

Rhodia

Paris – November 9, 2005

**THIRD QUARTER 2005 RESULTS**

**EBITDA increases by 13%**  
**confirming Rhodia's operational recovery**

- **Net sales\* stable like for like at €1,238 million, versus €1,249 million in the third-quarter 2004. This reflects lower volumes in comparison with the strong third quarter 2004.**
- **13% increase in like for like recurring EBITDA\*\* versus the third-quarter 2004 despite the impact of natural gas price increases, our strategy to raise prices, from our restructuring plans and efficient cost control.**

- **Effective cash management drives the reduction in consolidated net debt by €113 million from June 30, 2005 to June 30, 2006.**
- **Continuous refocusing of the Group's portfolio.**
- **Greenhouse gas emission reduction projects in South Korea and Brazil are in the final UNFCCC (UN) approval process.**

**Summary income statement for third-quarter 2005 (unaudited)**

In millions of euros, under IFRS

	<b>Q3 2004</b>	<b>Q3 2004</b>	<b>Q3 2005</b>
	<i>Historical</i>	<i>Restated***</i>	
Net sales*	1,213	1,249	<b>1,238</b>
Recurring EBITDA**	94	92	<b>104</b>
Recurring EBITDA margin	7.7%	7.4%	<b>8.4%</b>
Operating income/(loss)	(32)	(32)	<b>2</b>
Net income /(loss)	(45)	-	<b>(122)</b>

The 2004 and 2005 results of businesses sold or in a process of being sold (mainly sulfuric acid and phosphate operations in Riemstreek, and phosphate operations in Riemstreek).

*“Rhodia’s operational recovery is now well underway,” says Chief Executive Officer Jean-Pierre Clamadieu. “Our asset plans are continuing to deliver benefits and enabling us to improve our margins. For the first 9 months of the year, the results are in line with the same period in 2004.”*

*“We can confirm that 2005 will see a substantial increase in our recurring EBITDA compared with 2004, with improved financial performance.”*

*\*Excluding services and other revenues*

*\*\*Before restructuring costs, amortizations and other gains and losses*

*\*\*\* At constant scope and currency conversion*

➤ **Improved operating performance**

In a quarter traditionally impacted by seasonal swings, **net sales\*** held firm at €1,238 million like-for-like, versus €1,249 million in the prior period, despite a slight 3.4% decline in volumes in comparison with an especially strong third-quarter 2004. For the fifth straight quarter, price increases applied across all businesses (up 4.9%), which more than offset higher raw materials costs.

With gross savings of €27 million (before inflation) for the quarter, the Group is on track to meet its objective of reducing fixed costs by 10% over the next three years.

**Recurring EBITDA\*\*** rose by 13% to €104 million like for like for the period. The impact of Hurricane Katrina and other natural disasters is estimated at €10 million for the period, with a similar impact expected in the last quarter of this year. The **recurring EBITDA** margin rose to 8.4% versus 7.4% for the same quarter in 2004.

**Operating income** amounted to €2 million, versus an operating loss of €32 million in third-quarter 2004, primarily reflecting the impact of the above-mentioned items.

**Net financial expenses** amounted to €78 million, versus €41 million in the prior-year period. It included €59 million of foreign exchange losses (versus €18 million in unrealized exchange gains in third-quarter 2004).

**Net Income** amounted to a loss of €122 million, versus a loss of €45 million in third-quarter 2004. Discontinued operations contributed to a loss of €53 million a year earlier due to capital gains on disposals.

➤ **Net debt reduced by €113 million thanks to efficient cash management**

**Capital expenditure** totaled €77 million in the third quarter. The **Working capital** requirements were reduced by €120 million. The **working capital** requirement to net sales continued to improve, decreasing to 13.9% from 16.6% in third-quarter 2004.

**Free cash flow**<sup>\*\*\*</sup> amounted to €101 million for the quarter.

**Consolidated net debt** totaled €2,533 million, a €113 million decrease on June 30, 2005.

➤ **Continued focusing of the business portfolio**

A number of divestments were announced in the third quarter, including the sale of the sulfuric acid and phosphates production units in China. Rhodia has signed a new letter of intent covering the sale to the RadiciGroup of its interest in the European textile finishing units. This transaction should be finalized in the coming months. In addition, progress is being made in finding a long-term solution for the European textile finishing units.

➤ **A major step forward in the reduction of greenhouse gas emissions**

In the third quarter, two projects launched under the Kyoto Protocol's Clean Development Mechanism to reduce greenhouse gas emissions from the Paulinia (Brazil) plants were approved by those countries' governments. These decisive steps in the approval process have been taken by the United Nations Framework Convention on Climate Change, which is responsible for granting final approval and issuing CERs. These projects would allow Rhodia to trade on the emissions credit market 11 to 13 million tonnes of CERs per year, starting in 2008.

*\*Excluding services and other revenues*

*\*\*Before restructuring costs, amortizations and other gains and losses*

*\*\*\* Defined as "net cash provided by operating activities" minus "additions to property-plant and equipment" and minus "other capital investments"*

## ➤ **Outlook**

Rhodia confirms its 2006 objectives, under IFRS:

- A recurring EBITDA margin of at least 13%,

- A return to profit in 2006,
- A ratio of consolidated net debt to EBITDA of less than 3.5.

