

Rhodia Analyst Day

September 5-6th, 2006





Rhodia Acetow

Michel Audoin, President
September 5th, 2006





Forward looking statements and Regulation G

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

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

Copies of all recent filings, and additional information about Rhodia, are available through our web site:
<http://www.rhodia.com>

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

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

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

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



Acetow today

The filter tow market

Growth drivers

Meeting the challenges



Acetow today

2005

Net Sales

€ **410** million

Recurring EBITDA

€ **100** million

Employees

1,470

Industrial sites

6 plants in the world

N°3 worldwide

Market share **18%**

N°1 in Western Europe

Market share **40%**

N°1 in Latin America

Market share **75%**

N°1 in Russia

Market share **53%**



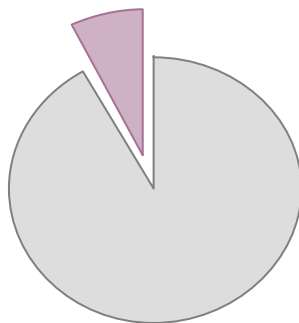
Acetow within Rhodia

Performance Materials
Polyamide
Acetow
<i>Strengthen global leadership Expand in Asia</i>

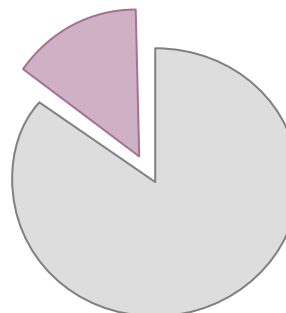
Functional Chemicals
Novecare Silcea
<i>Grow through innovation</i>
<i>Take advantage of consolidation opportunities</i>

Organics and Services
Eco Services Organics Energy Services
<i>Generate free cash-flow</i>

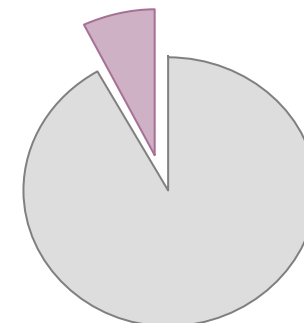
8% Group Net Sales



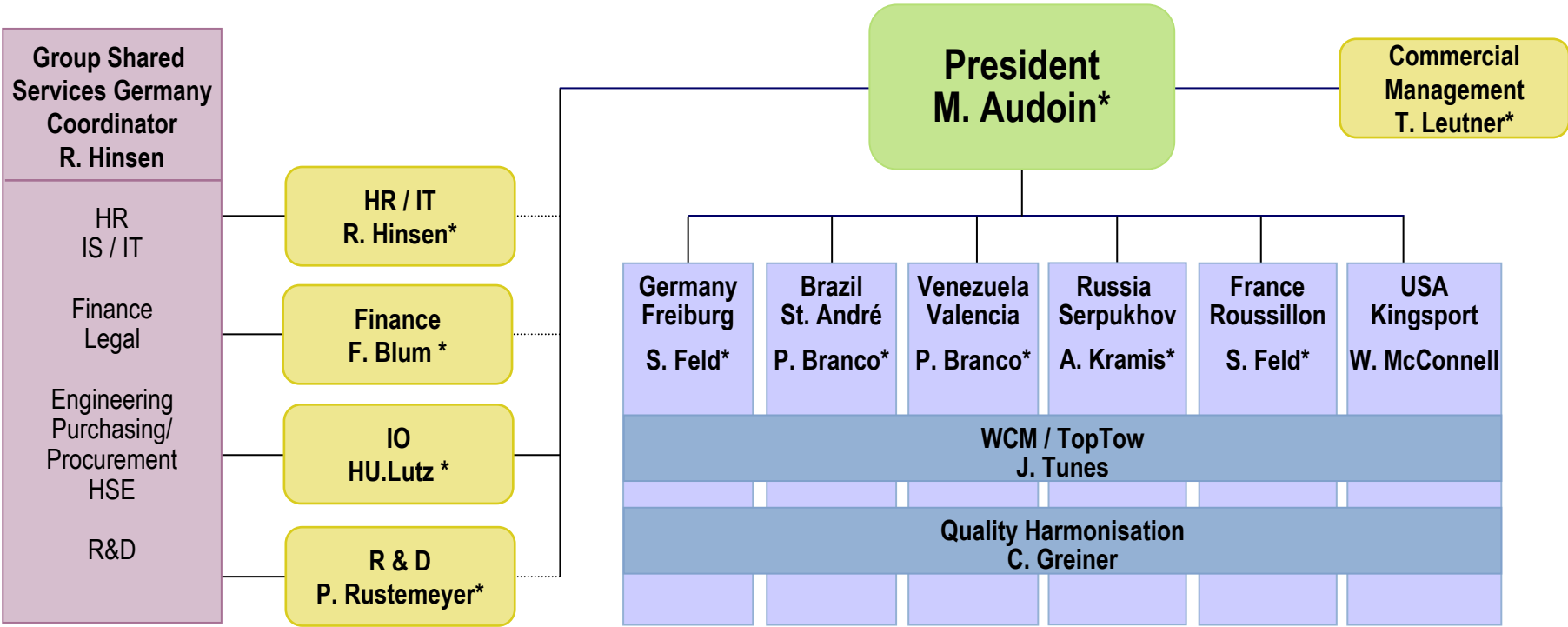
18% Group EBITDA



8% Group employees



Organization Rhodia Acetow



* Members of Acetow Executive Committee





Mission and Vision statement

- **Mission**

- To be a non-cyclical and growing cash provider for the Rhodia group, thanks to a strong and sustainable competitive advantage

- **Vision**

- A Trusted Partner
- Responsible Company
- Committed to Quality and Service
- Dedicated to Innovation





The filter tow market



Acetylation
Washing
Drying

Cellulose
Acetate
Flakes



Spinning
Drying

Filter tow



Cigarette smoke filtration started over 100 years ago



- The famous Russian "papirosi", the first cigarette with a filter...
- In 1952, Eastman Kodak started the production of cellulose acetate tow for the use in cigarette filters
- Today, more than 90% of all cigarettes are equipped with a cellulose acetate filter, with increasing tendency

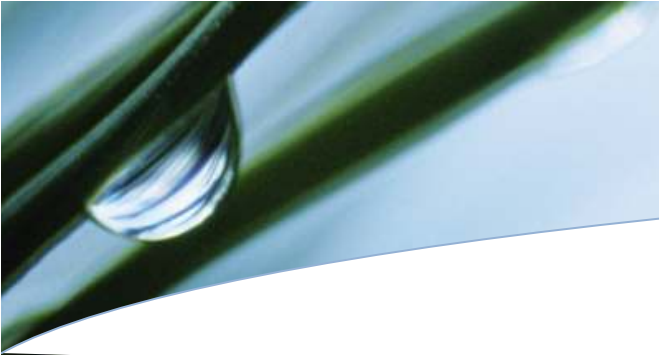




Small but efficient unit



- **The average filter is composed of 11,000 individual filaments**
- **Only 8% of the filter volume is occupied by solid material**
- **Its surface amounts to approx. one half A4 page**
- **It removes about 45% of all particulate matter from the smoke stream**
- **Cellulose acetate is the preferred filter material because of its specific retention abilities and its taste characteristics. Only a small percentage is produced out of polypropylene in China.**



