannot exceed three months or any other period set by an applicable regulation; this power cannot be, however, used in any case to deprive the holders of OCEANEs called for redemption of the Right to the Allotment of Share and the benefit of the period provided for in the paragraph "Period of the Exercise and the Allotment of Shares Rate" below.

In this case, the decision to suspend the exercise of the Share Allotment Right will be published as an opinion in the Bulletin of legal notices. This opinion will be published at least seven days before the date of entry into force of the suspension; it will mention the date of entry into force of the suspension and the date on which it will end. This information will also be the subject of a notice in a financial newspaper nationally distributed and of a notice of Euronext Paris.

<u>The Period of Exercise of the Allotment of Shares Rate</u> – The holders of OCEANEs could exercise their Share Allotment Right at any moment from the date of the issue of OCEANEs until the 7th business day that precedes the date of redemption, or December 20, 2013, at the rate of 12 shares of Rhodia, nominal value of €1 per bond (hereinafter designated as the "Allotment of Shares Rate").

In case of approval by the combined annual shareholders' meeting of the Company convened on May 3, 2007 of the 19th Resolution related to the reverse share split of the Company's shares, the Allotment of Shares Rate will be one share for one Bond, subject to final adjustments.

For the OCEANEs redeemed at the expiration date or early, the Share Allotment Right will end at the end of the 7th business day that precedes the date of redemption.

The holders of OCEANEs must demand the exercise of the Share Allotment Right through an intermediary with which it had its bonds registered. The establishment responsible for the financial services (hereinafter the "Financial Agent"), will ensure the centralization of the transactions.

Any request for the exercise of the Share Allotment Right addressed to the Financial Agent in its capacity as the centralizer during one calendar month (a "Period of Exercise") will take effect at the earliest of the following two dates (the "Date of Exercise"): (a) the last business day of the aforementioned calendar month and; (b) the seventh business day, which precedes the date set for normal or early redemption.

To be considered received on a business day, the corresponding demand must reach the Financial Agent at the latest at 5PM of the said day. Any request received after 5PM will be deemed received on the following business day.

For the OCEANEs with the same Date of Exercise, Rhodia can upon its decision chose between the conversion of the OCEANEs into new shares, exchange of the OCEANEs for existing shares, and the delivery of a combination of new shares and the existing shares.

All holders of the OCEANEs having the same Date of Exercise will be treated in the same way and will have their shares, if need be, converted and/or exchanged in the same proportion, subject to possible rounding off.

The holders of the OCEANEs will obtain the delivery of the shares allotted by Rhodia on the seventh business day following the Date of Exercise.

Rights of the holders of the OCEANEs to the interest on OCEANEs and to dividends on the delivered shares – In the event of exercise of the Share Allotment Right, no interest will be paid to the holders of the OCEANEs for the period between the last Date of Payment of Interest preceding the Date of Exercise and the date of the delivery of shares.

The rights attached to new shares issued following a conversion or rights attached to existing delivered following an exchange are defined in the paragraph "Shares given at the time of the exercise of the Share Allotment Right" below.

Payment for fractional shares

Any holder of the OCEANEs exercising its Share Allotment Right will be able to obtain a number of shares equal to the product of the Allotment of Shares Rate in force multiplied by the number of OCEANEs whose exercise it demanded through the Share Allotment Right.

When the number of shares thus calculated is not a whole number, the holder of OCEANEs will be able to require the delivery of: (i) either a whole number of shares immediately lower, in which case, it will be paid in cash a sum equal to the product of the fractional value of the share multiplied by the value of the share, equal to the first listed price at the stock market session preceding the day of the exercise of the Share Allotment Right; (ii) or the number of shares immediately higher, subject to the condition that the holder will pay Rhodia a sum equal to the value of the fractional share additionally received, calculated based on the formula in (i).

In case where the holder of the Bond does not specify either of the options; it will be given a whole number of shares of Rhodia immediately inferior plus a complement in cash such as described above for the fractional share.

Shares given at the time of the exercise of the share allotment right

The new shares issued on conversion will be subject to all the provisions of the bylaws and their enjoyment will start on the first day of the year of the date of exercise of the share allotment right. They will have the right, during the abovementioned year and the subsequent years, to the same dividend per share, at the same nominal value, that can be distributed on any other shares of the same value. They will be, consequently, entirely comparable to such shares in terms of payment of dividends for the preceding year or, in the absence of dividends distribution, following the general annual meeting on the accounts for that year. The existing shares delivered following an exchange of the Bonds will be the ordinary existing shares, currently giving rights that will be conferred to their holders, from the time of their delivery, all the rights attached to the shares, taking into account, in case where a detachment of the dividend takes place between the Date of Exercise and the date of the delivery of shares, the holders of the OCEANEs will not have the right to those dividends and will not have the right to any indemnity for this reason.

Other than the right to vote granted by law, every ordinary share will give a right to the quotity proportional to the number and the nominal value of the existing ordinary shares, and profits or proceeds after liquidation.

These shares will be additionally subject to all provisions of the bylaws.

The dividends will be forfeited for the benefit of the State following the five year statues of limitations.

Applicable law

French law.

Establishment responsible for the financial service

The centralization of the financial services for the bonds (payment of interest, payment for the redeemed stock, centralization of the requests for conversion and exchange, etc.) as well as the service for the shares will be ensured by General Société.

Clearing of the OCEANEs

Application has been made to obtain the admission of the OCEANEs to the operations of Euroclear France (ISIN code FR0010464487), Euroclear Bank S.A./N.V. et Clearstream Banking, a French limited liability company (*société anonyme*).

Listing of the OCEANEs

Application has been made to request the admission of the OCEANEs to trading on the Eurolist market of Euronext Paris from their date of issuance.

Listing of Shares

The shares of Rhodia (code ISIN FR0000120131) are admitted to trading on Eurolist of Euronext Paris. The new shares issued following the conversion of the OCEANEs will be subject to the request of regular admission on the same market.

