

2003: Rhodia changes direction

February 13, 2004



Rhodia's key challenges

- Portfolio diversity with identified underperforming assets
- High leverage
- Organization and work processes too complex
- Unfavorable business conditions
 - Foreign exchange rate
 - Exposure to raw material costs

Action Plan

Short Term
<ul style="list-style-type: none">• Comprehensive refinancing plan to secure medium-term liquidity• Corporate restructuring and cost reduction to create a lean, agile and efficient organization• Significant asset divestitures to focus portfolio and reduce debt
Long Term
<ul style="list-style-type: none">• Adherence to value-creating strategic plan• Management accountability to stay focused and deliver results

Deteriorated financials...

Requiring an aggressive recovery
plan already well underway...

Enabling a strategic plan aimed
at sustainable profitability & growth

- Operational losses
- Long term assets value revisited
- Limited increase in total net debt

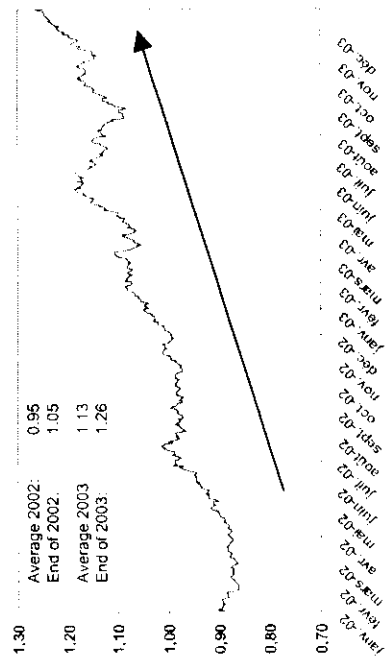
Key financial highlights

(€m French GAAP)		FY 2002	FY 2003
Sales		6,617	5,453
EBITDA (before restructuring costs)		823	435
EBITDA margin		12.4%	8.0%
EBITDA (after restructuring costs)		798	364
EBITDA margin		12.1%	6.7%
EBIT		351	-159
Net profit / loss		-4	-1,351
Net debt (excluding off B/S and leases)		2,133	2,292*
Total net debt		3,209	3,240

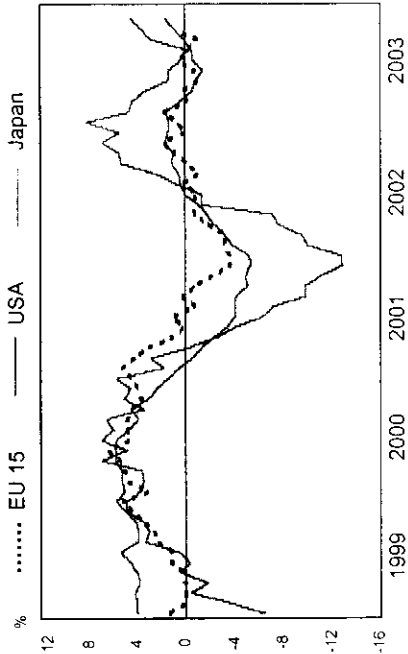
* €2,567m including €275m impact of leases

2003 - a combination of three major negative factors

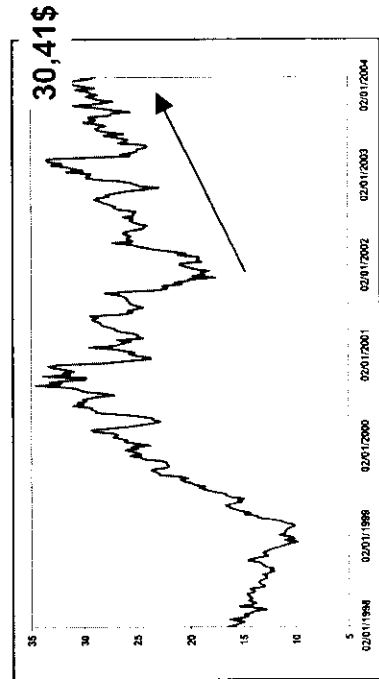
Exchange rate € / US dollar



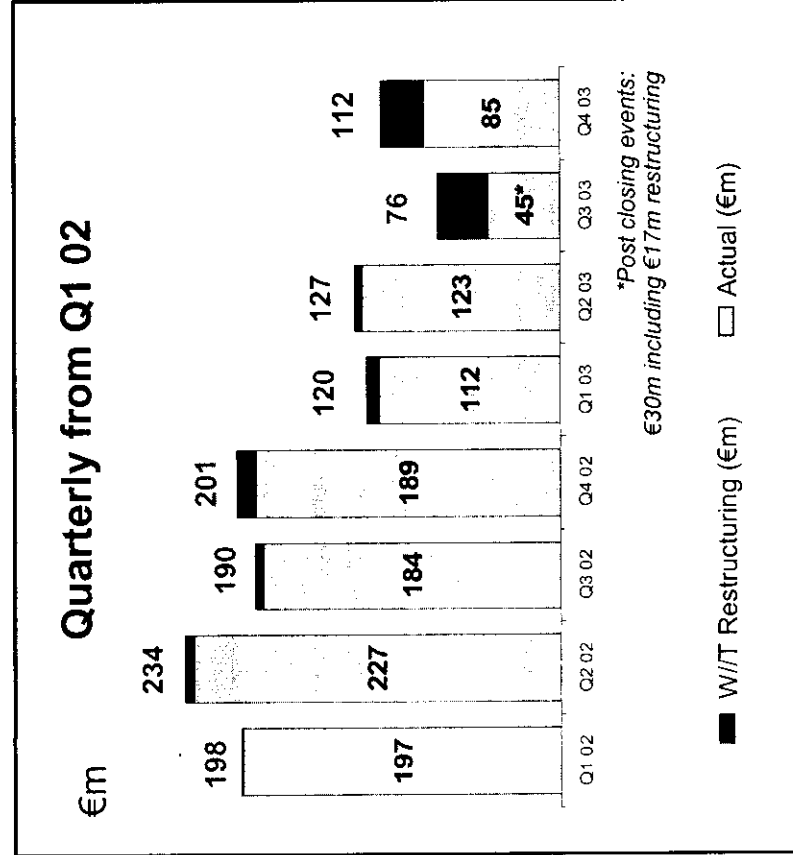
US, EU and Japan Industrial production



Oil - Brent since 1988 (US \$)



Quarterly EBITDA degradation vs 2002



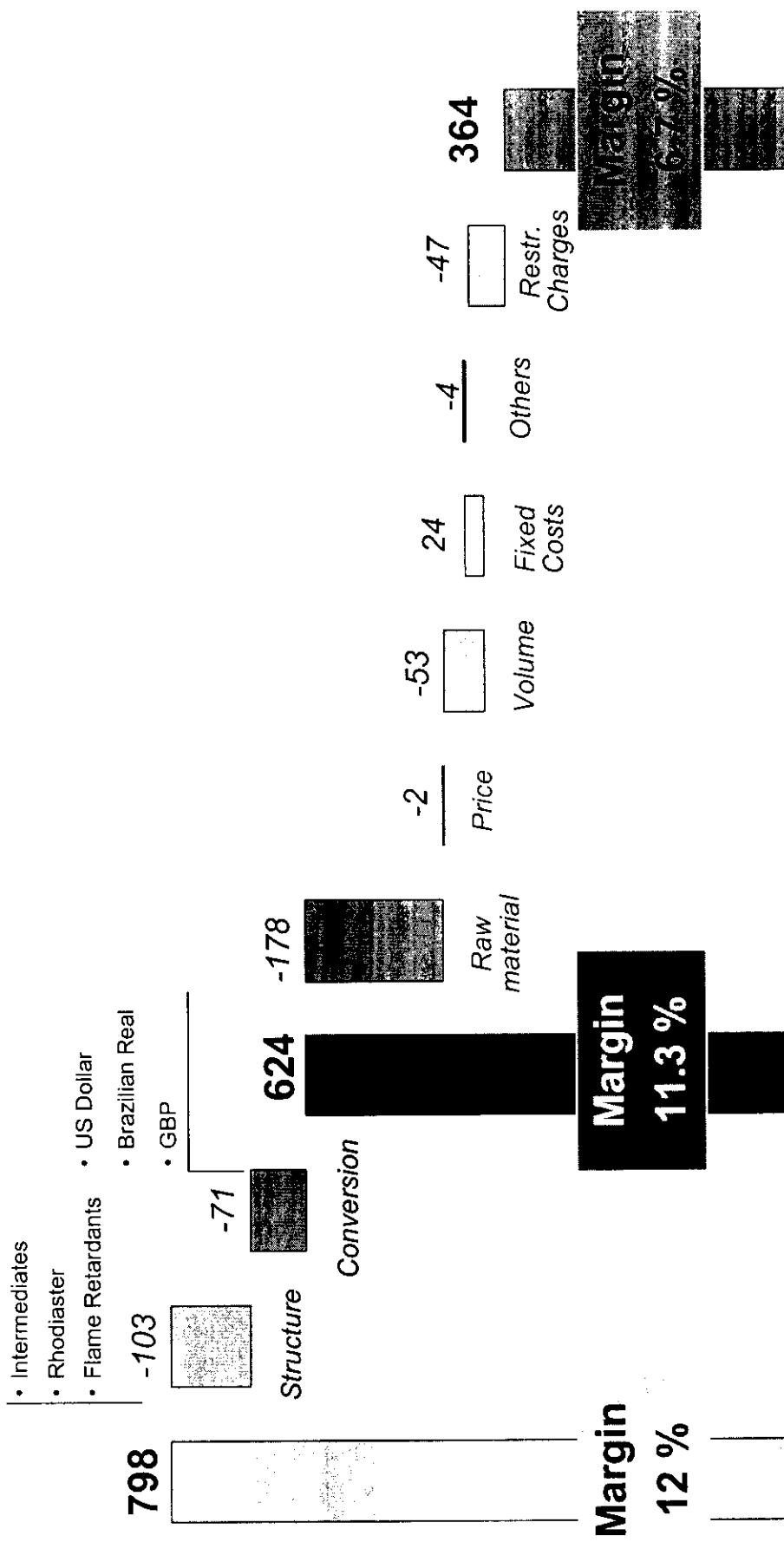
Margin by Division

In EBITDA margin points
(before restructuring) on sales

	2002	2003
Pharma & Agro	11.2%	3.1%
Consume Care & Food	14.5%	12.2%
Industrial Care & Services	14.5%	11.1%
Automotive, Electronics & Fibers	14.4%	9.3%