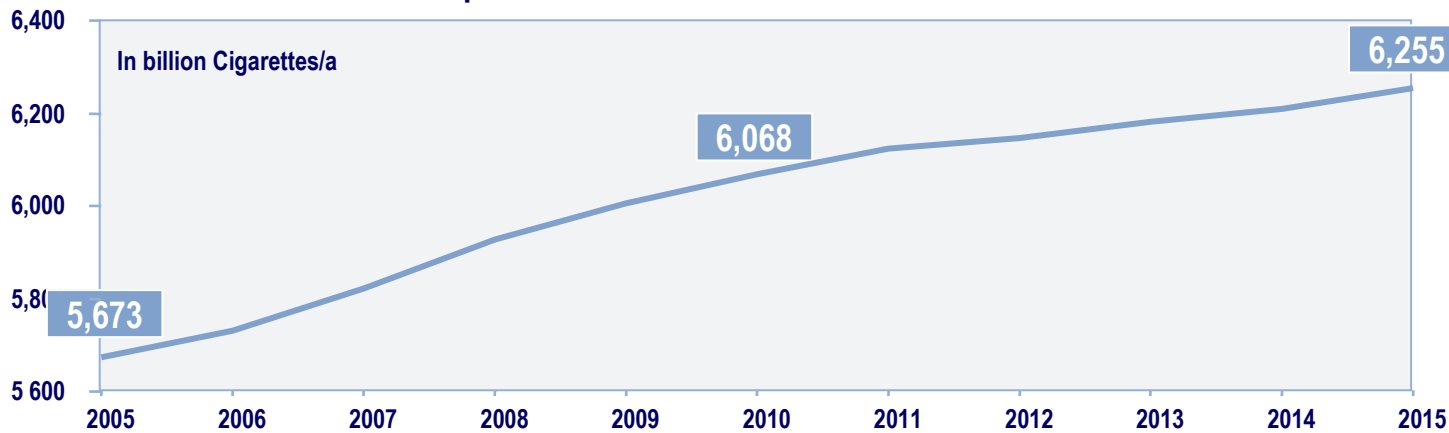
Cellulose acetate Filter Tow: an exclusive material

- +++** non toxic, tasteless and odorless
- +++** has a preferred "taste signature" because of the selective removal of undesired smoke components
- +++** conversion into filters at rapid speeds
- +++** individual design (within very closely prescribed limits)
- +++** can be hardened with a plasticizer
- ++** stable in storage
- +++** a biodegradable substance