3) Impact of a conversion or exchange on the position of the shareholders' or holders of the securities giving access to the capital

Were all issued OCEANEs to be converted into new shares of Rhodia, the impact of this conversion on the ownership of 1% of the share capital of the Company at December 31, 2006 (or 12,041,861 shares out of the total 1,204,186,174 shares of the Company on that date), that is, prior to the issue of the OCEANEs and not subscribing to this would be as follows:

	Holding of the shareholders in % of the number of shares of the share capital	
	Without exercise of the over-allotment option	After exercise of the over-allotment option
Prior to the issue of OCEANEs and prior to the exercise of all of the Dilutive Instruments (1)	1.000	1.000
Prior to the issue of the OCEANEs and after the exercise of all the of Dilutive Instruments (1)	0.972	0.972
After the issue and conversion of the OCEANEs and prior to the exercise of all of the Dilutive Instruments (1)	0.903	0.890
After the issue and conversion of the OCEANEs and after the exercise of all of the Dilutive Instruments (1)	0.880	0.868

(1) After taking into account the exercise of all the options for subscription to shares, free allocations of shares and equity warrants for shares such as described in sections 21.1.5.4 and 21.1.6 of the Reference document 2006.

To illustrate the impact of the issue of the OCEANEs and their conversion based on the quota of the consolidated stockholders' equity at December 31, 2006 (date on which the share capital was 1,204,186,174 shares) for the holding of one Rhodia share does not subscribe to the issue of the OCEANEs will be as follows:

	Quota of the stockholders' equity (in euros)	
	Without exercise of the over-allotment option	After exercise of the over-allotment option
Prior to the issue of OCEANEs and prior to the exercise of all of the Dilutive Instruments (1)	(0.54)	(0.54)
Prior to the issue of the OCEANEs and after the exercise of all the of Dilutive Instruments (1)	(0.42)	(0.42)
After the issue and conversion of the OCEANEs and prior to the exercise of all of the Dilutive Instruments (1) (2)	(0.10)	(0.4)
After the issue and conversion of the OCEANEs and after the exercise of all of the Dilutive Instruments (1) (2)	0.00	0.05

(1) After taking into account the exercise of all the options for subscription of shares (exercisable or not), the free allocations of shares and the equity warrants for shares such as described in sections 21.1.5.4 and 21.1.6 of the Reference document 2006.

(2) Prior to the impact of the vouchers to be paid during the life of the OCEANEs.

In case of an exchange of all the OCEANEs into the existing shares of Rhodia, the shareholders' position will not be affected.

4) Theoretical impact on the actual stock market value of the share

The theoretic impact of the issue and conversion of the OCEANEs on the stock market value of Rhodia's share is +4.66%.

It was calculated based on:

- the price of €2.78 per share of Rhodia equal to the average price for 20 trading days preceding April 19, 2007 (date of the launch of the issue of the OCEANEs), for the calculation of the capitalization on the stock market of Rhodia prior to the issue;
- the issue of 12,372,661 OCEANEs, € 48.10 par value per share, likely to be converted into 148,471,932 shares of Rhodia (12 shares for every one OCEANE); and
- net proceeds of the issue of €587.3 million.

Number of Rhodia shares prior to the issue of OCEANEs	1,204,186,174
Price of Rhodia share prior to the issue of OCEANEs	€2,78
Stock market value of Rhodia prior to the issue of OCEANEs	€3,343,422,912.11
Number of OCEANEs issued	12,372,661
Rate of conversion of OCEANEs	12
Total number of Rhodia shares likely to be created by conversion of OCEANEs	148,471,932
Total number of shares of Rhodia after the issue and conversion of OCEANEs	1,352,658,106
Net proceeds of the issuance of OCEANEs	587,300,000
Theoretical Stock market value of Rhodia after the issue and conversion of OCEANEs	€3,930,722,912.11
Theoretical value of the Rhodia share after the issue and conversion of OCEANEs	€2.91
Theoretical impact of the issue and conversion of OCEANEs	+4.66%

Courbevoie, May 3, 2007

Mr. Yves René Nanot
Chairman of the Board of Directors
Rhodia

Mr. Jean-Pierre Clamadieu
Chief Executive Officer and Member of the Board
Rhodia

(iii) Additional Statutory auditors' report on the issuance of the securities giving access to the capital with suppression of the preferential subscription rights

Dear Shareholders,

In our capacity as auditors of your Company in accordance with the provisions of article R. 225-116 of the Commercial Code, we are presenting to you an additional report to our special report of May 12, 2005 concerning the issuance of the bonds with the option to be converted and/or exchanged into new ordinary or existing shares with the suppression of the preferential subscription right authorized by your general extraordinary meeting of the shareholders on June 23, 2005 pursuant to the resolutions 18 and 19.

This general extraordinary meeting delegated to the Board of Directors the power to decide such transaction within the period of 26 months for a total nominal amount of €1 billion, with the authority to increase the number of bonds to be issued in case of an additional demand.

Resorting to this authorization, your Board of Directors decided, during its session of April 12, 2007, to:

- issue the bonds with the suppression of the preferential subscription rights with the option to be converted and/or exchanged into new ordinary or existing shares of Rhodia (OCEANEs);
- – for the nominal maximum amount of the debt of €450,000,000 with the clause for an increase by 15% and a further over-allotment option equal to 15%,
- – for the nominal maximum amount of new shares equal to €170,000,000 resulting from the conversion of OCEANEs, each with the nominal value of one euro;
- subdelegate to the Chief Executive Officer all powers to carry out successfully this issuance.

Resorting to this subdelegation, your Chief Executive Officer, on April 25, 2007, observed that the allotment option was fully exercised.