**Rhodia** is a global specialty chemicals company recognized for its strong technology positions in applications chemistry, specialty materials, and specialty polymers. **Rhodia** is a global leader in specialty chemicals, with a strong presence in the automotive, electronics, fibers, pharmaceuticals, agrochemicals, consumer care, tires and paints & coatings markets, **Rhodia** and technologies to respond to customers' needs. **Rhodia** subscribes to the principles of Sustainable Development communicating its values and commitments. **Rhodia** generated net sales of €5.3 billion in 2004 and employs around 20,000 people worldwide. **Rhodia** is listed on the Paris and New York stock exchanges.

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### **Cautionary Note Regarding Forward-Looking Statements**

Certain of the statements contained in this press release that are not historical facts, are statements of future expectations and other forward-looking statements. These involve known and unknown risks and uncertainties that could cause our actual results, performance or events to differ materially from those anticipated by such statements. F

- changes in the competitive and regulatory framework in which we operate, in particular increased competition in
- changes in raw material prices, in particular the price of oil and oil derivatives;
- changes in interest rates and currency exchange rates in currencies other than the euro, principally in U.S. dolla
- our ability to successfully conclude divestitures and restructuring transactions on a timely basis and terms that a
- our ability to introduce new products and to continue to develop our production process;
- customers and market concentration;
- risks and uncertainties attendant to doing business in numerous countries that may be exposed to, or may  
instability;



- changes in economic or technological trends;
- potential environmental claims, costs, liabilities or other obligations;
- If we are unsuccessful in obtaining tradable credits (CDM certificates) under the Clean Development Mechanism, CDM processes and markets are new and are subject to risks, some of which may not yet be known;
- And general competitive and market factors on a global, regional and/or national basis.

Additional factors that might cause our future actual results to differ materially from our recent results or those projected in the forward-looking statements are set forth in our filings with the United States Securities and Exchange Commission (SEC) on May 5, 2005, as updated in our submissions to the SEC from time to time. We assume no obligation to

3<sup>rd</sup> Quarter, 2005

CONSOLIDATED INCOME STATEMENT

(IFRS)

(M€)	Q3 2004	YTD 30/09/04	Q3 2005	YTD 30/09/05
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SALES	1 213	3 570	1 238	3 831
Services & Other Revenues	87	325	85	330

EBITDA (recurring)	94	344	104	410
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Restructuring Costs excluding depreciation	-23	-96	-16	-44
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Other operating income and expenses	0	1	4	-12
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Operating Income	-32	- 45	2	- 12
Net Financial Expenses	-41	-213	-78	-289
Income Tax	-21	-60	-4	-41
Equity earnings in affiliates	1	-1		
Discontinued operations	53	244	-39	-49
Minority Interests	-5	-7	-1	
Net Income	-45	-75	-122	-391
EPS (euro) *	- 0.14	-0.20	- 0.19	-0.62

\* calculated on a 314 776 294 shares basis as of the Sept. 30, 2004 and 627 582 158 shares as of the Sept. 30, 2005

**SIMPLIFIED CONSOLIDATED BALANCE SHEET**

(IFRS)

	31 June 05	30 Sept. 05
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(M€)

Long term Assets	2 923	2 856
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Net Current Assets	830	644
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Total Net Assets	3 753	3 500
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Shareholders' Equity*	-685	-780
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Current & Long Term Liabilities	1 792	1 747
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Consolidated Net Debt	2 646	2 533
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Total Net Liabilities	3 753	3 500
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*\*Minority Interests included*

(M€)	Q3 2004	Q3 2004	Q3 2005	%
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restated\*

RHODIA (consolidated)		(A)	(B)	(B) / (A) -1
Sales	1 213	1249	1 238	-0.9 %
Services & other revenues	87	87	85	
EBITDA (recurring)	94	92	104	13.1 %
EBITDA margin on Sales	7.7 %	7.4 %	8.4 %	
EBIT	-32	-32	2	

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Sales	230	222	226	1.5 %
EBITDA (recurring)		23	22	-5.8 %
EBITDA margin on Sales		10.2 %	9.5 %	

<b>SILCEA</b>				
Sales	182	182	204	11.8 %
EBITDA (recurring)		14	24	73.7 %
EBITDA margin on Sales		7.5 %	11.3 %	

<b>COATIS</b>				
Sales	123	137	137	0.0 %
EBITDA (recurring)		-5	-3	-42.4 %
EBITDA margin on Sales		-3.8 %	-2.2 %	

<b>POLYAMIDE</b>				
Sales	400	435	408	-6.2 %
EBITDA (recurring)		45	46	1.6 %
EBITDA margin on Sales		10.4 %	11.3 %	

<b>ACETOW</b>				
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Sales	104	110	104	-5.9 %
EBITDA (recurring)		27	26	-4.7 %
EBITDA margin on Sales		24.6 %	24.9 %	

\* Restated : same perimeter and exchange rate (conversion)

<b>ECO SERVICES</b>				
Sales	54	54	56	2.7 %
EBITDA (recurring)		17	18	3.1 %
EBITDA margin on Sales		31.6 %	31.7 %	

<b>ORGANICS</b>				
Sales	84	85	78	-8.6 %
EBITDA (recurring)		-1	5	495.8 %
EBITDA margin on Sales		-1.5 %	6.3 %	

<b>RPS</b>				
Sales	52	52	52	0.5 %

EBITDA (recurring)		-7	-8	16.1 %
EBITDA margin on Sales		-12.6 %	-14.5 %	

<b>CORPORATE &amp; DIVERS</b>				
Autres chiffres d'affaires net des éliminations des chiffres d'affaires inter- entreprises	-17	-27	-25	-10.8 %
EBITDA (recurring)		-21	-26	20.4 %