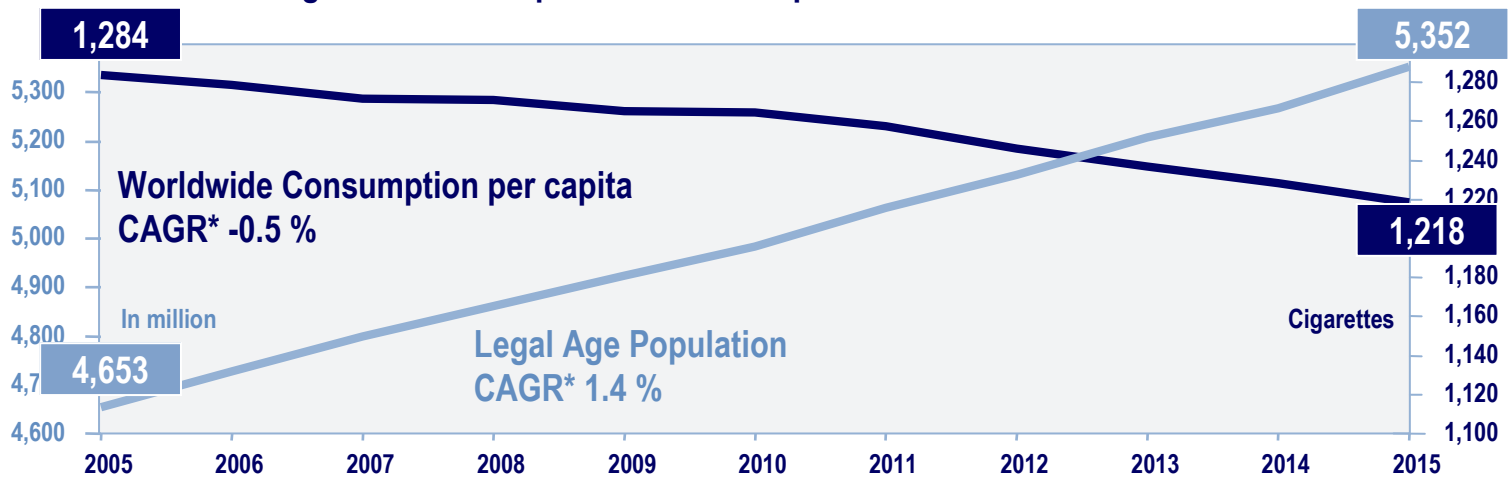


Cigarette consumption continues to grow at ca. 1% per year

CAGR* Official Consumption 2005 – 2015: 1%



Growth of Cigarette Consumption is due to Population Growth



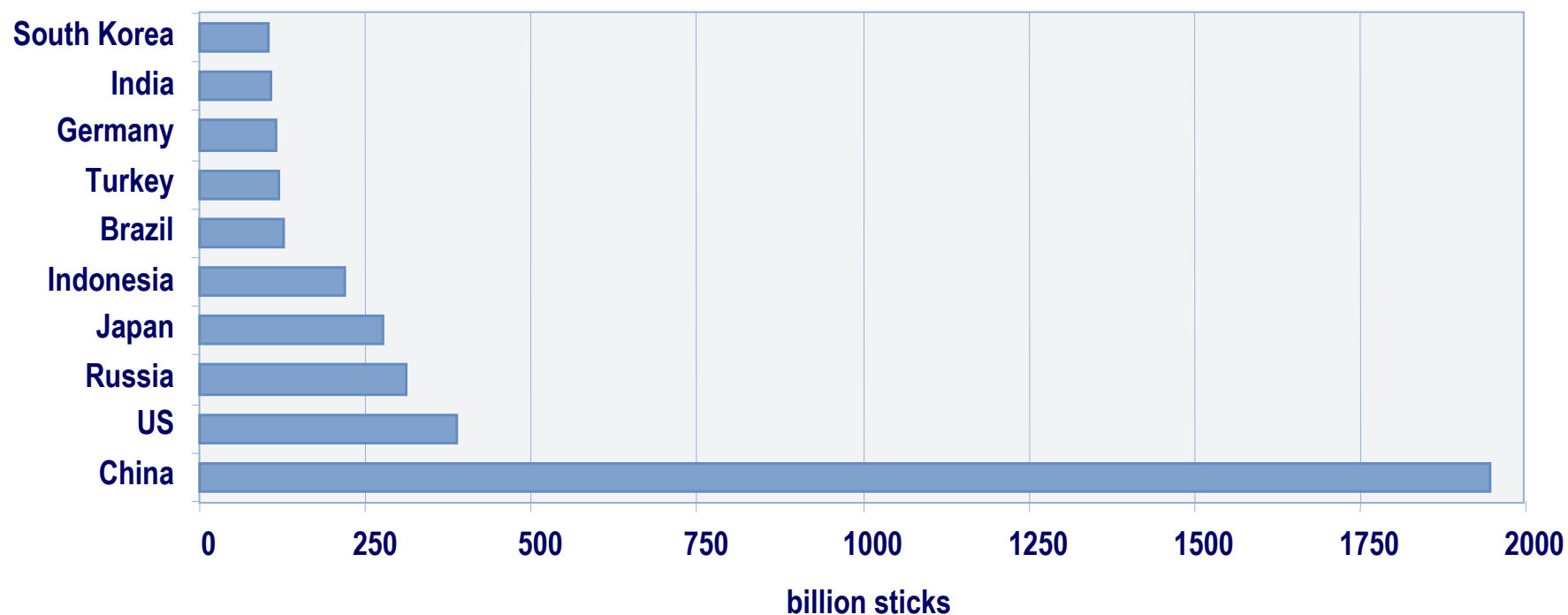
Rhodia estimates

*CAGR: Compounded Average Growth Rate

10 countries account for 65% of the market, almost every third cigarette is smoked in China