The principal characteristics of this transaction are as follows:

- a total number of 12,372,661 OCEANEs have been issued with the nominal value of €48.10 per bond, equal to the loan amount of €595,124,994.10;
- the issue price resulted, after taking into account the rate of allotment of 12 shares per 1 OCEANE, in an issue premium of 42% above the reference price of the Rhodia share, equal to €2.8228;

- the OCEANEs will bear interest at the annual rate of 0.5 % of the nominal value of the Bond, payable in arrears on January 1st of each year. The loan will be due on January 1, 2014, the ate on which the OCEANEs will be redeemed at the price of €54.46, corresponding to the yield to maturity rate of 2.35%;
- the Company will have the option for early redemption starting on April 27, 2009, at the Early Redemption Price, under certain conditions based on, among others, the stock market value of the Bond.

The Board of Directors can establish a report in conformity with articles R. 225-115 and R. 225-116 of the Commercial Code. It is our role to give you advice on the integrity of the information involving accounts, on the proposal to suppress the preferential subscription right and on certain other information concerning the issue given in that report.

We have performed our work in accordance with the professional standards applicable in France. These standards require verifying diligently:

- the figures extracted from the consolidated financial statements at December 31, 2006 approved by the Board of Directors. These consolidated financial statements will be subject to audit under our care in accordance with the professional standards applicable in France;
- the conformity of the methods of the transaction with the delegated power granted by the general meeting of shareholders and the integrity of the information given in the additional report of the Board of Directors on the choice of factors for the calculation of the price of issue and on the amount.

We do not have to make comments on the following:

- the integrity of the figures taken from the financial statements and given in the additional report of the Board of Directors;
- the conformity of the methods of the transaction with respect to the delegation granted by the general extraordinary meeting of June 23, 2005 and the corresponding guidelines;
- the proposal to suppress the preferential subscription right of which you have been informed, the choice of the factors for the calculation of the price of the issuance of the bonds and its final amount;
- the presentation of the consequences of the issuance on the position of the holders of these bonds and securities giving access to the capital evaluated by the report on the shareholders' equity and on the stock market value of the share.

May 3, 2007

Neuilly-sur-Seine and Paris, La Défense

Auditors

PricewaterhouseCoopers Audit	**Salustro Reydel**
	Member of KPMG International
Christian Perrier	Dominique Stiegler

21.1.5.3 SECURITIES GIVING ACCESS TO RHODIA'S CAPITAL

a) Bonds with the option to be converted and/or exchanged into new or existing shares of the Company (OCEANEs)

At December 31, 2007, there were 12,372,661 outstanding OCEANEs.

Following the reverse share split of the Company 's shares and consecutive adjustments on the dilutive instruments of the Company, one OCEANE gives the right to obtain one share of the Company with the nominal value of €12.

The characteristics of the OCEANEs are described in chapter 21.1.5.2 c), above.

b) Subscription Warrants

At December 31, 2007, there were 215,193 outstanding subscription warrants.

Following the reverse share split of the Company's shares and consecutive adjustments on the dilutive instruments of the Company, 12 subscription warrants give right to the subscription of one post-reverse split share with the nominal value of €12.

These subscription warrants were issued within the context of the capital increase reserved to the employees and executed on June 30, 2006 and are attributed for the benefit of the employees of Rhodia's subsidiaries located in Germany, in place of a subscription discount, in order to offer them economic equivalent to those of the employees of the subsidiaries located in other countries. These warrants are held by the Common Fund for Placement of the Enterprise "Zukunft 2006" (*Fonds Commun de Placement d'Entreprise*), the employees of Rhodia's subsidiaries located in Germany having subscribed to this transaction for the reserved capital increase holding shares in this fund.

21.1.6 STOCK SUBSCRIPTION OPTIONS

At December 31, 2007, the options on the capital of the Company were as follows:

- OCEANEs (see chapter 21.1.5.2 c), above);
- option plans for the subscription to the shares described in chapter 17.2 above; and
- share warrants (see chapter 21.1.5.3 b), above).

In addition, the free allocations of shares, such as the ones described in chapter 17.2 above, can result in the issuance of new shares.

21.1.7 HISTORY OF THE CAPITAL

Date	Amount of the Capital	Number of Shares (nominal value)	Nature of the transaction
Beginning 12/31/1999	€2,621,115,615.00	174,741,041 (€15)	
09/2000	€2,689,637,820.00	179,309,188 (€15)	Capital increase reserved for employees: issuance of 4,568,147 new shares with a nominal value of €15 representing a capital increase of €68,522,205 (an issue premium of €1,644,532.92).
05/2002	€179,309,188	179,309,188 (€1)	Capital decrease for an amount of €2,510,328,632.00 by way of a decrease in the nominal value of 179,309,188 shares from €15 to €1 (amount of the decrease registered as "non-distributable issue premium").
05/2004	€627,582,158	627,582,158 (€1)	Capital increase with a preferential subscription right: issue of 448,272,970 new shares with a nominal value of €1 representing a capital increase of €448,272,970 (an issue premium of €22,413,648.50).
12/2005	€1,176,716,541	1,176,716,541 (€1)	Capital increase with a preferential subscription right: issue of 549,134,383 new shares with a nominal value of €1 representing a capital increase of €549,134,383 (an issue premium of €54,913,438).
06/2006	€1,204,186,174	1,204,186,174 (€1)	Increase in capital reserved for employees: issue of 27,469,633 new shares with a nominal value of €1 representing a capital increase of €37,237,767 (an issue premium of €9,768,133.55)
06/2007	€1,204,231,992	100,352,666 (€12)	1/Exercise of options for the subscription of shares: capital increase of €45,828 by the issuance of 45,828 shares with a nominal value of €1 per share. 2/The reverse share split: an exchange of 12 shares with the nominal value of €1 per share for one share with a nominal value of €12.
12/2007	€1,204,413,972	100,367,831 (€12)	Exercise of options for the subscription of shares: a capital increase of €181,980 by the issuance of 15,165 shares with a nominal value of €12 per share.
01/2008	€1,213,031,484	101,085,957 (€12)	Plans A and B for the free allocations of shares 2006: a capital increase with a nominal amount of €8,617,512 by the issuance of 718,126 new shares RHODIA with a nominal value of €12 per share.