Rhodia's 2003 full year EBITDA

€m



2003
EBITDA

2002
Restated

Rhodia

Divisional variance analysis EBITDA

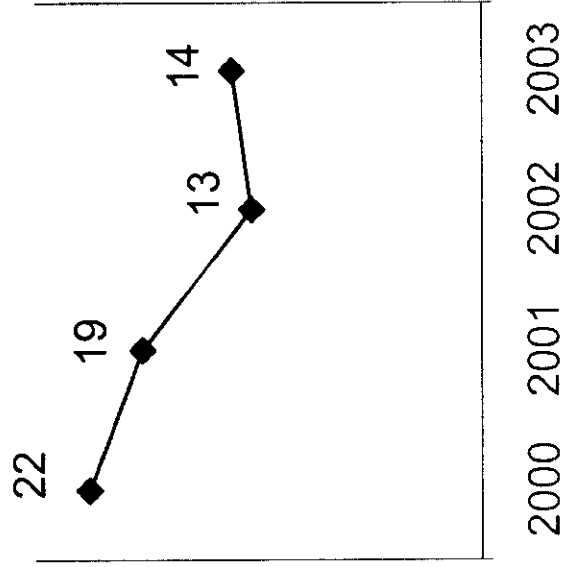
€m

	2002 Hist.	2002 Rest.	Raw material	Price	Volume & mix	Fixed costs	Restruct.	2003
Rhodia	798	624	-178	-2	-53	24	-47	364
<i>Pharma & Agro</i>	128	78	-30	9	-53	13	-	17
<i>Consumer Care & Food</i>	334	286	-36	-39	24	16	-18	235
<i>Industrial Care & Services</i>	203	173	-68	32	11	-14	-	134
<i>Automotive, Electr. & Fibers</i>	215	202	-36	-7	-36	4	-6	121

Rhodia

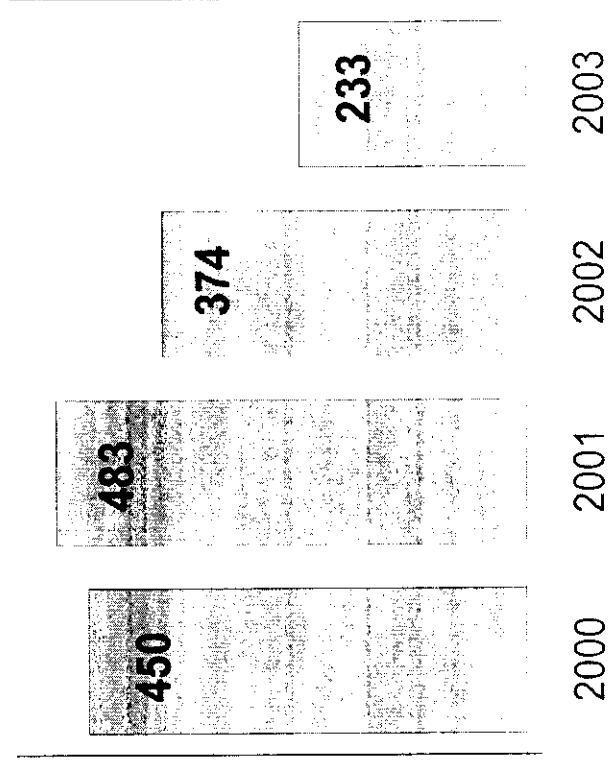
Operating working capital and CAPEX under control

**Operating
Working capital**
(end of period - %)



◆ — % of sales

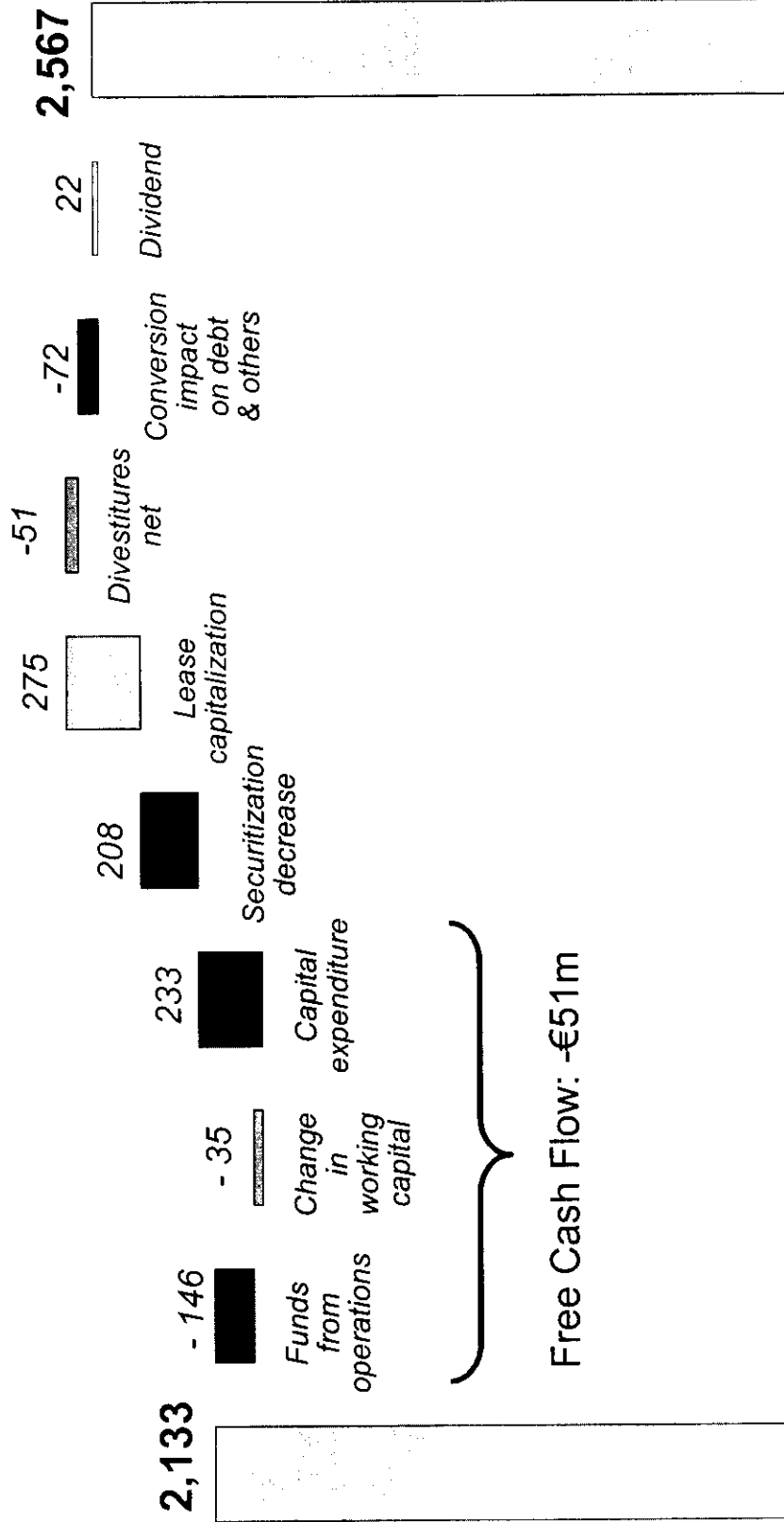
Capital expenditure



Rhodia

Increase in net debt due to reduced sales of receivables and lease capitalization

€m



2002

Net Debt



2003

Net Debt

A stable total net debt including off-balance sheet

€m	31/12/2002	31/12/2003
Net debt	2,133	2,567
Securitization Trade Receivables (cash impact)	531	378
Securitization Other Receivables (cash impact)	90	35
Financial debt in equity affiliates* of which guaranteed amount	392 171	333 146
Guarantees other affiliates	26	27
Leasing (future rents)	258	87
Total net debt	3,209	3,240

Rhodia

* Portion attributable to Rhodia

€m (French GAAP)

Rhodia

Net debt breakdown

€m

	As of Sept. 30, 2003	As of Dec. 30, 2003
Bonds	2,062	2,028
EMTN	800	800
High yield	1,002	963
Other bonds	11	35
US private placement	249	230
Drawn bank debt & others	1,174	1,030
Total debt (excluding leases)	3,236	3,058
Cash and cash equivalents	1,104	766
Net debt (excluding leases)	2,133	2,292
Leases	-	275
Net debt	2,133	2,567

Rhodia

Liquidity situation as of December 31, 2003

Overview of sources of financing

	Amount	Comments
Net debt (excl. leases)	€2.3bn	<ul style="list-style-type: none"> • vs. €2.1bn at December 31, 2002
Public bonds	€1.8bn	<ul style="list-style-type: none"> • €800m EMTN (maturing 2005 & 2006) • €1bn high yield bonds (maturing 2010 & 2011) • No maintenance financial covenants
Bank lines	€1.0bn	<ul style="list-style-type: none"> • Relaxed financial covenants • c. €1bn maintained until end of June 2004
US private placement	€230m	<ul style="list-style-type: none"> • Agreement reached with holders • 50% to be reimbursed in February 2004, and 50% in June 2004

**Existing bank lines
will be replaced by a €758m
medium-term facility**

Full year P&L statement

Poor economics leading to significant long term assets value adjustment

€m (French GAAP)	2002 Hist.	2003
Sales	6,617	5,453
EBITDA	798	364
EBIT (excl. Goodwill Amortization)	351	-159
Equity earnings in affiliates (net of income tax)	-38	-95
Interest expenses - net	-124	-250
Other gains and losses	-71	-98
Provision for income tax	-66	-142
Goodwill amortization	-47	-602
Minorities	-9	-5
Net Income after Goodwill Amortization	-4	-1,351
Net Income before Goodwill Amortization	43	-749
EPS (€) after GW Amortization	-0.02	-7.53

2003: Rhodia changes direction

Deteriorated financials...

Requiring an aggressive recovery
plan already well underway...

Enabling a strategic plan aimed
at sustainable profitability & growth



Aggressive implementation of action plans announced in October 2003

Strengthen

Medium-term financial resources

OBJECTIVES

Secure medium-term liquidity

ACHIEVEMENTS AS OF FEB 13

- ✓ Secured Coordination Agreement signed
- ✓ USPP reimbursement agreed

Streamline

Corporate structure

- Simplify organization
- Reduce cost

- ✓ New organization as of Nov 2003
- ✓ SG&A restructuring plan launched
- ✓ Framework agreement with French Trade Unions

Refocus

Divestiture portfolio

€700m of divestiture proceeds in 2004

- ✓ Food additives: exclusive negotiation agreement signed
- ✓ Specialty Phosphates: divestiture underway

Rhodia

Secure medium term financial resources

- Existing credit lines representing €970m maintained until end of June 2004
- €758m medium-term syndicated secured credit line
- Rights issue during H1 2004
- Additional refinancing options explored

Streamline the organization and reduce cost

- **A simplified organization**
 - Reduction of number of Enterprises from 17 to 9
 - Key people named
- **An aggressive SG&A cost reduction plan**
 - Target confirmed of €165m by 2006 :
-20% Vs 2003
 - Timetable under control
 - Information/consultation done
 - Framework agreement with French Trade Unions

**Target confirmed
€40m savings in 2004**

- **An industrial cost reduction plan**
 - Target confirmed of €80m by 2006
 - 1st step PPA restructuring plan announcement
 - Next steps during H1 04

**Target confirmed
€10m savings in 2004**

Refocus business portfolio

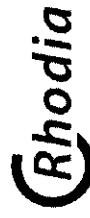
- Exclusive negotiation agreement signed with Danisco for Rhodia's Food additives business. Closing in Q2.
- Specialty Phosphates divestiture underway. Strong interest shown by both strategic players and financial sponsors.
- Target of generating €700m proceeds at an EV/EBITDA multiple of at least 7 confirmed.