2005

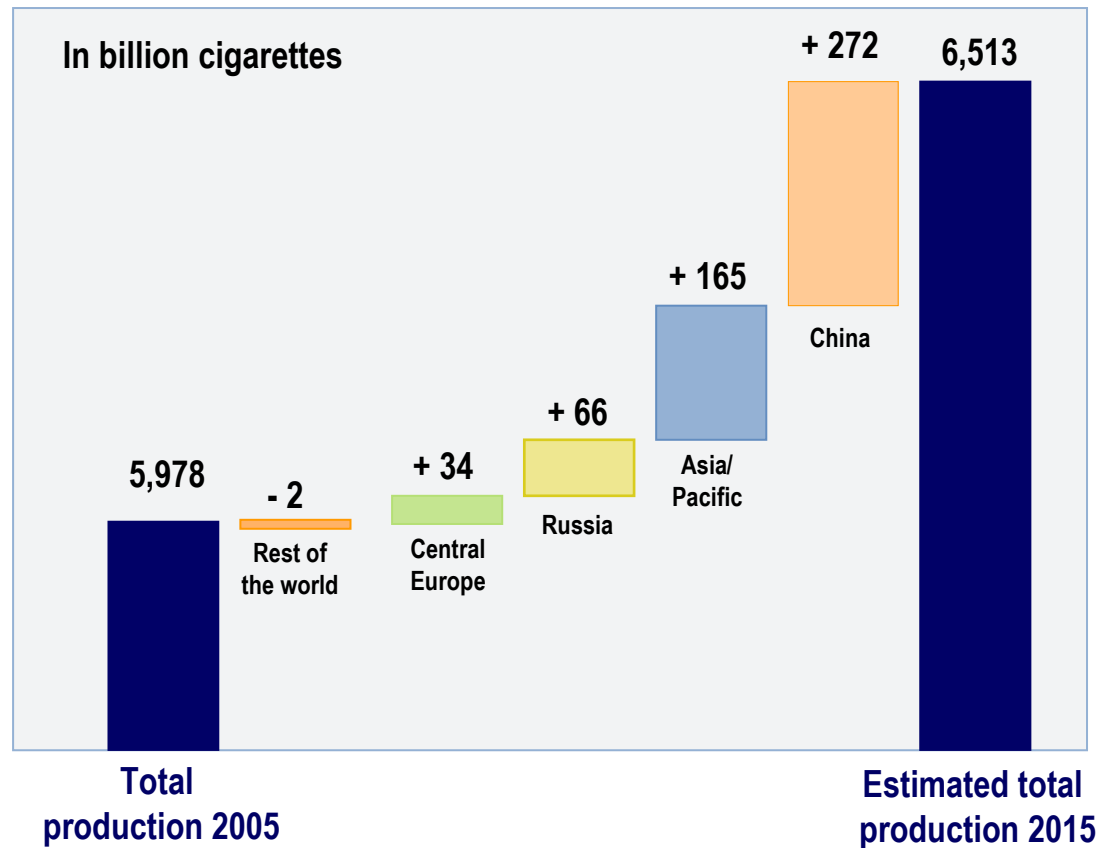
Consumption



Rhodia estimates

The cigarette production shifts from West to East

CAGR* 2005 – 2015: + 1%

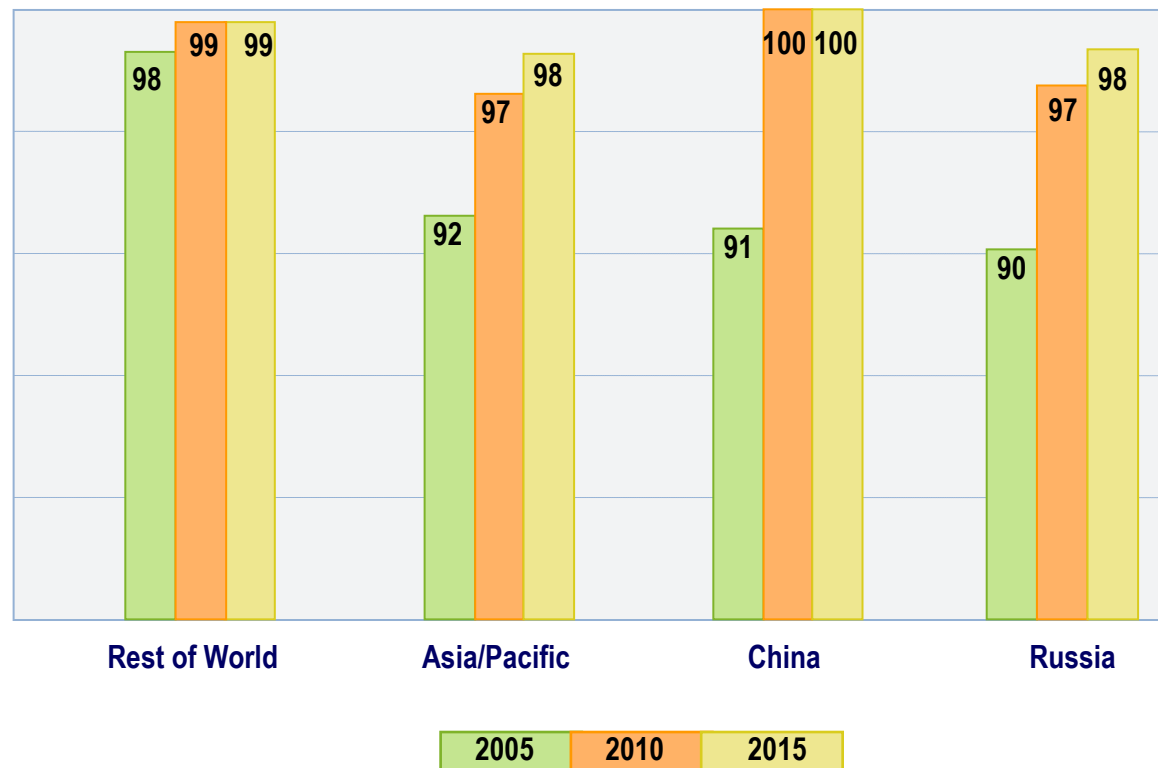


Rhodia estimates

*CAGR: Compounded Average Growth Rate

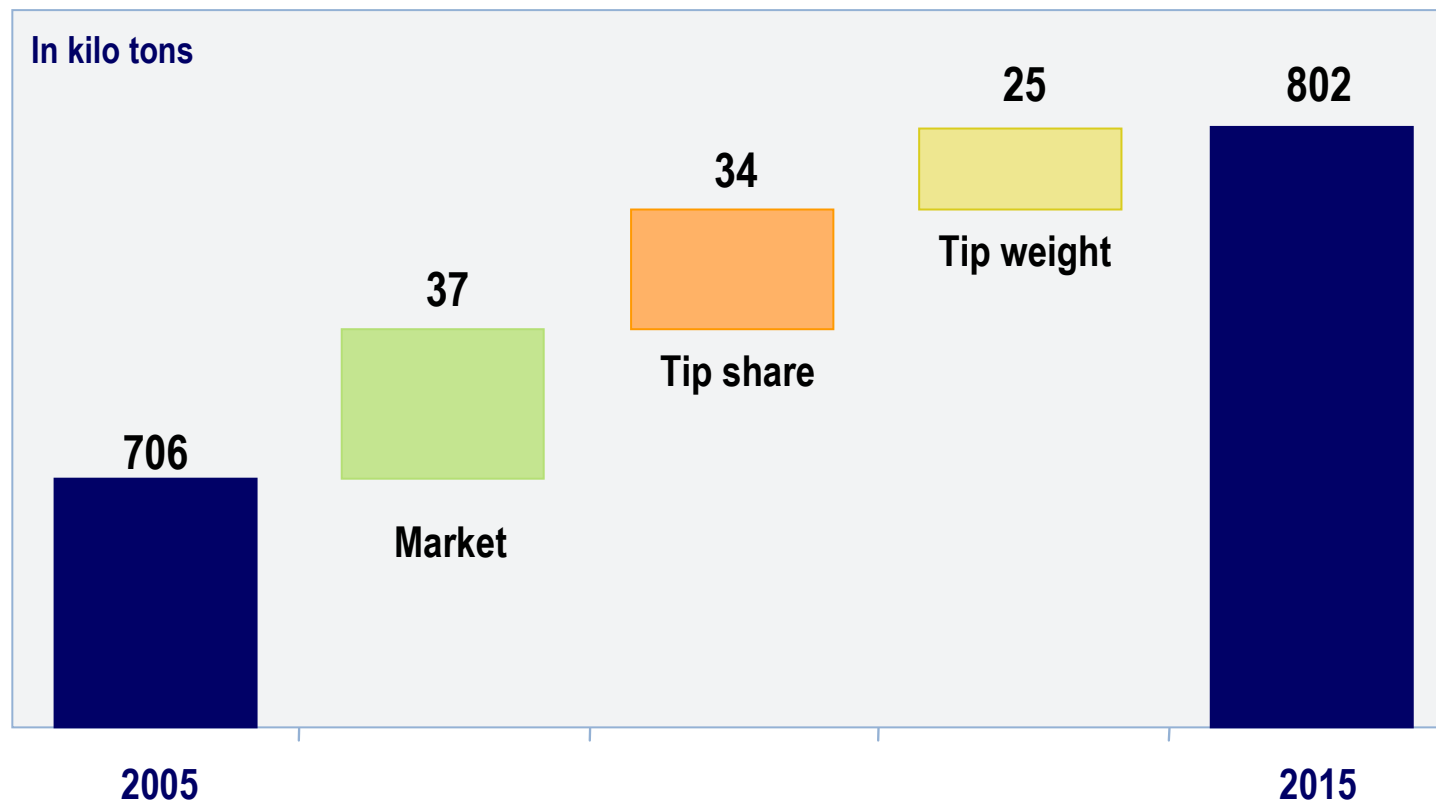
Still 10 % of the cigarettes are not filtered in Asia and Russia