21.1.8 MARKET FOR THE COMPANY'S FINANCIAL INSTRUMENTS

Rhodia's shares have been listed on Eurolist of Euronext (Compartment A) in Paris since June 25, 1998.

On June 12, 2007, Rhodia consolidated its shares by way of an exchange of one new share with the nominal value of €12 for12 old shares with the nominal value of €1 per share. From that date, the consolidated shares were transferred from the market Eurolist of Euronext to the market CVRMR (Compartment for Shares Un-listed from the Regulated Markets), where they were negotiable during the period of six months, or until December 12, 2007, with the view of encouraging the negotiation of the "fractions" of the shares for the shareholders of Rhodia not having the necessary quantity for the reverse share split.

In addition, from June 25, 1998 to September 28, 2007, the shares of Rhodia were listed on the New York Stock Exchange in New York as level three American Depositary Receipts (ADR). Each ADR was representative of one American Depositary Share (ADS), representing itself a share of Rhodia. These ADRs were consolidated on June 12, 2007, one new ADR for 12 old ADRs.

On September 7, 2007, Rhodia notified the New York Stock Exchange of its intention to delist from the New York Stock Exchange, the de-listing of the level three ADRs having taken effect on September 28, 2007. On that same date, Rhodia initiated deregistration of all of its bonds that were registered with the Securities and Exchange Commission (SEC) by accomplishing the required formalities. This deregistration became effective on December 28, 2007.

Rhodia decided to maintain the listing of its shares in the United States in the form of level one privately negotiable ADRs on the International OTCQX. Each ADR is representative of one American Depositary Share (ADS), representing itself a Rhodia share. Every holder of such ADRs can, at any time, either sell its ADRs or convert them into Rhodia shares, which are the underlying shares, by settling the expenses of the conversion with the depository. In this latter case, the ADR which represented the Rhodia S.A. share is cancelled. At December 31, 2007, there remained 2,713,254 outstanding ADRs, representing 2,7% of the Company's capital.

IDENTIFICATION SHEET FOR RHODIA S.A. SHARE

Code ISIN FR0010479956

Code Bloomberg: RHA FP

Code Reuters: RHA.PA

Share eligible for SRD (Service for Deferred Payment): yes

Share eligible for PEA (Plan for savings of shares): yes

IDENTIFICATION SHEET OF RHODIA S.A. ADR

Ratio: One ADR for one share of Rhodia S.A.

Code ISIN: US7623972061

Code Bloomberg: RHAYY US

Code Reuters: RHAYY.PK

The tables below describe the development in 2007 of the prices and volume of transactions in shares of Rhodia S.A. listed on Eurolist of Euronext Paris and the ADRs of Rhodia S.A. listed on New York Stock Exchange until September 27, 2007 and on the International OTCQX from September 28, 2007.

Considering the reverse share split of Rhodia's shares and the ADRs realized on June 12, 2007, the historical data up to date is as follows:

- for the prices of the Rhodia S.A. share: reprocessing of the prices of the share pre-reverse split (multiplication by 12) whose code ISIN was FR0000120131;
- for the prices of ADR of Rhodia S.A.: reprocessing of the prices of ADR pre-reverse split (multiplication by 12) whose code Cusip was 762397 107; and
- reprocessing of the volumes of the exchanged shares (division by 12) on Eurolist of Euronext and on New York Stock Exchange.

The historical date from June 12, 2007 represents the prices of consolidated shares and ADRs of Rhodia.

SHARES OF RHODIA S.A. LISTED ON EUROLIST OF EURONEXT PARIS

	Close Price		Volumes of transactions (daily average)	
(in euros)	**High**	**Low**	**Number of shares**	**Amount of Capital**
January 2007	34.80	31.08	1,636,696	53,545,737
February 2007	34.92	31.8	1,409,080	47,553,829
March 2007	33.24	30.36	1,888,312	60,461,965
April 2007	37.32	33.48	1,670,916	58,947,991
May 2007	37.92	35.76	1,319,004	48,214,731
June 2007	36.84	31.57	1,663,053	56,074,407
July 2007	35.71	32.90	996,885	34,235,684
August 2007	32.90	27.06	1,411,340	41,697,583
September 2007	30.83	25.26	1,474,837	39,905,667
October 2007	29.44	26.14	1,193,590	33,043,618
November 2007	28.73	23.22	1,759,551	45,251,986
December 2007	26.40	23.85	947,636	23,545,842
January 2008	26.83	17.47	1,569,949	32,433,694
February 2008	22.23	16.57	1,849,968	34,483,133
March 2008 (through March 28)	16.43	12.22	2,318,007	32,453,171

Source: Bloomberg

AMERICAN DEPOSITARY RECEIPTS (ADR) OF RHODIA S.A. LISTED ON THE NEW YORK STOCK EXCHANGE UNTIL SEPTEMBER 27, 2007 AND THE INTERNATIONAL OTCQX FROM SEPTEMBER 28, 2007

	Close Price		Volumes of transactions (daily average)	
(in dollars)	High	Low	Number of shares	Amount of Capital
January 2007	45.24	39.24	17,782	455,791
February 2007	45.60	41.28	8,754	387,813
March 2007	43.92	39.12	9,361	394,750
April 2007	49.92	45.00	48,940	2,272,161
May 2007	51.36	48.12	18,595	914,282
June 2007	50.28	44.42	44,859	2,107,792
July 2007	50.36	46.07	28,538	1,381,927
August 2007	46.14	37.27	27,378	1,129,048
September 2007	42.44	35.88	21,781	381,880
October 2007	41.30	37.00	24,127	925,150
November 2007	42.15	33.95	6,670	245,994
December 2007	38.20	34.30	11,168	399,752
January 2008	39.65	26.50	10,364	328,258
February 2008	32.95	24.80	6,568	182,660
March 2008 (through March 28)	25.10	19.14	32,591	692,330