2003 Rhodia changes direction

Deteriorated financials...

Requiring an aggressive recovery
plan already well underway...

Enabling a strategic plan aimed
at sustainable profitability & growth



Managing for profitable growth

- Strong commitment to create value for shareholders
- Portfolio based on select technologies with strong, sustainable competitive positions
- Prioritize development in China
- Management accountability to stay focused and deliver results

Operating and financial targets

Short term (2004)

Cost savings: €103m

Divestitures: €700m ($\geq 7 \times$ Ebitda)

Complete financial fix

Medium term

Positive net result by 2006*

* At current exchange rate and oil price

Two strategic pillars for sustainable growth

Applications Chemistry*

2003 Sales: €2.2bn

2003 EBITDA/sales: 8.8%

2003 EBITDA-Capex: €63m

ENTERPRISES

- Performance Products for Multifunctional Coatings (PPMC)
- Home, Personal Care & Industrial Ingredients (HPCI)
- Rare Earths, Silicones and Silica Systems (RE3S)
- Phosphorus & Performance Derivatives

KEY SUCCESS FACTORS

- Formulation know-how
- Market knowledge/ customer partnership
- Technologies and Markets cross-fertilization
- Innovation pipeline

Strategic intent

Development and Growth

Specialty Materials and Services

2003 Sales: €2bn

2003 EBITDA/sales: 15.7%

2003 EBITDA-Capex: €227m

ENTERPRISES

- Acetow
- Eco Services
- Polyamide

KEY SUCCESS FACTORS

- Cost competitiveness
- High rate of capacity utilization
- Very focused markets and customers
- Long-term commercial relationships

Reliable cash generation

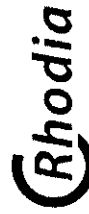
Rhodia

* Proforma after Food additives and Specialty Phosphates divestitures

Applications Chemistry: focus on profitable growth

- **Competitive technologies drive value:**
 - Specialty Surfactants *Eg: Car wash polymer*
 - Polyurethane Coating Systems *Eg: Car top coat and car refinish*
 - Silicas Systems *Eg: Tyres high performance silica*
 - Phosphorus Derivatives *Eg: Oil field drilling fluids*
- **4 key markets served:** Consumer, Paints, Automotive, Tyres.
- **Main characteristics:**
 - Limited capital intensity (less than 0.7 in average).
 - Moderate cyclicity/ limited impact of oil price.
 - Significant part of production in dollar zone.
 - Customer-oriented.
- **Margins and growth secured by innovation:**
 - Moving from molecules to solutions combining original functional molecules and technologies from Rhodia and its partners.
 - Bridging chemistry with our partners' technologies.

Selective allocation of resources (market segments, innovation projects)
Focus on growth areas (customers, regions)



Specialty Materials and Services: focus on cash generation

- **Highly competitive technology position drives sustainable free cash flow:**
 - * Polyamide
 - * Sulfuric Acid Regeneration
 - * Filter Tow
- **4 key markets served:** Advanced Fiber, Automotive, Tyres, Consumer
- **Main characteristics:**
 - **Two consistent cash generating activities: Eco Services and Acetow**
Market leadership position with best available technologies
 - **A solid and significant cash contributor: Polyamide**
 - A repositioning in the making
 - Capital required already invested (Available intermediates capacity sufficient for 5 years)
 - Integration as a key success factor (Asia key target)
Turnaround fibers (Nylstar, carpet...)

Rhodia

Reliable cash generation

Fine Chemistry: focus on restructuring and repositioning

- **Pharma Solutions**

- Attractive range of technologies
 - Specific Intermediates
 - Chirality
- Turnaround based on:
 - A more efficient leaner organization
 - Portfolio opportunities creating a sustainable pipeline
 - Helped by the industry recovery in 2006
- Limited capex needs going forward

- **Perfumery, Performance and Agro**

- Capitalize on the global integrated diphenols chain and turn it into a cash generator.
- Restructure the agro synthesis business hurt by Chinese and Indian competition (portfolio pruning, facilities restructuring...)

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Fine Chemistry

2003 Sales: €0.6bn

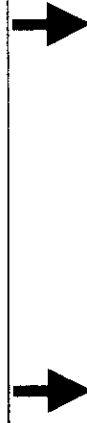
2003 EBITDA: -0.5%

2003 EBITDA-Capex: €-34m

KEY SUCCESS FACTORS

- Multi-step synthesis competence
- Fine organic technology toolbox
- cGMP manufacturing
- Development Services
- Product-trees synergies

A turn-around strategy



Applications
Chemistry

Specialty
Materials
and Services

China development

**Capture domestic demand and develop low cost production
based on the fastest growing market for chemicals**

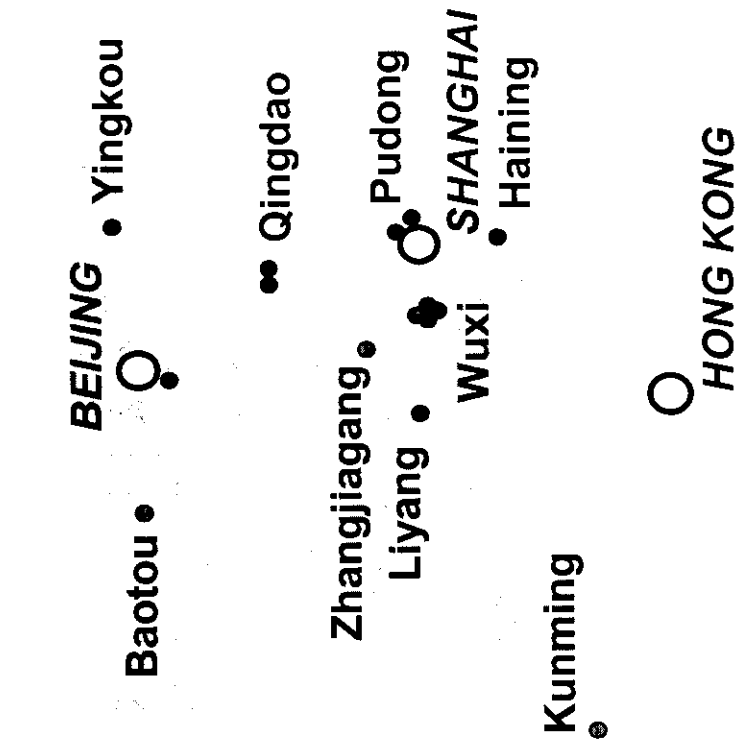
- Domestic market growth
 - Beijing
 - Surfactants (HPCII)
 - Wu-Xi
 - Surfactants (HPCII)
 - Wu-Xi
 - Galacol (PP&A)
 - Wu-Xi
 - IBCH (PP&A)
 - Haining
 - Vanillin (PP&A)
 - Qingdao
 - Silica (RE3S)
 - Shanghai
 - Silicones (RE3S)
 - Pudong
 - Engineering Plastics (Polyam)
 - Qing-Dao
 - Textile Yarns (Polyam)
 - Yingkou
 - Textile Yarns (Polyam)
- Low cost sourcing for worldwide sales
 - Bao-Tou
 - Rare Earths (RE3S)
 - Li-Yang
 - Rare Earths (RE3S)
 - Kunming
 - Phosphorus (PP&F)
 - Zhangjiagang
 - Phosphorus Derivatives (PP&F)
 - Wu-Xi
 - Paracetamol (RPS)

Rhodia sales 2003: €295m*

Employees: 1 638
including JV: 3 438

*Domestic and export

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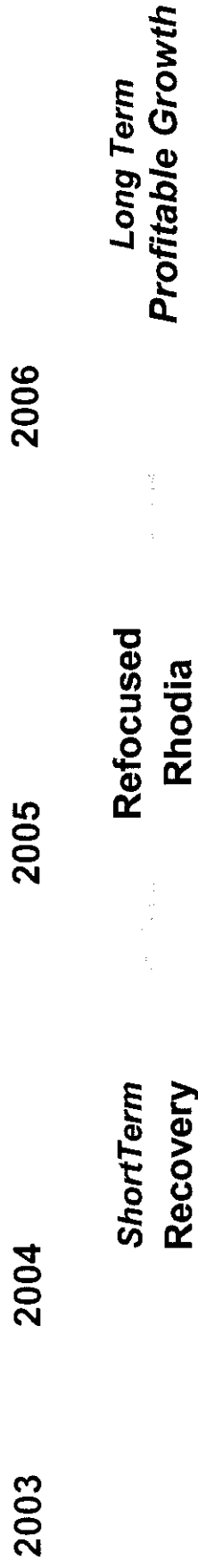
Medium Term Objectives

10%

of Rhodia's sales (x 2.5 vs 2003)