% CA Filter

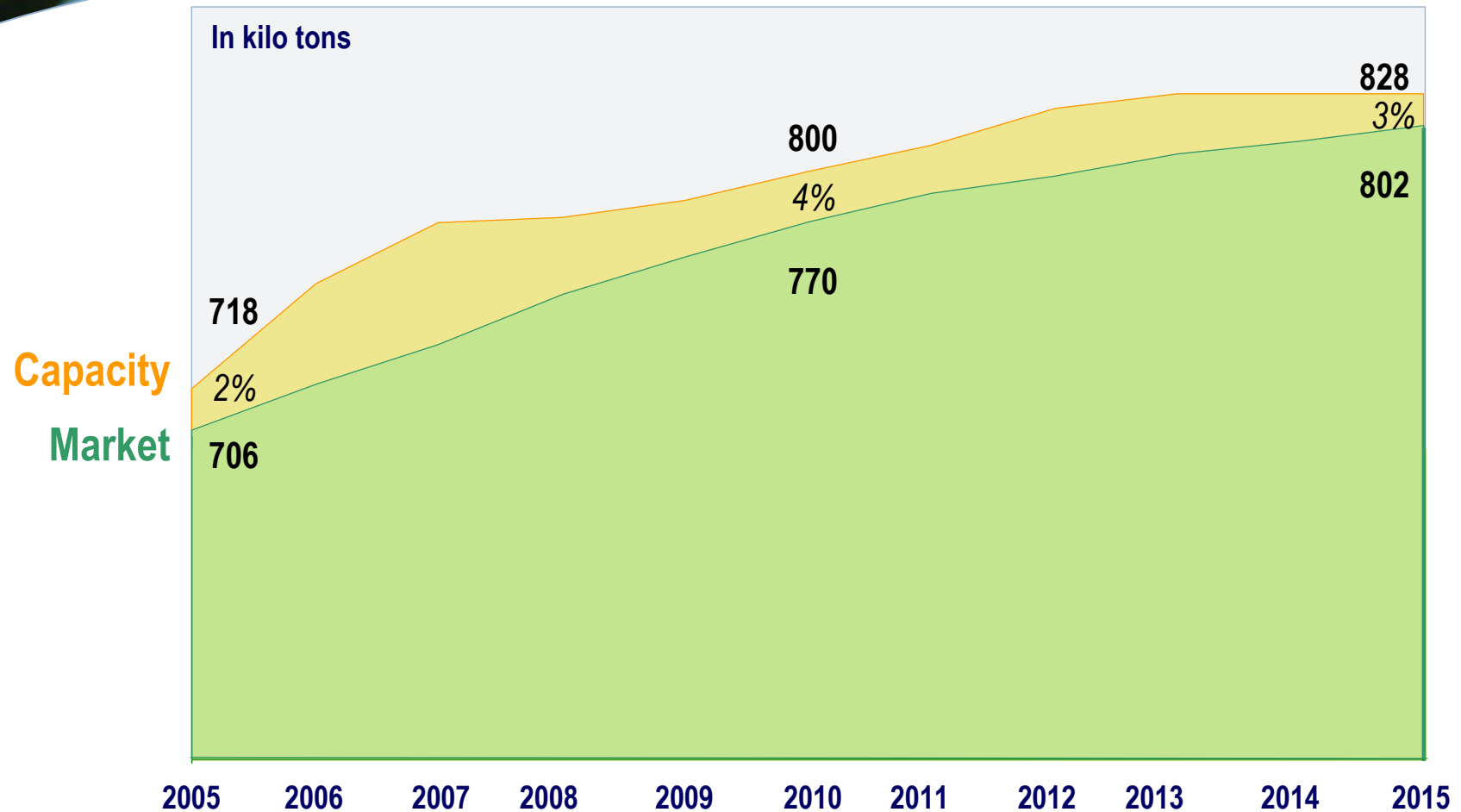


Strong growth drivers

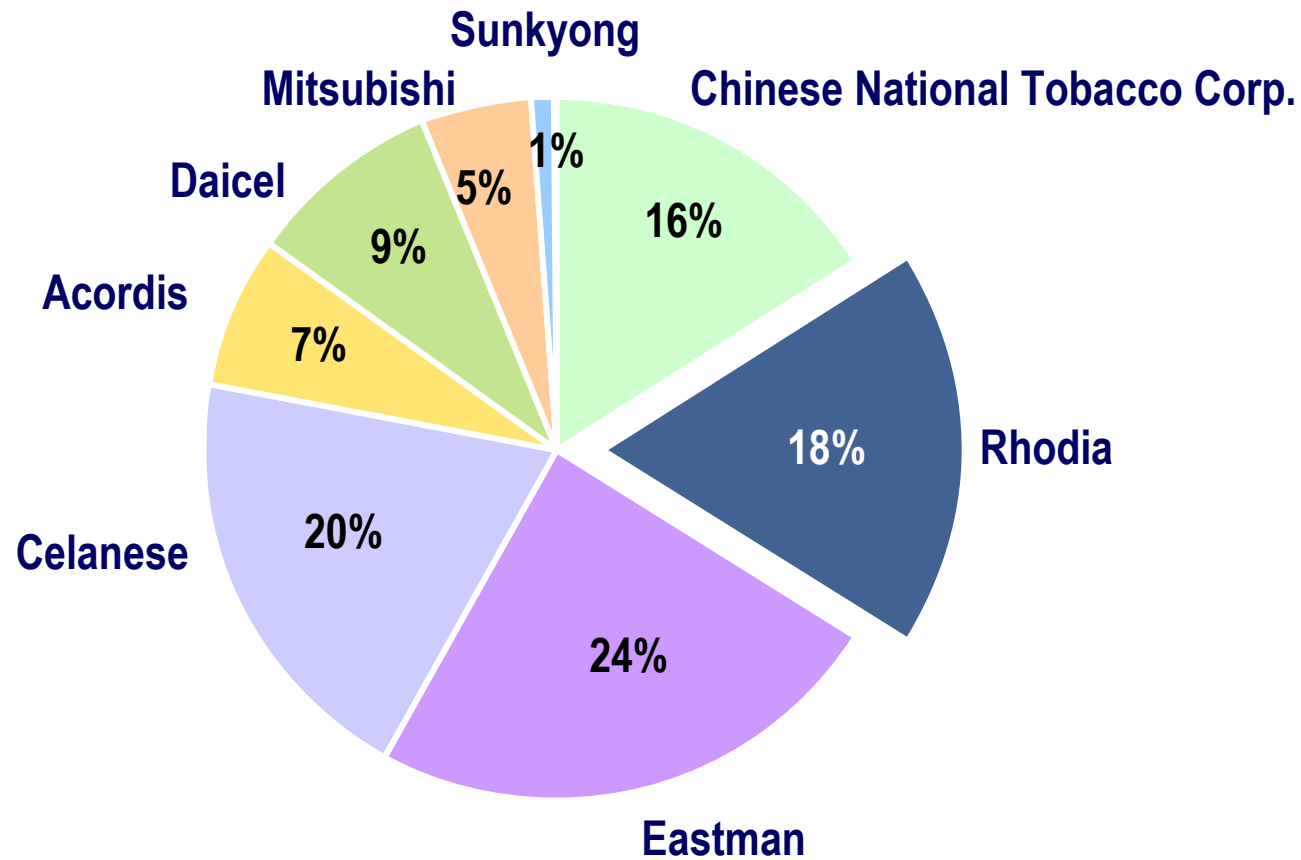
Estimate for Filter Tow Sales
from 2005 to 2015