Source: Bloomberg

21.2 Articles of Incorporation and Bylaws

21.2.1 CORPORATE PURPOSE

Pursuant to Article 3 of the bylaws, the purpose of the Company, in France as well as abroad, is, either directly or indirectly:

- to perform transactions in the fields of chemistry, fibers and polymers;
- to research, develop, manufacture, transform, market and supply products and goods, and to license, acquire, and transfer all industrial and commercial property rights;
- to make investments in any form whatsoever, in particular through the formation of new corporations, contributions, subscription, purchase of stock or interests in any business, groups or corporations relating directly or indirectly to the corporate purpose and, if appropriate, for any other purpose;
- to issue any guarantee, first demand guarantees, surety bonds and other security interests in compliance with the provisions of current laws and regulations, in particular to any company or entity of the Group, in connection with their activities, as well as the financing or re-financing of their activities. The contracting of any loan and, in general, the use of any method of financing, in particular, by the issue or, where applicable, by the subscription of financial instruments, with a view to facilitating the financing or re-financing of the Company's operations;
- as well as, in general, all financial, commercial, industrial, civil, real property, personal property transactions or services that may be directly or indirectly related to one of the specified purposes or to any similar or related purpose or which is liable to further the development of the Company's assets.

21.2.2 STATUTORY PROVISION RELATING TO THE BOARD OF DIRECTORS AND MANAGEMENT COMMITTEE

Organization of the Board of Directors and Management Committee is described in Articles 11 to 16 of the Company's bylaws.

For further information, see chapter 14.3, above.

21.2.3 RIGHTS, PREFERENTIAL RIGHTS AND RESTRICTIONS ATTACHED TO THE COMPANY'S SHARES (ARTICLE 9 OF THE BYLAWS)

Each share entitles the holder thereof to a proportionate ownership in the assets of the Company and in the proceeds after liquidation equal to the *pro rata* portion of the registered capital represented by such share.

All securities which represent or will represent part of the registered capital will be included as registered capital for tax purposes. Thus, all duties and taxes which, for whatever reason may become payable by certain holders upon distribution of capital, either during the existence of the Company or at liquidation, will be allocated among all securities representing capital at the time of such distribution or distributions, with the result that, after taking into account the unredeemed nominal value of the securities to the extent of their respective rights, all present or future securities will confer upon the holders thereof the same effective benefits and the right to receive the same net amounts.

Whenever it is necessary to possess a certain number of shares in order to exercise a right, it shall be up to holders that do not possess such number to group together and, if necessary, to purchase or sell the requisite number of shares or rights.

21.2.4 MODIFICATION OF THE SHAREHOLDERS' RIGHTS

Any modification of the voting rights attached to the shares are regulated by law, the Company's bylaws do not provide for specific provisions.

21.2.5 GENERAL SHAREHOLDERS' MEETINGS (ARTICLE 18 OF THE BYLAWS)

Ordinary or extraordinary shareholders' meetings are called and deliberated in accordance with the law.

Meetings are held at the registered office or any other place specified in the notice for meeting.

The right for shareholders to personally attend shareholders' meetings, or to do so through a proxy holder or by mail, is subject to the registration of the shares in the name of the shareholder or the intermediary registered on his behalf (as provided for by law) by midnight (Paris time) on the third business day prior to the meeting:

- for registered shareholders: in registered securities accounts maintained by the Company;
- for bearer shareholders: in bearer securities accounts maintained by an authorized intermediary, as provided for by the applicable regulations.

A shareholder who does not have his domicile in France, within the meaning of Article 102 of the Civil Code, may be represented at ordinary or extraordinary meetings by an intermediary registered in accordance with the conditions provided for by current law and regulations. Said shareholder shall then be deemed to be present at said meeting for the calculation of the quorum and majority.

Subject to the qualifications provided for by regulations, and in accordance with the procedures established therefore by the Board of Directors, shareholders may attend and vote at any shareholders' or special meetings by videoconference or any electronic telecommunication or remote transmission means in accordance with applicable law and regulations. In such event, an electronic signature may be provided using a process that meets the requirements listed in the first sentence of the second paragraph of Article 1316-4 of the Civil Code. The shareholders shall then be deemed present at said meetings for the calculation of quorum and majority.

The shareholders, in accordance with the conditions defined by current regulations, may send their proxy vote form or mail vote form for all ordinary or extraordinary meetings, either on paper, or by remote transmission by decision of the Board of Directors published in the notice of meeting and the notice to attend the meeting.

To be accepted, all ballots and proxies must have actually been received at the Company's principal office or at the location stated in the meeting notice no later than two days prior to the date of the shareholders' meeting, except if a shorter period is stated in the meeting notice or required by mandatory provisions reducing said period.

Instructions given by electronic means that contain a power of attorney or a proxy may be received by the Company in accordance with the conditions and within the time limits defined by the current regulations.

The meeting's proceedings may be transmitted live by videoconference and/or by remote transmission. Where applicable, reference shall be made thereto in the notice of meeting and in the notice to attend the meeting.

The Chairman of the Board of Directors or, in his absence, a Director specifically delegated for said purpose by the Chairman presides over the meetings. Failing that, the meeting shall appoint its own Chairman.

The duties of tellers are fulfilled by the two members of the meeting with the highest number of votes and who accept said duties.

The officers of the meeting appoint the secretary, who may be chosen among non-shareholders.

An attendance sheet, drawn up in accordance with the law, is kept at each meeting of the Annual General Meeting. Said attendance sheet, duly signed by the shareholders and proxies, shall be certified true by the officers of the meeting.