Profitability in line with Group profitability

A lighter, stronger and refocused Rhodia



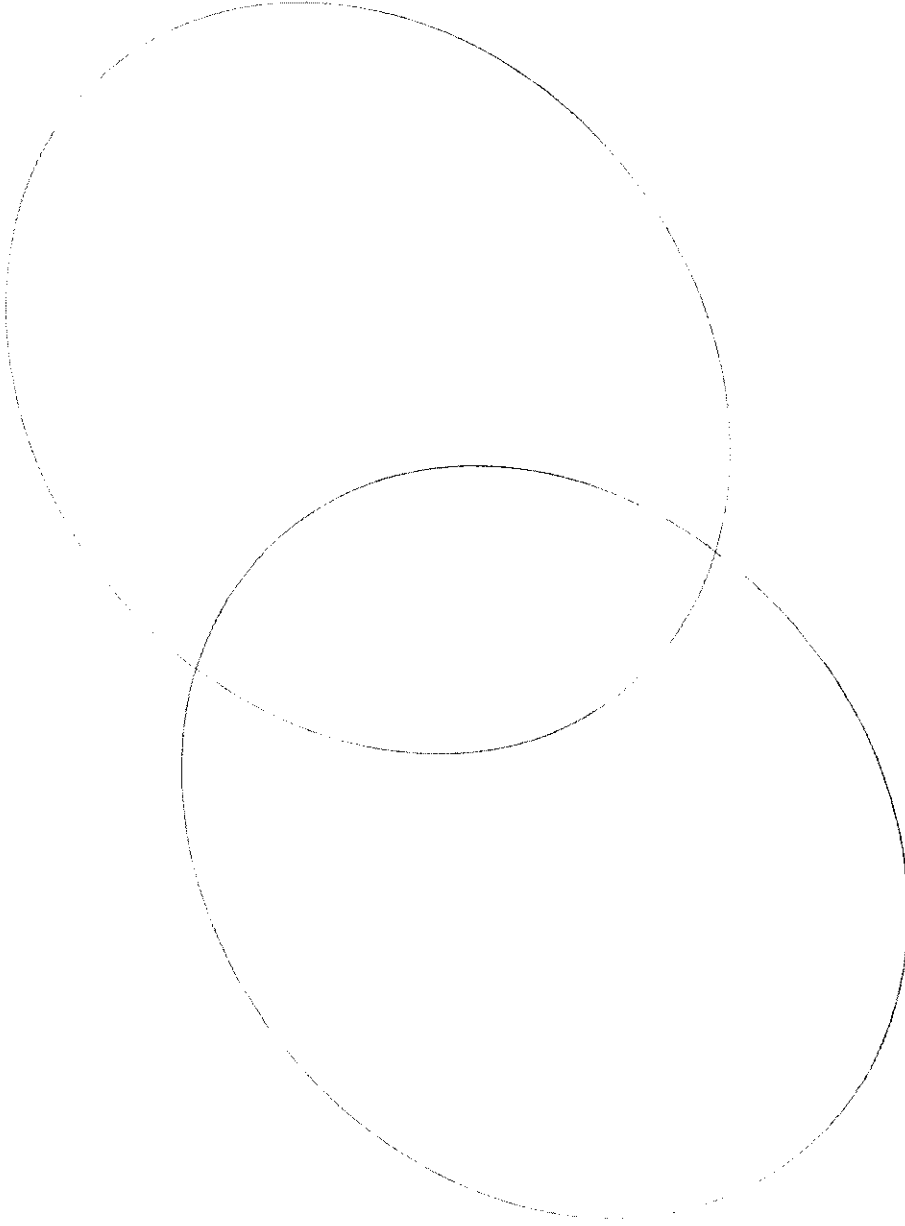
- A 2006 focused and balanced business portfolio allowing us to:
 - Develop Applications Chemistry as a growth platform
 - Sustain the Group's development through Speciality Materials & Services' sustainable cash generation
 - Capitalize on a turnaround in Fine Chemistry



**A lighter and refocused Rhodia
with a sound financial structure**

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

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



Backup

February 13, 2004



Yearly analysis of sales variance

€m	2002 Hist.	Structure %	Conversion %	2002 Restated	Volume + mix %	Price %	2003
<i>Rhodia</i>	6,617	-8.8	-7.8	5,520	-1.2	0	5,453
<i>Agro & Pharma</i>	1,213	-20.27	-6.8	879	-10.1	+1.1	800
<i>Consumer Care & Food</i>	2,325	+0.4	-10.7	2,086	-2.2	-2.0	2,092
<i>Industrial Care & Services</i>	1,483	-7.5	-7.9	1,254	+1.6	+2.8	1,310
<i>Auto, Electro & Fibers</i>	1,502	-0.8	-5.3	1,411	-1.3	-0.5	1,386

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Goodwill and other long term assets impairment

€m	Goodwill	Intangible	Tangible Assets	Total
Chirex	232	-	31	263
A&W	289	18	48	355
Nylstar	-	27	-	27
Taxes & Others	25	193	11	229
Total	546	238	90	875

Q3 P&L Statement

Published Oct. 30

Published Feb. 13

€m (French GAAP)

	Q3 2003	Q3 2003* restatement	Q3 2003 restated
Sales	1,299	-	1,299
EBITDA (before restructuring)	89	-13	76
EBITDA	75	-30	45
EBIT (excl. Goodwill Amortization)	-24	-140	-164
Equity earnings in affiliates (net of income tax)	-13	-27	-40
Interest expense-net	-36	-9	-45
Other gains and losses	-16	-40	-53
Provision for income tax	-3	-167	-170
Goodwill amortization	-10	-546	-556
Minorities	-1	0	-1
Net Income after Goodwill Amortization	-99	-929	-1028
Net Income before Goodwill Amortization	-89	-383	-472
EPS (€)	-0.55	-	-5.74

Rhodia

* Q4 closing events recorded in Q3 as Post closing events

Q3 2003 by Division, post closing events reconciliation

€m	Q3 Published October 30, 2003			Q3 Published February 13, 2004		
	EBITDA before restructuring	Restructuring	EBITDA after restructuring	EBITDA before restructuring	Restructuring	EBITDA after restructuring
<i>Rhodia</i>	89	-14	75	76	-31	45
<i>Pharma & Agro</i>	1	-3	-2	-12	-5	-17
<i>Consumer Care & Food</i>	63	-3	60	63	-15	48
<i>Industrial Care & Services</i>	37	-3	34	37	-5	32
<i>Automobile, Electronics & Fibers</i>	10	-4	6	10	-4	6
<i>Other</i>	-22	-1	-23	-22	-2	-24

Rhodia

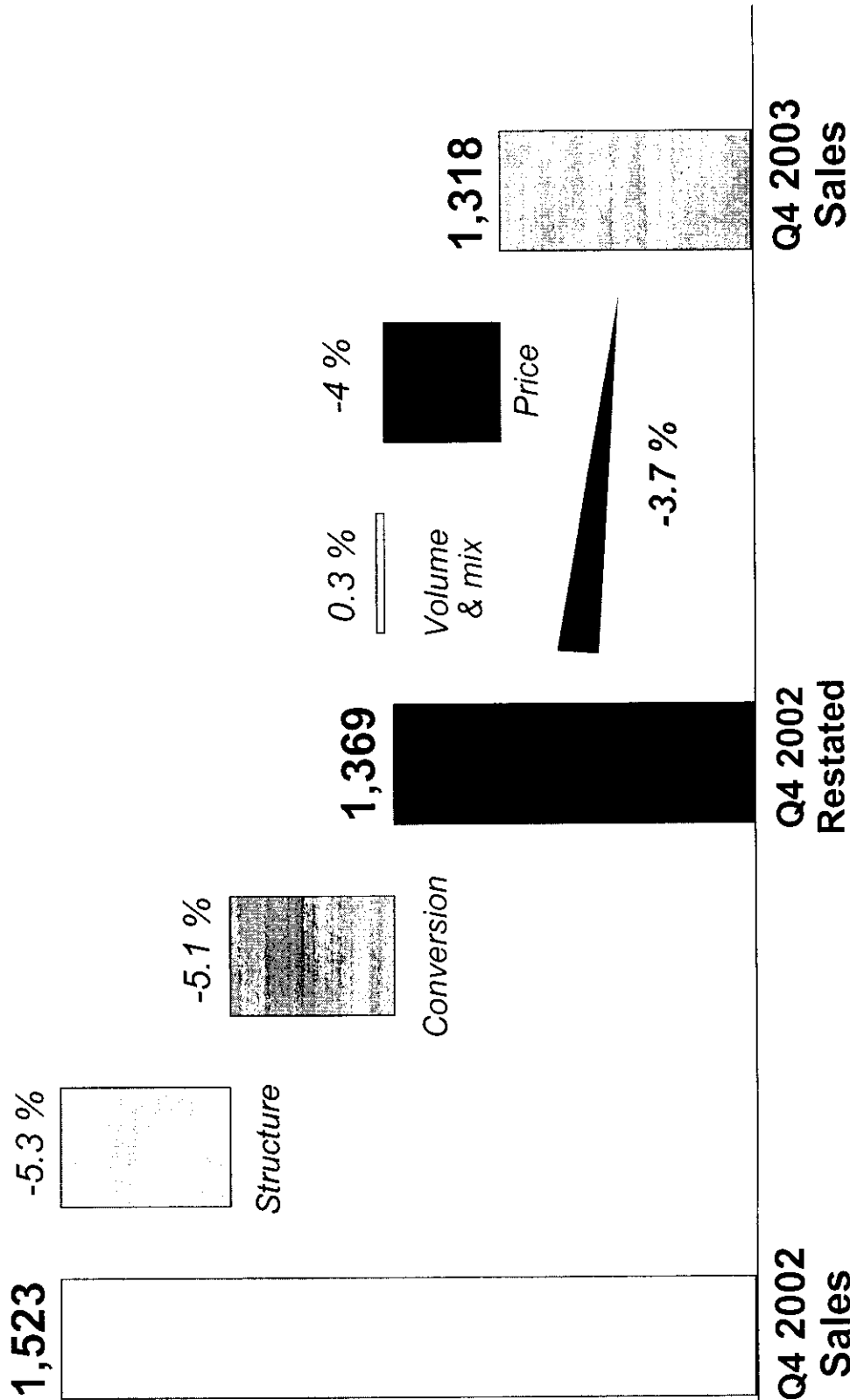
Q4 P&L Statement

€m (French GAAP)

	Q4 2002 Hist.	Q4 2003
Sales	1,528	1,318
EBITDA	189	85
EBIT (excl. Goodwill Amortization)	81	-17
Equity earnings in affiliates (net of income tax)	-9	-17
Interest expense-net	-18	-141
Other gains and losses	-1	-33
Provision for income tax	-25	41
Goodwill amortization	-9	-5
Minorities	-	-1
Net Income after Goodwill Amortization	19	-172
Net Income before Goodwill Amortization	28	-168
EPS (€)	0.11	0.94