Global Filter Tow Market is balanced and should remain so over the next 10 yrs



Rhodia's market share reached 18% in 2005

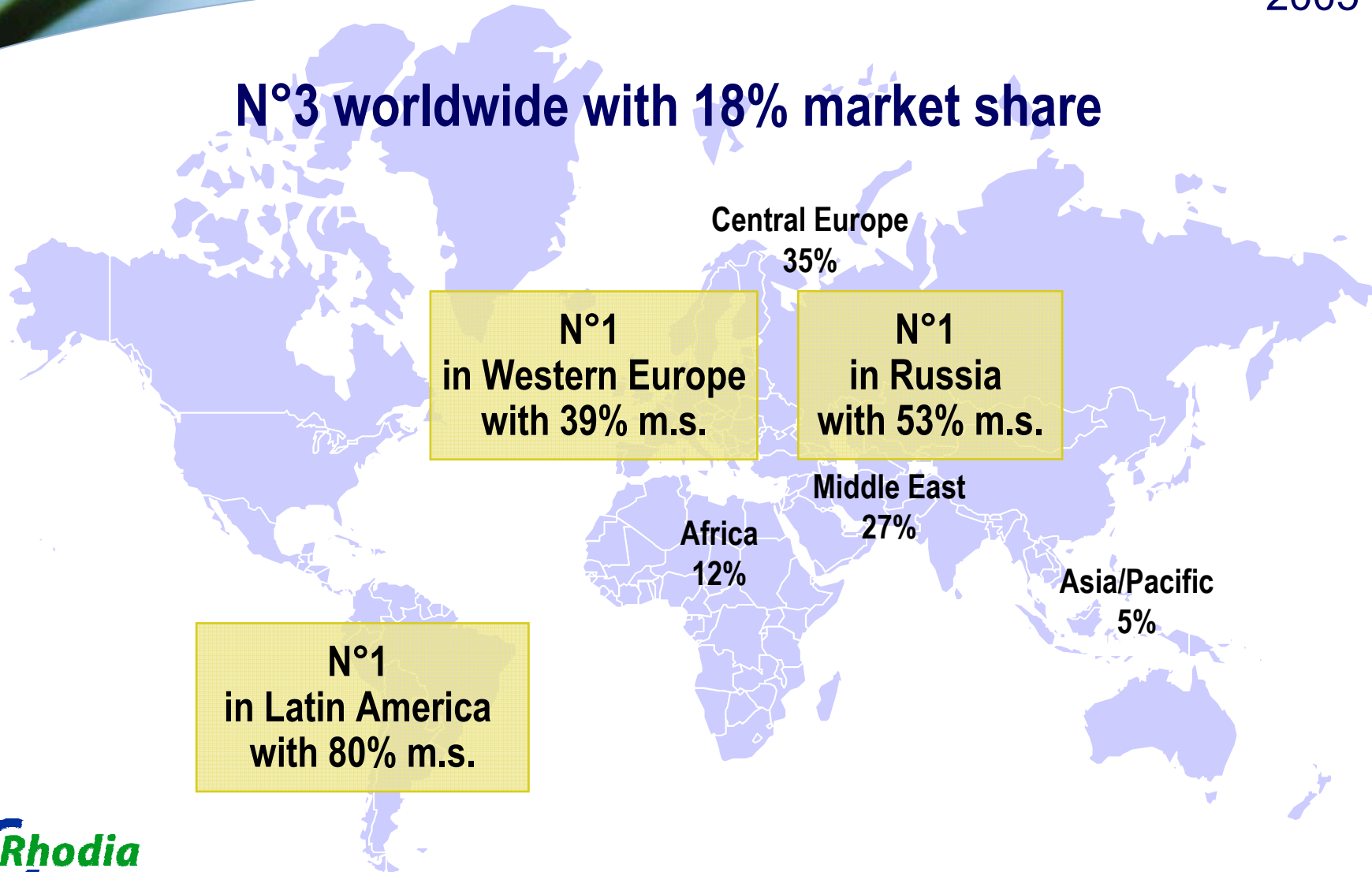


Rhodia estimates

Rhodia: N°1 in Latin America, Russia and Western Europe

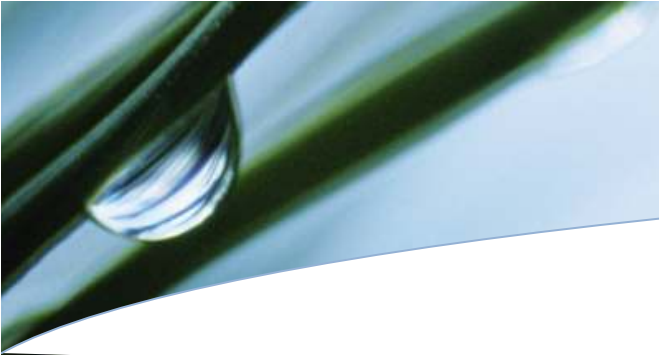
2005

N°3 worldwide with 18% market share





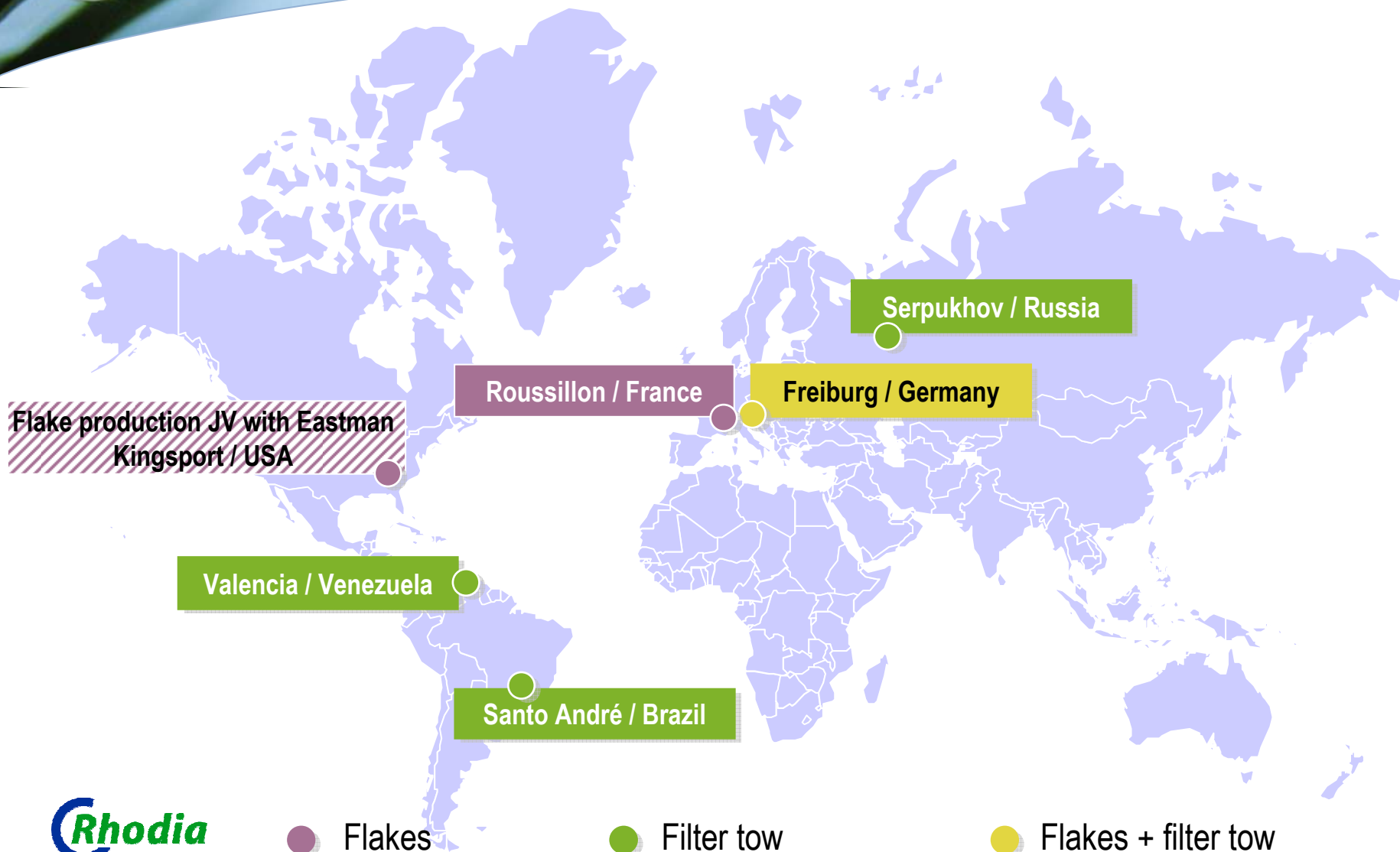
Growth drivers



Improve sourcing of wood pulp

- **Key raw material with a strong impact on quality of Filter Tow**
- **Niche product with a limited number of suppliers**
- **Requirements 2005: 90 KT (Germany, USA & France)**
- **Purchased from three main suppliers (mid-term contracts)**
- **Key achievements:**
 - We have developed sourcing from alternative suppliers
 - We use new pulps at lower prices