Each meeting participant shall have as many votes as shares held or represented, subject to statutory limitations. Until two years after the start date of the reverse split transactions described in the notice of reverse share split published by the Company in the *Bulletin des Annonces Légales Obligatoires* pursuant to the resolution adopted at the May 3, 2007 shareholders' meeting, all pre-reverse split shares give their holder the right to one (1) vote and all post-reverse split shares to twelve (12) votes, so that the number of votes generated by the Company's shares will be proportionate to the portion of equity they represent.

At the request of one or several members of the meeting representing by themselves or as proxies at least on tenth of the capital present or represented at the meeting, a secret ballot shall be held.

Minutes of the meetings are drawn up and copies thereof are certified in accordance with the law.

The right to vote attached to the share belongs to the beneficial owner at ordinary shareholders' meetings, as well as at extraordinary or special meetings.

21.2.6 CHANGE OF CONTROL

Neither Rhodia's bylaws nor any other internal document contain any provision for delaying, deferring or preventing a change of control.

21.2.7 THE CROSSING OF THRESHOLDS

Aside from the legal obligation to inform about the holding of a certain fraction of the share capital or voting rights and to make all necessary declarations in compliance with law, as from the date of the general shareholders' meeting of April 28 2006, nothing in the bylaws or other internal documents requires the holder of the shares to inform Rhodia about owning any fraction of the share capital. The declarations on crossing the thresholds of ownership made to the *Autorité des marchés financiers* and to Rhodia are described in chapter 18.3, above.

21.2.8 MODIFICATION OF SHARE CAPITAL

Any modification of the share capital or of the voting rights attached to the shares is subject to applicable legal requirement; the bylaws do not contain any specific rules.

21.2.9 CORPORATE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS (ARTICLE 19 OF THE BYLAWS)

21.2.9.1 CORPORATE FINANCIAL STATEMENTS

Each corporate year lasts 12 months and starts on January, 1 and closes on December, 31.

At the end of each year, in accordance with existing laws, the Board of Directors establishes the inventory, corporate financial statements and a management report.

The net earnings during the year minus general costs and other expenses of the Company, including all depreciation and provisions, shall constitute net profits.

Net profits, minus losses from previous years (if any), are subject to a charge of at least one-twentieth of such net amount, which shall be used to create a reserve called the "legal service". This charge shall cease to be obligatory when the amount of the reserve becomes equal to one-tenth of the registered capital.

Distributable income equals the net profits of the year, minus losses from previous years and the charge from the legal reserve, plus profits carried forward from previous years.

In addition, shareholders may upon recommendation of the Board of Directors, decide at a general shareholders' meeting to distribute amounts held in the reserve funds that are available for their use, in such case, the decision of the shareholders must specifically indicate the reserves from which the funds are to be taken.

After approval of the accounts and verification of the existence of distributable amounts, the ordinary general shareholders' meeting shall decide upon the distribution of such amounts and, upon recommendation of the Board of Directors, shall distribute out of this amount to all holders of shares *pro rata* to their percentage interest in the registered capital. If a balance remains the shareholders shall decide at an ordinary general shareholder's meeting which amounts will be carried forward to the next year or placed in one or more reserve funds that it administers.

The ordinary general shareholders' meeting called to approve the financial statements for the year may grant each shareholder the right to elect to receive all or part of the final or interim dividends in cash or in shares.

In the event that financial statements established at the end of a year or at any date during the year, certified by the Statutory Auditors, set forth that the Company, since the close of the preceding year, after provision for depreciation and necessary reserves, deductions for prior losses, if necessary, and sums carried forward as reserves in application of the law or the bylaws and taking into account carried forward profits, has made a profit, it may distribute interim dividends before the approval of the year-end accounts.

The amount of these interim dividends shall not exceed the amount of the profit thus defined.

The extraordinary shareholders' meeting may decide to reduce the share capital for reasons other than for losses, by reducing the par value of the share. The amount of the reduction of the share capital, or the difference between the former and new par value multiplied by the number of outstanding shares, shall be recorded in an issue premium account, the amount of which shall not be distributable. Nevertheless, it may be subsequently capitalized or used to offset losses.

21.2.9.2 CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors presents at the general shareholders' meeting the Group's management report and consolidated financial statements. The shareholders' meeting deliberates on all matters relating to the consolidated financial statements of the last year.

The Group's management report may be included in the management report mentioned above).

21.3 Statutory Auditors' Fees for 2006 and 2007

The table below sets out the Statutory Auditors' fees for 2006 and 2007.

	PricewaterhouseCoopers Audit				Salustro Reydel Member of KPMG International			
	Amount (excluding tax)		%		Amount (excluding tax)		%	
(in millions of euros)	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Audit								
Statutory Auditors, certification; examination of individual and consolidated financial statements	3.5	8.0	88	95	1.3	1.3	86	87
Issuer	0.9	1.7	23	20	0.4	0.5	26	34
Consolidated subsidiaries	2.6	6.3	65	75	0.9	0.8	60	53
Other tasks and services directly related to the statutory auditor's mission	0.4	0.3	10	4	0.1		7	
Issuer	0.2	0.1	5	2	0.1		7	
Consolidated subsidiaries	0.2	0.2	5	2				
Sub-total	**3.9**	**8.3**	**98**	**99**	**1.4**	**1.3**	**93**	**87**
Other services provided to by consolidated subsidiaries								
Legal, tax, labor	0.1	0.1	2	1	0.1	0.2	7	13
Other (to be given in detail if it is more than 10% of the audit fees)								
Sub-total	**0.1**	**0.1**	**2**	**1**	**0.1**	**0.2**	**7**	**13**
Total	**4.0**	**8.4**	**100**	**100**	**1.5**	**1.5**	**100**	**100**

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Material Contracts

To date, Rhodia has not entered into any material contracts resulting in a material obligation or undertaking for the entire Group, other than those concluded in the normal course of its business.