Q4 2003: a significant decrease vs Q4 2002

€m



Rhodia

Q4 2003 Vs Q4 2002

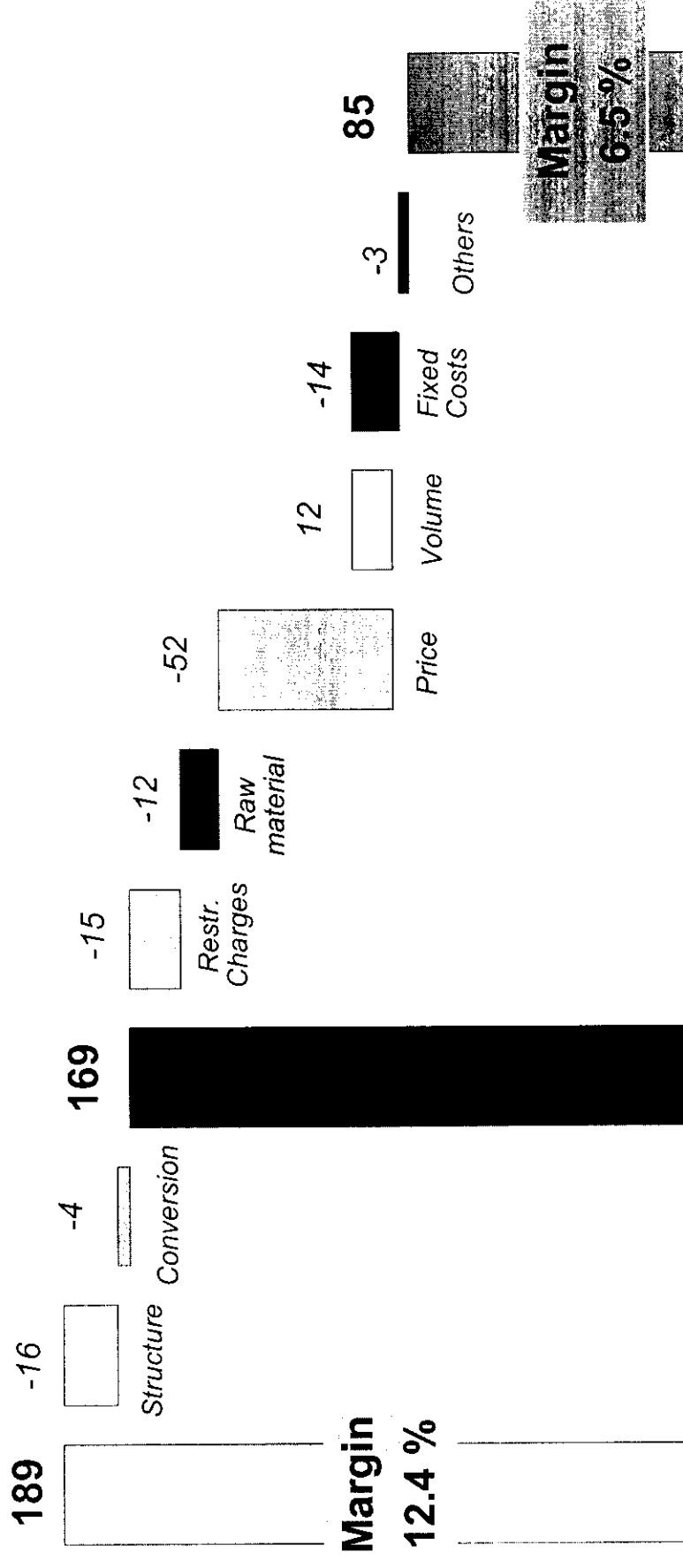
Quarterly analysis of sales variance

€m	Q4 02	Perimeter %	Conversion %	Q4 02 Restr.	Volume %	Price %	Q4 03
Rhodia	1,528	-5.3	-5.1	1,369	+0.3	-4.0	1,318
Agro & Pharma	310	-20.6	-3.7	235	-8.4	-7.4	198
Consumer Care & Food	538	-0.7	-9.0	485	+3.4	-2.8	489
Industrial Care & Services	336	-4.6	-4.5	305	+2.4	-0.5	311
Auto, Electro & Fibers	378	0.0	-1.4	373	+1.8	-6.3	356

Rhodia

2003 Q4 EBITDA

€m



Q4 2002
EBITDA

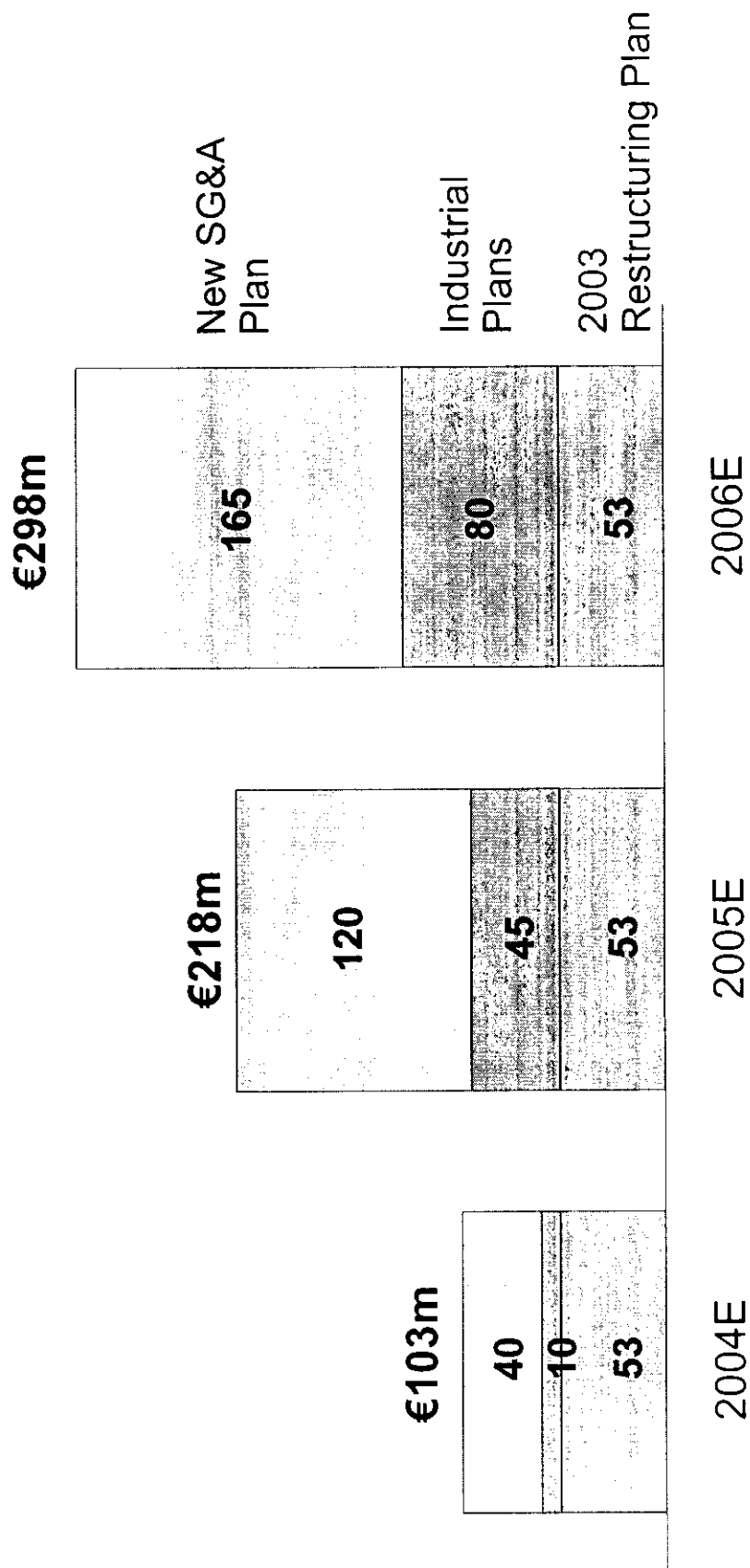
Q4 2002
Restated

Q4 2003
EBITDA



Streamline

Cumulative savings
from launched restructuring plans



Consumer Care & Food division

- **HPCII:**

A difficult position in STPP and adverse condition in the personal care market combined with delayed innovation

- **Food:**

Resistance in competitive environment

- **Specialty Phosphates:**

Severe raw material increase while insufficient market power to get successful price increase before 03 Year End

- **Phosphorus and Performance Derivatives:**

Growth in volume despite Flame retardant divestiture

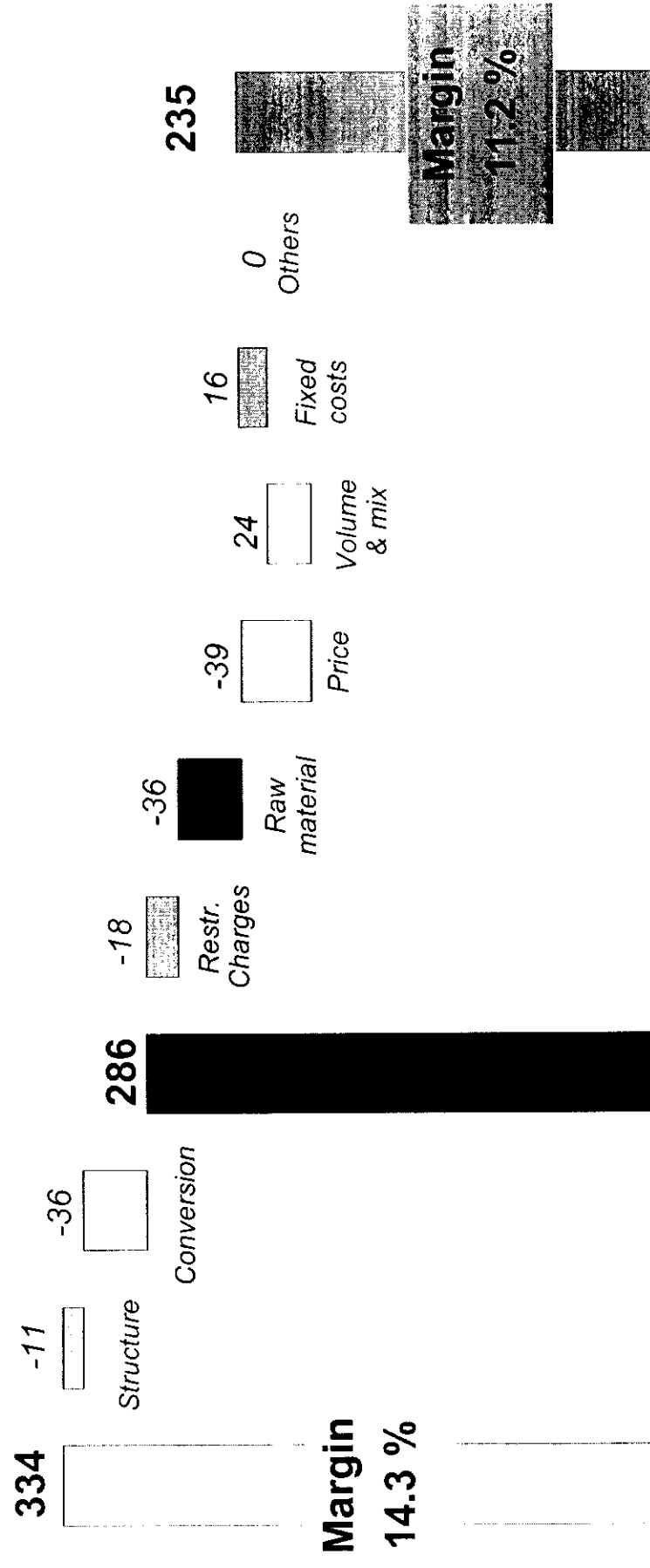
- **Acetow:**

Growth in volume boosted by new capacity and a strong Euro affecting slightly the profitability

Q4 2002	Q3 2003	Q4 2003	€m	2002	2003
538	516	489	Sales	2,325	2,092
73	48	50	EBITDA	334	235
13.6 %	9.4 %	10.3 %	EBITDA margin	14.3 %	11.2 %

Full year EBITDA for Consumer Care & Food

€m



2002
EBITDA

2002
Restated

2003
EBITDA

Rhodia

Consumer Care & Food

- **2004 key challenges:**

- Focus on growth
 - Through innovation
 - By cost and cash effective debottlenecking
 - By key account management at a WW and regional level
- Towards a leaner and cost effective organization with PPF formation

Industrial Care & Services division

- **Silicones:**

A severe result degradation marked by a squeeze of increased raw material costs and significant price pressure.