Six competitive plants close to our key markets



● Flakes

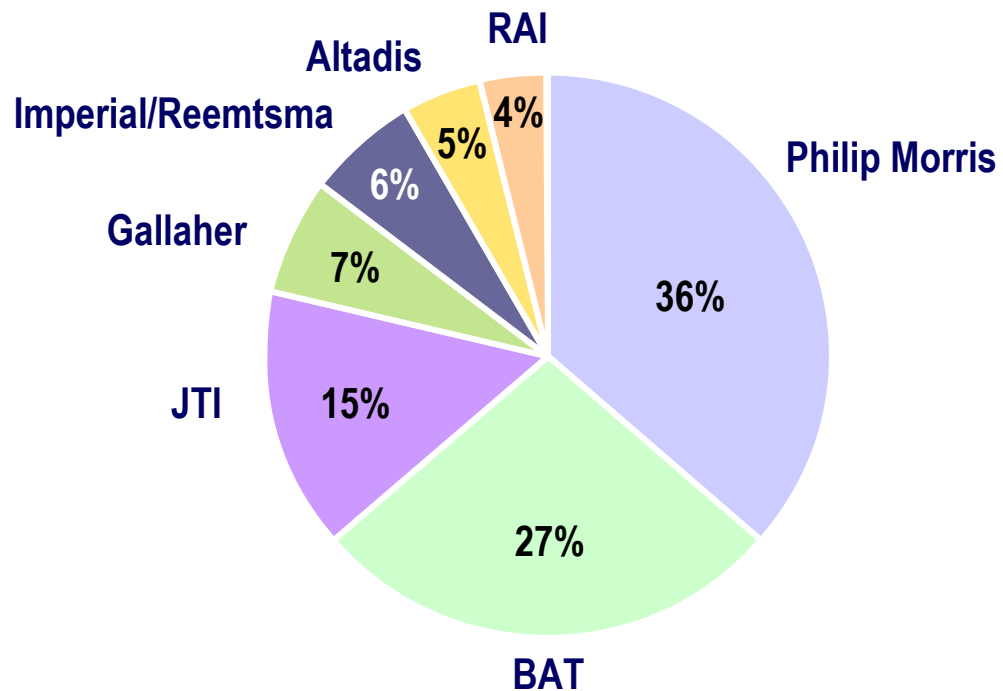
● Filter tow

● Flakes + filter tow

Our sales are concentrated on the key Western players

2005

Estimated market shares of key western cigarette manufacturers



Rhodia's top 7 customers:

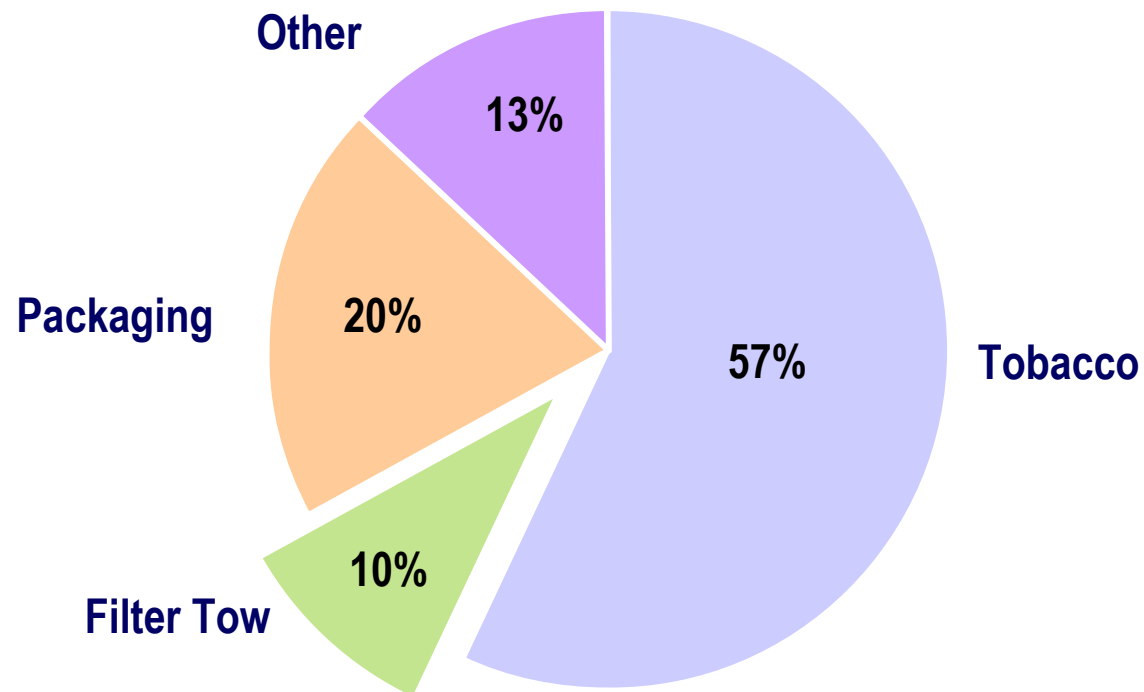
- Supply 80% of the cigarette market (excluding China)
- Represent 80% of our sales