Concerning material contracts concluded in the normal course of its business, see the financial contracts described in chapter 10.3 of the present reference document:

- the *syndicated credit facility "new RCF"*, for the amount of €600 million, with the maturity date June 30, 2012;
- contract for the issuance of the "Floating Rates Notes" realized in 2006 for €1,100 million with maturity in 2013;
- two trade receivable securitization agreements, North American and European; and
- the contract for the issuance of shares with the option to be converted and/or exchanged into new shares or to be issued that occurred in April 2007 (OCEANE).

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Third Party Information, Statements by Experts and Declarations of Interest

Not applicable.

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Publicly available Documents

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24.2	Annual Documents Created Pursuant to Article 222-7 of the General Regulations of the *Autorité des marchés financiers*	245

24.1 Documents Available on the Company's Website

The following documents are available on the website of the Company (www.rhodia.com):

- the present reference document filed with the *Autorité des marché financiers* as an annual report;
- financial press releases; and
- bylaws.

Documents and information concerning the Company can be also requested at Rhodia's registered office located at Immeuble Cœur Défense, Tour A, 110 esplanade Charles de Gaulle, 92400 Courbevoie (phone number: 01.53.56.64.64).

24.2 Annual Documents Created Pursuant to Article 222-7 of the General Regulations of the *Autorité des marchés financiers*

Pursuant to Article 222-7 of the General regulations of the *Autorité des marchés financiers*, the following list sets forth the information disclosed by Rhodia since January 1, 2007 (in addition to the information included in chapter 24.1).

LIST OF PRESS RELEASES

During 2007 and until the publication of the present document, the following press releases have been published on the Company's website (www.rhodia.com) or in the Legal Information section of the website:

01.02.07	Rhodia completes the sale of its European business related to industrial wire and technical fiber to Butler Capital
02.01.07	Rhodia begins its transaction for the repurchase of shares
02.01.07	Rhodia completes the sale of its Silicones business to China National Bluestar Corporation
02.14.07	Rhodia's net sales for 2006
02.15.07	Rhodia announces the preliminary results of its offer of stock repurchase
03.02.07	Rhodia announces the final results of its offer of stock repurchase
03.06.07	Rhodia sells its participation in Nylstar
03.07.07	Annual profits for 2006

03.14.07	Information related to the Combined Annual Shareholders' Meeting dated May 3, 2007
03.23.07	Rhodia announces the planned closure of its Mulhouse Dornach site in France, and anticipates the redeployment of most of its employees
03.30.07	Rhodia files its Reference Document with the *Autorité des marchés financiers*, and its annual report 20-F with the SEC
04.19.07	Rhodia enhances its financial profile issuing convertible bonds OCEANEs
04.19.07	Accomplishment of the convertible bond offering OCEANEs
04.19.07	Authorization of *Autorité des marchés financiers* for the convertible bond offering
04.20.07	Rhodia announces the exercise in full of the over-allotment option, increasing the amount of the convertible bond offering
04.26.07	Rhodia announces the increase of its production of intermediates in Brazil
04.27.07	Rhodia announces the construction of upstream silica facility in China
05.04.07	Rhodia's shareholders general meeting
05.10.07	First quarter 2007 results: a good beginning of the year
05.15.07	Rhodia completes the sale of its stake in Nylstar
05.25.07	Rhodia's reverse share split of its shares: notice of the launch
06.07.06	Rhodia asks the *Autorité des marchés financiers* to commence an investigation
06.07.07	Rhodia reiterates its confidence in achieving its objectives
06.11.07	Launch of the reverse shares split
06.20.07	Rhodia strengthens its position in the automotive emissions control market (purchase of Washcoat-Rhodia Silcea)
06.21.07	The *Autorité des marchés financiers* proceedings completed
07.09.07	Rhodia reacts to the voluntary receivership of Nylstar
07.20.07	Rhodia and CNRS improve their partnership
07.31.07	Second quarter 2007 results: strong progress in transactional performance
07.31.07	Rhodia launches a global free allocation of shares to its employees
08.02.07	Rhodia completes the acquisition of Washcoat's alumina division
08.07.07	Rhodia 2007 half year report available
09.07.07	Rhodia notifies New York Stock Exchange of delisting
10.24.07	Rhodia creates the direction Innovation Pierre-Gilles de Gennes
10.26.07	Rhodia Organics announces plans to discontinue the paracetamol activity in its Roussillon site
11.06.07	Third quarter ²007 results: confirming the satisfaction of a good level of the Free Cash Flow generation
11.15.07	Rhodia on the road to sustainable mobility
11.15.07	Rhodia in negotiation with stakeholders
11.16.07	Rhodia inaugurates its diphenols production site in China
11.16.07	Rhodia announces its project to construct new high performance silica plant in China
11.22.06	Rhodia announces global price increases for all product ranges
12.06.07	Rhodia, Adecco and Adia signed the first social accountability chart applicable to the temporary work
12.12.07	Rhodia creates the Rhodia Pierre-Gilles de Gennes Price
12.18.07	Rhodia launches Acetow competitiveness improvement program
02.28.08	Annual profits for 2007
18.03.08	Jean-Pierre Clamadieu appointed Chairman and Chief Executive Officer of Rhodia
19.03.08	Rhodia and Lyondell enter into exclusive negotiations with Perstorp with the view of selling their Isocyanates activities
19.03.08	Rhodia finalizes re-centering of its portfolio and simplifies its organization

LIST OF DOCUMENTS PUBLISHED IN BALO *(BULLETIN DES ANNONCES LÉGALES OBLIGATOIRES)*

February 14, 2007	Periodic publication: Net sales
March 14, 2007	Notice of meeting – Shareholders meeting (notice of meeting)
April 2, 2007	Periodic publication: Annual financial statements
April 6, 2007	Notice of meeting – Shareholders meeting
April 23, 2007	Issuance and listing – French stocks/Shares
April 25, 2007	Notice of meeting – Shareholders meeting (second notice of meeting)
May 14, 2007	Periodic publication – Net sales
May 25, 2007	Other transactions – Reverse share split
May 28, 2007	Periodic publication – Annual financial statements
June 11, 2007	Other transactions – Reverse share split (three notices)
August 1, 2007	Periodic publication – Net sales
August 13, 2007	Periodic publication – Intermediate statements
November 7, 2007	Periodic publication – Net sales
February 29, 2008	Periodic publication – Net sales
March 26, 2008	Notice of meeting – Meeting of shareholders and stockholders

The information above is available on the Company's website (www.rhodia.com), as well as on the official website of the *Autorité des marchés financiers* (www.amf-france.org).