- **Rhodia Silicas Systems:**

Good performance of the business marked by higher volume thanks to key account positioning but price pressure.

- **PPMC:**

Local difficulty with our Solvant Business in Brazil.

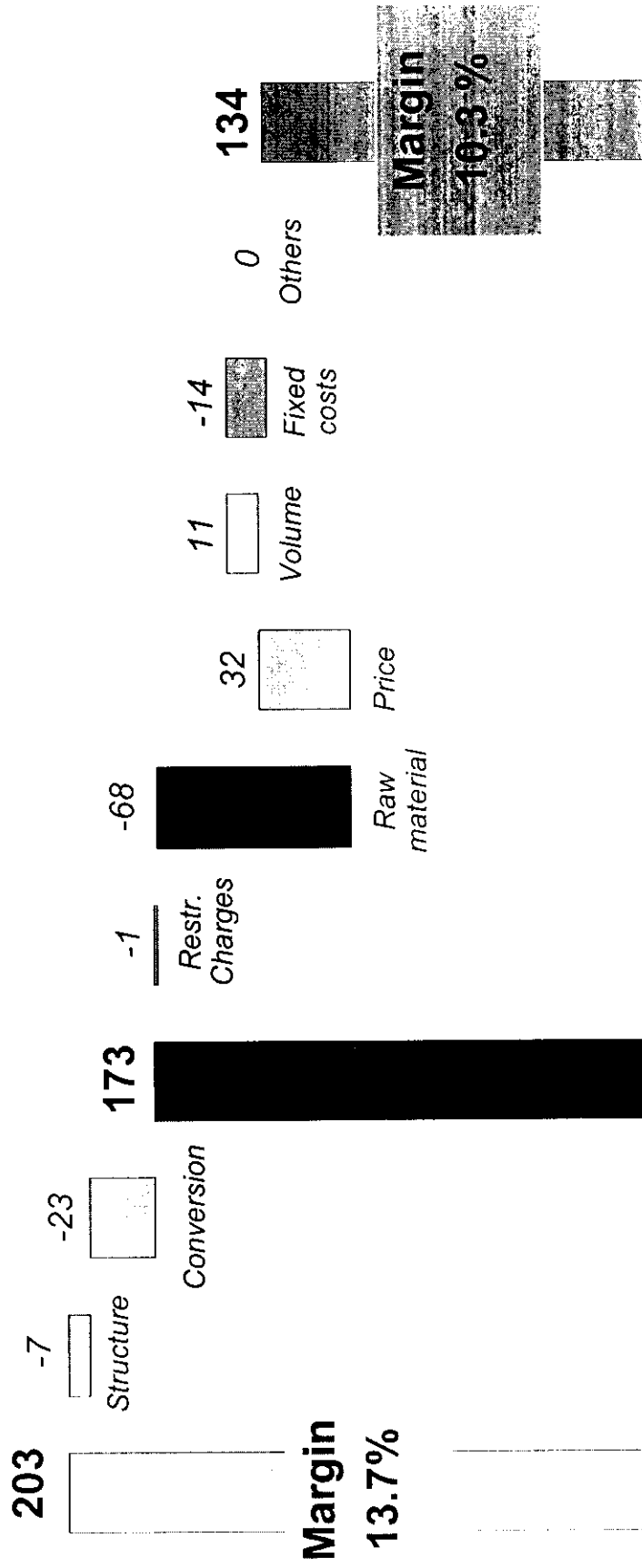
- **Eco services:**

Continuous growth thanks to key accounts positioning.

Q4 2002	Q3 2003	Q4 2003	€m			2002	2003
336	328	311	Sales EBITDA EBITDA margin			1,483	1,310
39	32	28				203	134
11.6 %	9.7 %	9.1 %				13.7 %	10.3 %

Full year EBITDA for Industrial Care & Services

€m



2003
EBITDA

2002
Restated

2002
EBITDA

Rhodia

• 2004 key challenges:

- * Maintain and strengthen positions on markets with strong growth and high added value
- * Recovery in volumes for silicones
- * Industrial reliability for PPMC and market turnaround in Brazil

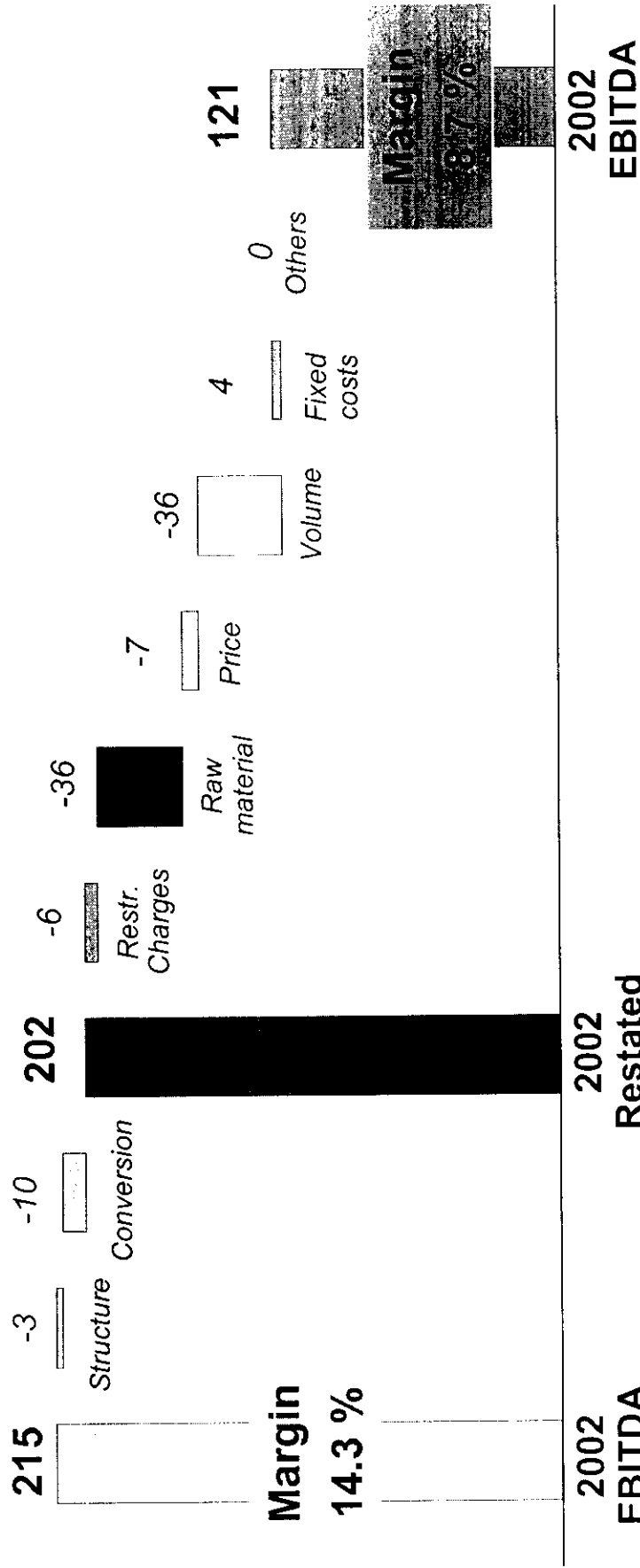
Automotive, Electronics & Fibers division

- **Technical Fibers:** Unfavorable market conditions marked by a low demand
- **Engineering Plastics:** Continued volume growth mainly on the Auto segment: +13%
- **Polyamide Intermediates:** A low demand on downstream segments Textile, Fibers & Carpets. Overall a year marked by significant raw material increase and a weak US dollar detrimental to the competitiveness of the polyamide value chain while significant low volume in Q3 03 where offset by a modest rebound in Q4.

Q4 2002	Q3 2003	Q4 2003	€m	2002	2003
378	307	356	Sales	1,502	1,386
60	6	46	EBITDA	215	121
16.0 %	1.9 %	13.0 %	EBITDA margin	14.3 %	8.7 %

Full year EBITDA for Automotive, Electronics & Fibers

€m



Rhodia

- **2004 key challenges:**

- Continue volume growth
(engineering plastics & intermediates)
- Continue the successful development
of EOLYS in Autocat market for Diesel engine
and continue industrial transfer in China
- Continued restructuring in downstream segments:
Textile and Carpets