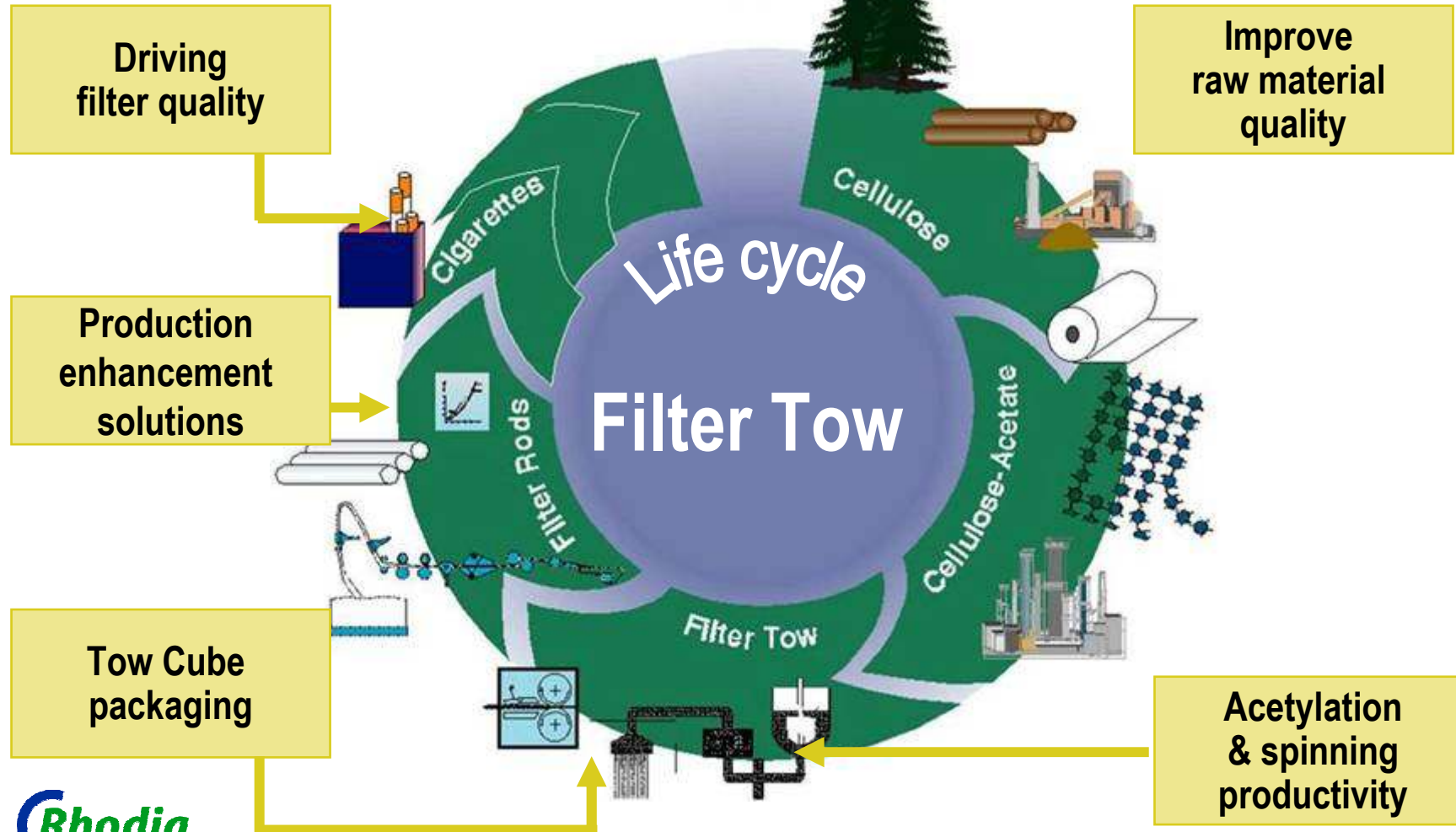
Rhodia estimates

Majors are not ready to compromise on quality

Breakdown of cigarette variable costs



Innovation supporting growth





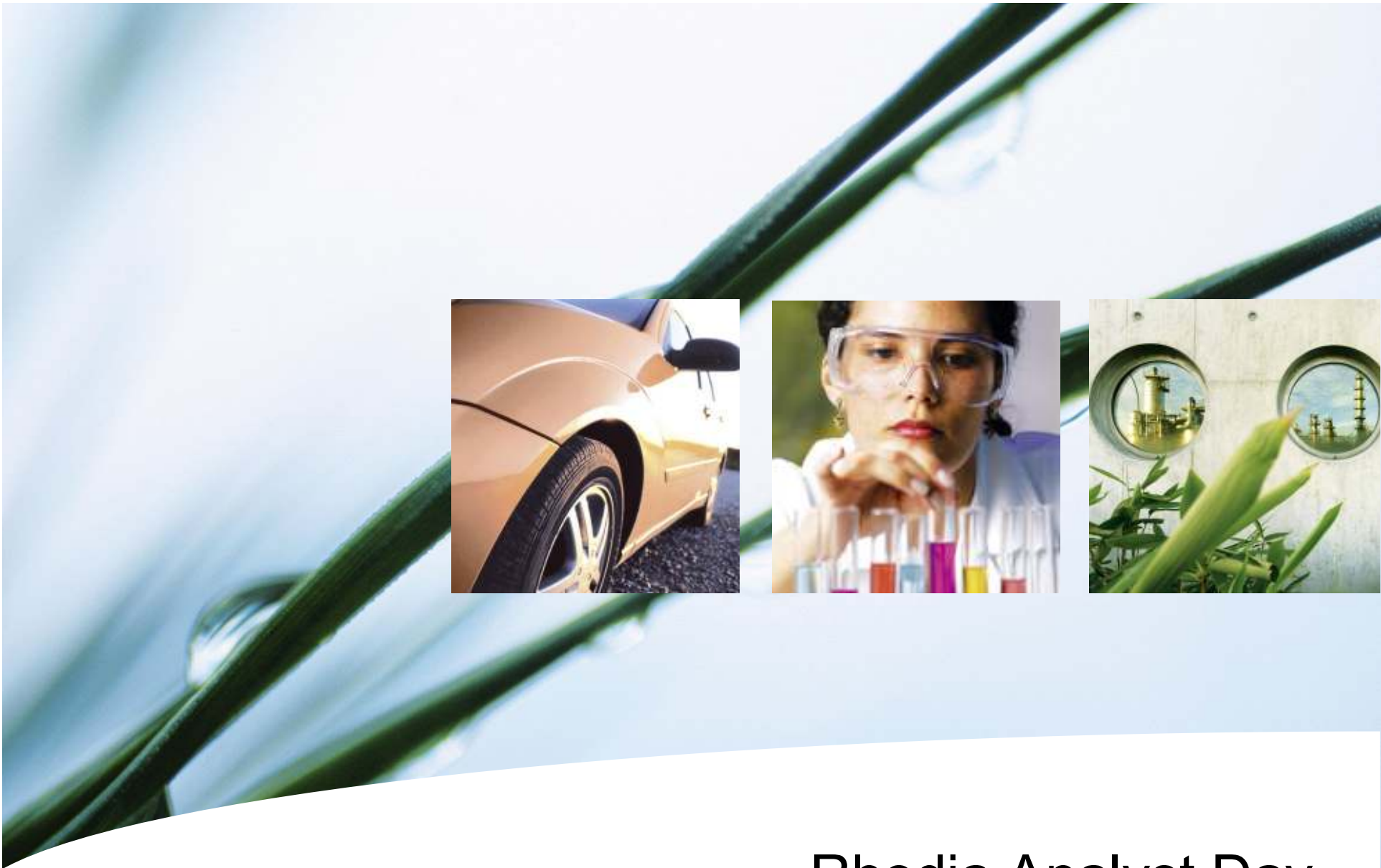
Meeting the challenges



Meeting the Business challenges

Key challenges

- **Maintain leadership & margins**
 - Continue to drive costs down
 - Provide worldwide best in class products and services for global customers
- **Grow profitably**
 - Increase market share in Asia
 - Adapt capacities to growth targets
 - Develop innovative solutions towards lower risk products



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