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Information on Shareholdings

See chapter 7.2 above of the present document and Note 35 to the consolidated financial statements dated December 31, 2007, included in chapter 20.3.1.3 of the present reference document.

List of Reports

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Report of the Statutory Auditors, prepared pursuant to article L. 225-235 of the Commercial Code on the report of the Chairman of the Board of Directors of Rhodia S.A., concerning the internal control procedures related to the preparation and use of the financial and accounting information	16.5.2
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General Report of the Statutory Auditors on the annual financial statements dated December 31, 2007	20.3.2.1

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Reconciliation Table

(Referring to the Financial and Management Reports)

The reconciliation table is to identify the chapters of the annual financial report (pursuant to Article L. 451-1-2 of Monetary and Financial Code and Article 222-3 of the General Regulations of the *Autorité des marchés financiers*) and the management report of Rhodia (pursuant to Article L. 225-100 and following of the Commercial Code), incorporated in the present reference document.

The information from Rhodia's annual financial report is set forth in entries 1, 3, 4, 5, 6, 7 and 8 in the table below.

The information from Rhodia's consolidated corporate management report is set forth in entries 1 to 3 in the table below.

	Information	Reference
1	**Company Management Report of the Board of Directors**	**Chapter 20.3.5 of the present reference document**
1.1	Position of the Company's activity during the past year, and if applicable, position of its subsidiaries and affiliates' activity	Chapter 6 and 9 of the present reference document
1.2	Profits of the Company, its subsidiaries, and its affiliates by business sector	Chapter 9 et 20.3 of the present reference document
1.3	Important events between the end of the year and the day the report was created	Chapter 20.9 of the present reference document
1.4	Issues and future prospects	Chapters 6, 9 and 12 of the present reference document t
1.5	Research and Development activities	Chapter 11 of the present reference document
1.6	Analysis of business, profits and financial developments	Chapter 6 and 9 of the present reference document
1.7	Financial performance indicators	Chapter 3 of the present reference document
1.8	Indicators in environment and employee area	Chapter 4, 5.3 and 17 of the present reference document
1.9	Description of main risks and uncertainties	Chapter 4 of the present reference document
1.10	Information on the use of financial instruments and the Company's policy on the management of financial risks	Chapter 4 and 10 of the present reference document
1.11	Employees participation in the share capital	Chapter 18.1 of the present reference document
1.12	Total compensation and any fringe benefits granted to each Director	Chapter 15 and 17.2 of the present reference document
1.13	List of positions and positions exercised by each Director of the Company, corporate governance	Chapter 14 of the present reference document
1.14	Social and environmental impact	Chapter 4.1.2, 4.2.2 and 5.3 of the present reference document
1.15	Information on the Company's policy on the prevention of risks of technological accidents, the Company's ability to cover its civil liability for damages to the goods and persons resulting from certain classified installations, and methods designed to ensure indemnification processes for victims of technological accidents for which the Company is held liable for	Chapter 4 and 5.3 of the present reference document
1.16	Dividends distributed during the past three years	Chapter 20.7 of the present reference document
1.17	Information relating to stock purchase plan	Chapter 21.1.3 of the present reference document

	Information	Reference
1.18	Transactions by the Directors with respect to their own shares	Chapter 14.2.2 of the present reference document
1.19	Calculation and results of the adjustments of the conversion basis or of the exercise of securities giving access to the capital and stock options for subscription to or purchase of the shares	Chapter 17.2.2 of the present reference document
1.20	Acquisitions of shareholdings in companies with their registered office on the French territory and representing more than 1/20, 1/10, 1/5, 1/3, 1/2 or 2/3 of their share capital or voting rights and takeovers of companies with their registered office located on the French territory	Chapter 25 of the present reference document
2	**Summary Table of the Board of Directors' Current Delegation Related to the Capital Increase**	**Chapter 21.1.4 of the present reference document**
3	**Consolidated Group Management Report of the Board of Directors**	**Chapter 9 of the present reference document**
3.1	Business development	Chapter 6 and 9 of the present reference document
3.2	Position of all the consolidated companies	Chapter 6 and 9 of the present reference document
3.3	Foreseeable developments	Chapter 6, 9 and 13 of the present reference document
3.4	Important events between the end of the year and the day the report was drafted	Chapter 20.9 of the present reference document
3.5	Research and Development activities	Chapter 11 of the present reference document
3.6	Description of main risks and uncertainties	Chapter 4 of the present reference document
3.7	Information on the use of financial instruments and the Company's policy on managing financial risks	Chapter 4 of the present reference document
4	**Company Annual Financial Statements**	**Chapter 20.3 of the present reference document**
5	**Consolidated Financial Statements**	**Chapter 20.3 of the present reference document**
6	**Certification by the Person Responsible for the reference document (containing the annual financial report)**	**Chapter 1.2 of the present reference document**
7	**General Report of the Statutory Auditors on the Company Financial Statements**	**Chapter 20.3 of the present reference document**
8	**Statutory Auditors Report on the Consolidated Financial Statements**	**Chapter 20.3 of the present reference document**

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