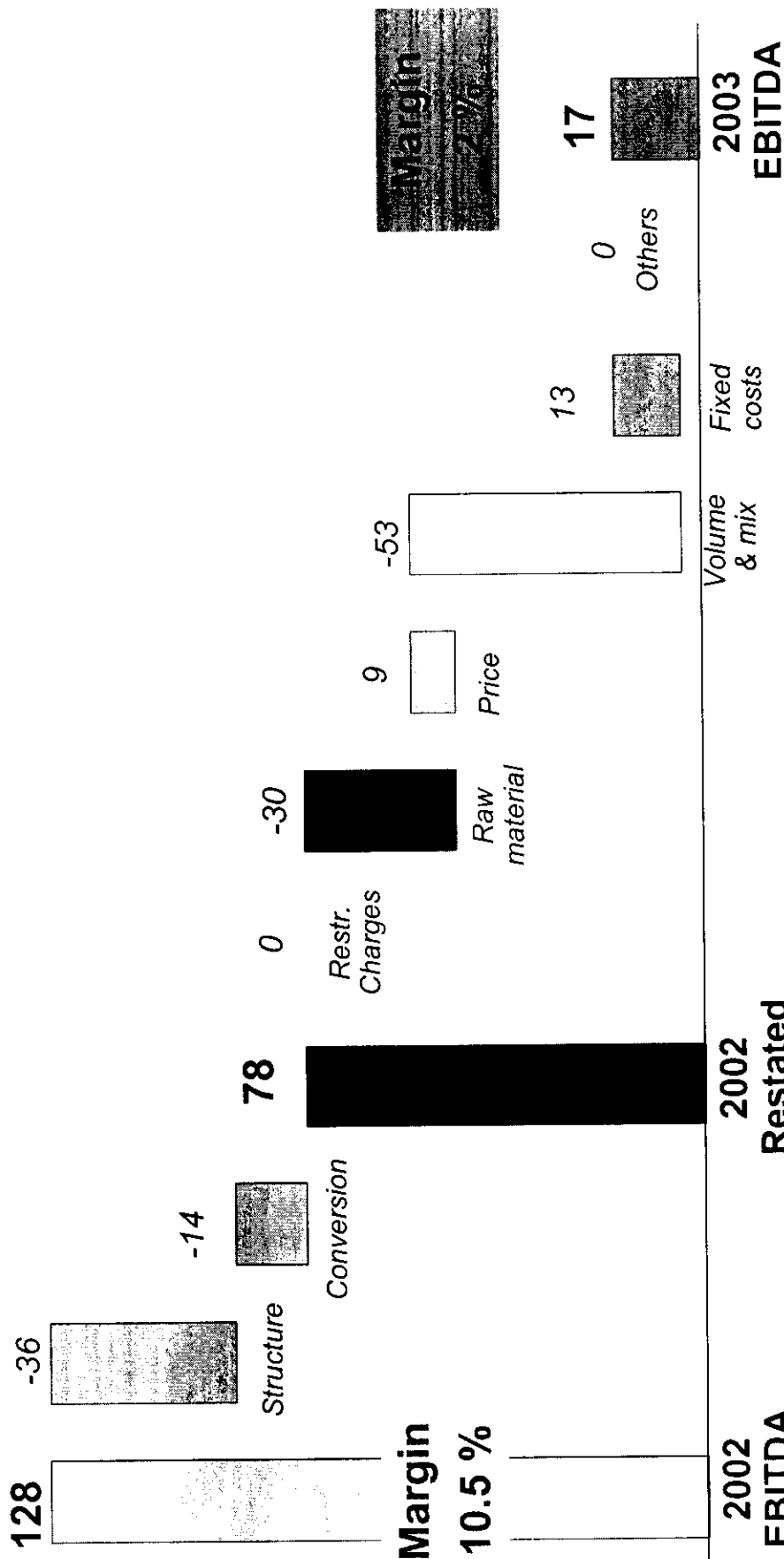
Pharma & Agro division

- Rhodia Pharma solutions:
Postponement of key launches resulted in lower activity as announced in July 2002
- Perfumery Performance and Agro:
Intense competition from production zone linked to the USDollars mainly China put pressure on volume and price
- Intermediates:
Strong Raw Material impact partially offset by price index formula. Continuous reliability issues with TDI in Europe

Q4 2002	Q3 2003	Q4 2003	€m	2002	2003
310	182	198	Sales	1,213	800
33	-17	-19	EBITDA	128	17
10.7 %	-9.2 %	-9.7 %	EBITDA margin	10.5 %	2.1 %

Full year EBITDA for Pharma & Agro

€m



Rhodia

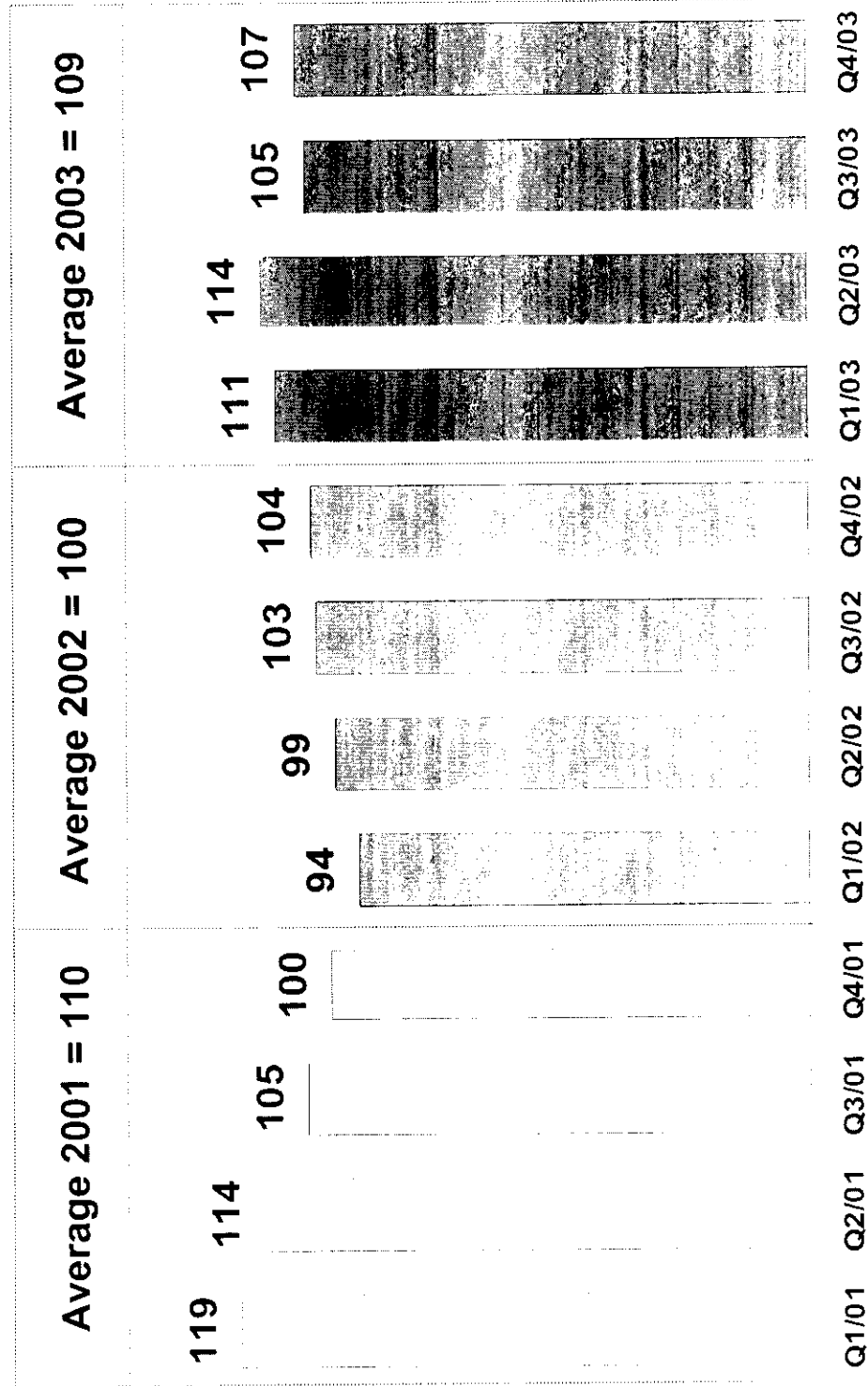
- **2004 key challenges:**

- Consolidation of Rhodia offer through the Rhodia Pharma Solutions to provide the broadest offer available on the market while filling the pipe of new products
- Rebuild profitability through strong market positions held in perfumery and performance products
- Continue the Division manufacturing footprint optimization

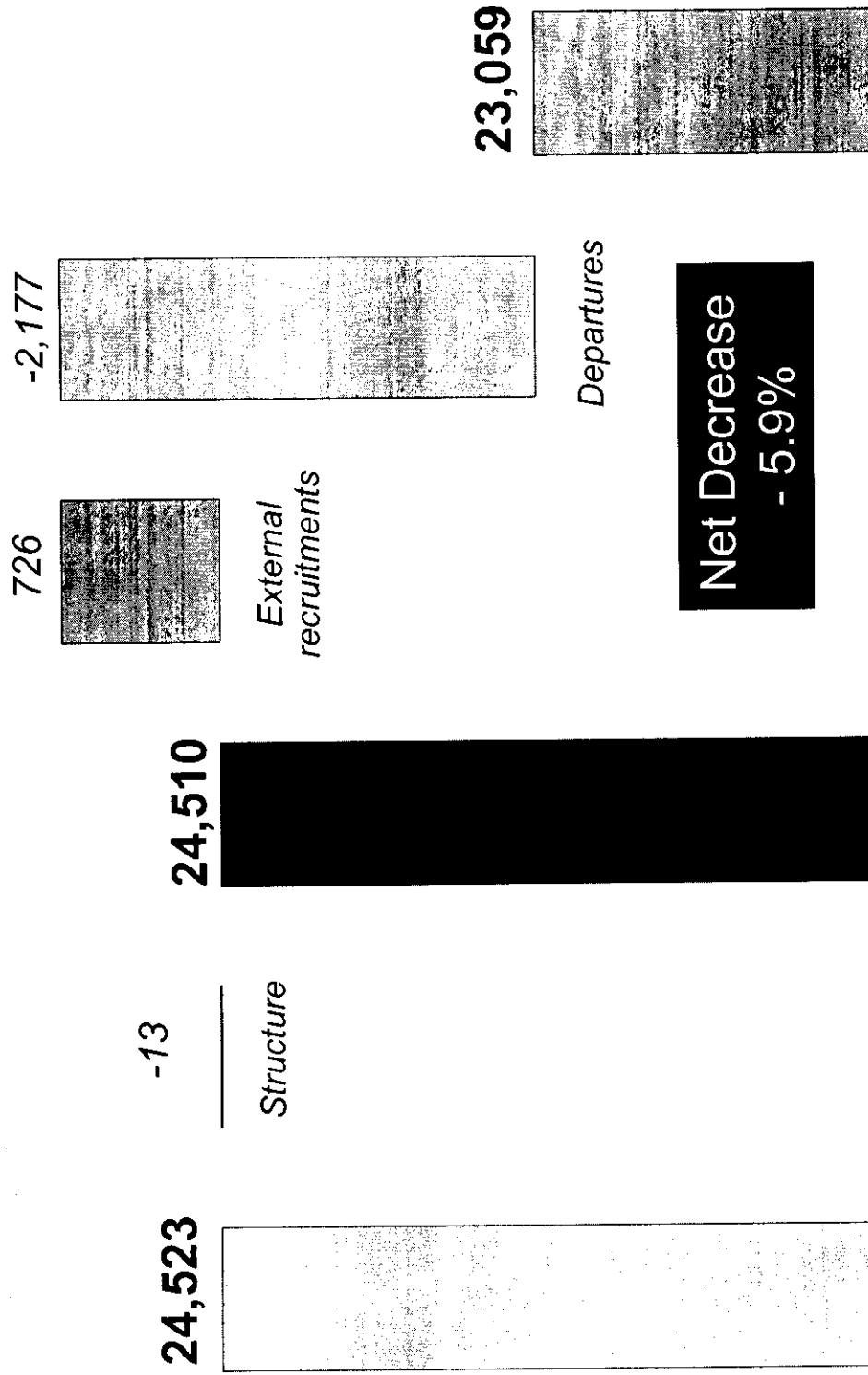
Restructuring PPA Organic Plan announced Dec 23rd.

Restore reliability within Intermediates manufacturing units

Strategic material index



Continued headcount reduction



Dec. 2002
Headcount

Dec. 2002
Restated

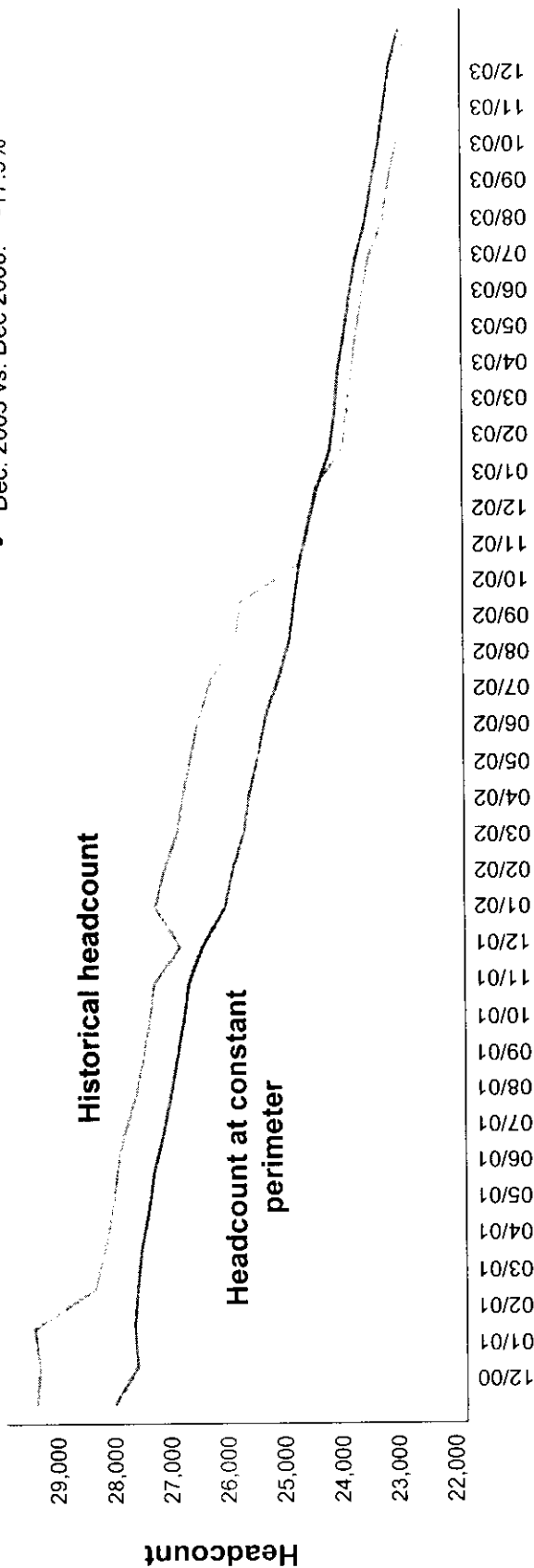
Dec. 2003
Headcount



Continued headcount reduction

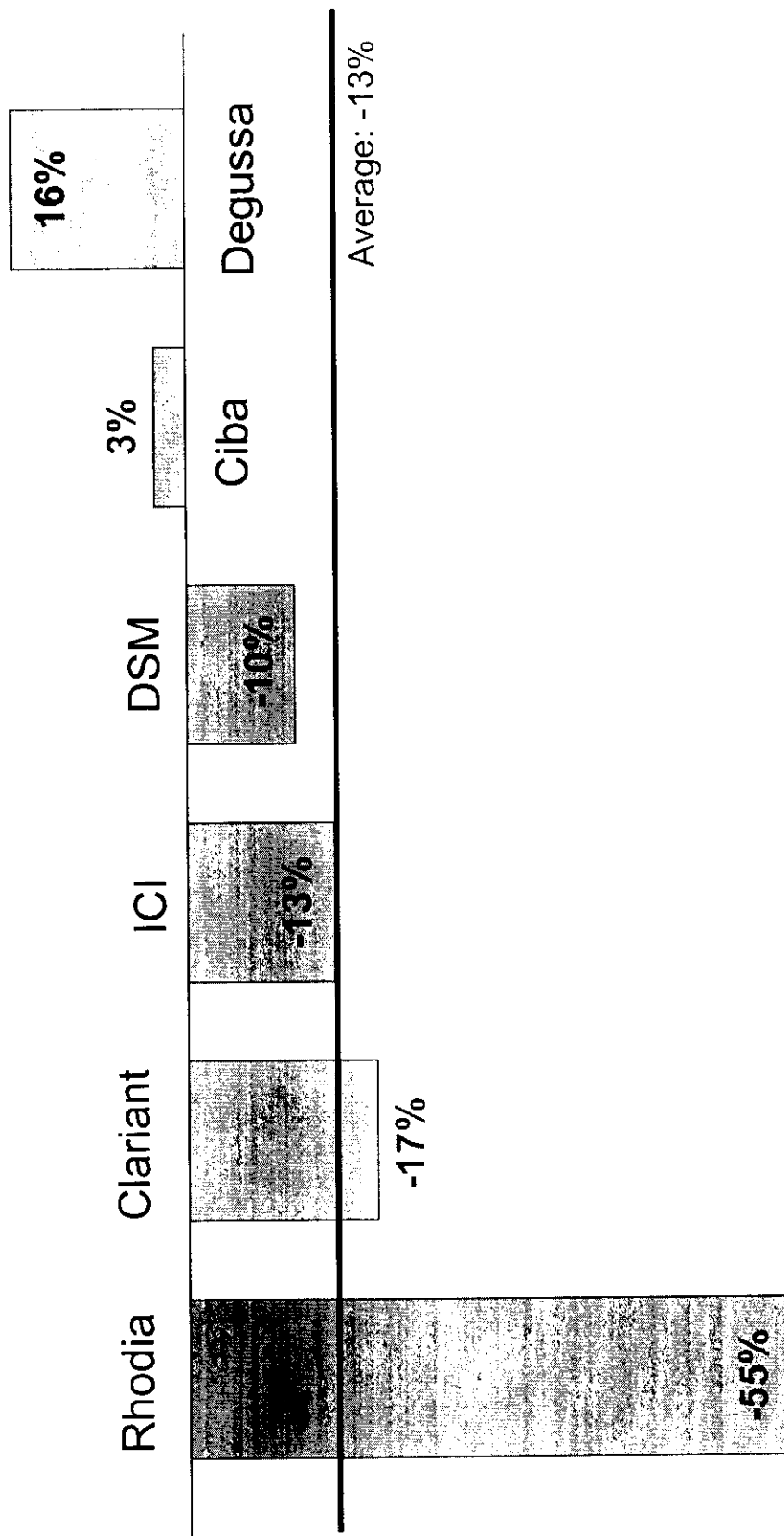
At Dec 2003 constant Perimeter

- Evolution 2003: -5.9%
- Evolution 2002: -7.7%
- Evolution 2001: -5.6%
- Dec. 2003 vs. Dec 2000: -17.9%



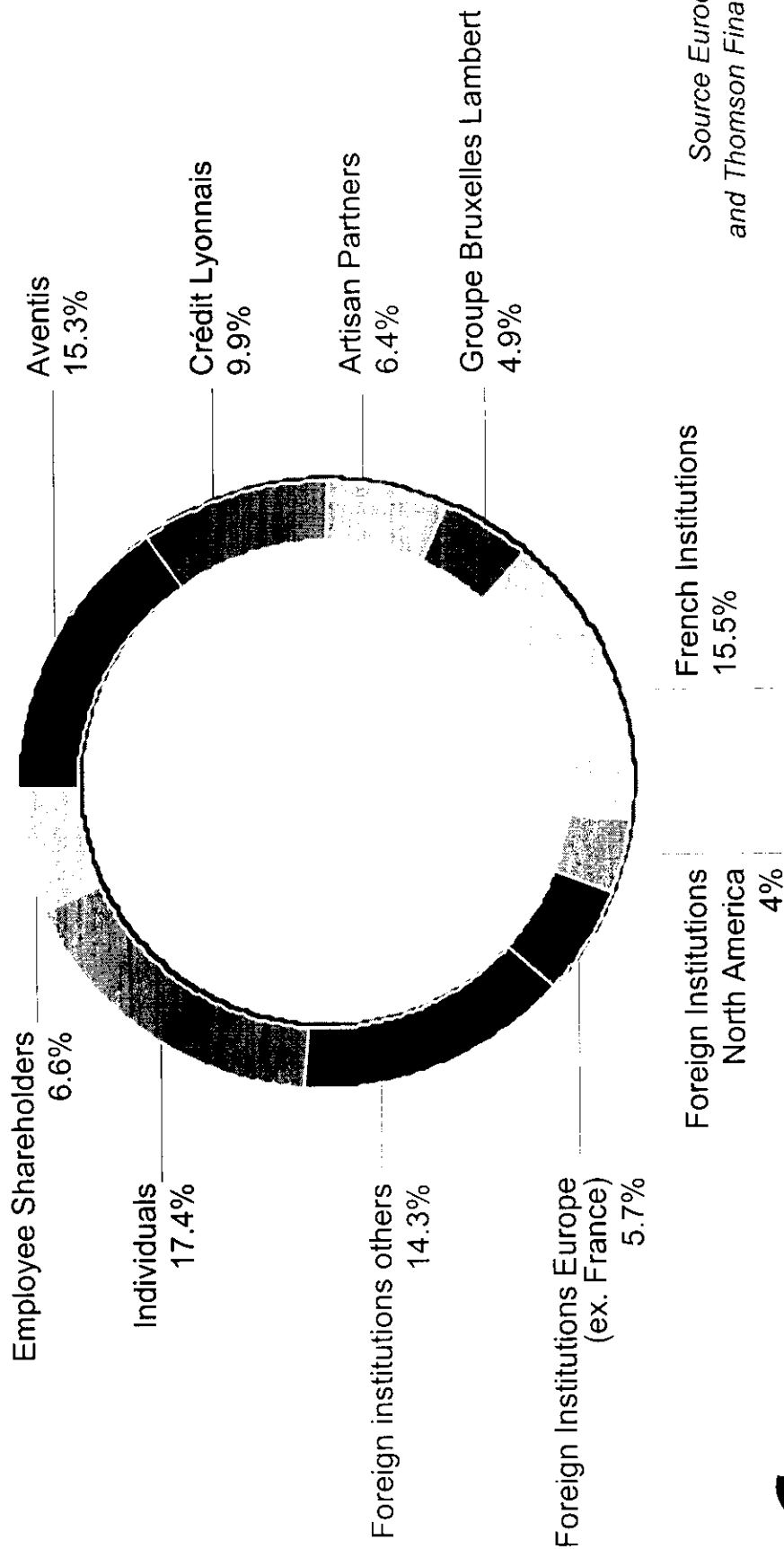
Stock performance

Variance end 2002 / end 2003



Capital structure

% of capital
As of November, 2003



Source Euroclear
and Thomson Financial

Rhodia