leadership in formulation science

Second Quarter
and
First Half Results 2007

2 August 2007

Agenda

- Highlights — John McAdam
- Operating review and outlook — Alan Brown
- Strategic update — John McAdam
- Q&A

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Highlights

John McAdam

Second Quarter Group Highlights

- 4% comparable[1] sales growth for continuing operations
- 12% comparable[1] growth in trading profit for continuing operations
- 12.1% trading margin (2006 Q2: 11.2%)
- 13% growth in Group adjusted PBT to £154m
- 22% growth in Group adjusted net profit to £121m

Second quarter has continued our strong start to 2007

1 "Comparable" excludes effects of currency translation and impact of acquisitions and divestments. At Group level, refers to continuing operations only.

First Half Group Highlights

- Group adjusted PBT £255m, 12% ahead of 2006
- Net profit after special items £1,055m[1] including £908m profit on sale of Quest
- Adjusted earnings per share 16.8p up 20%
- First interim dividend of 4.95p per share (2006: 4.15p)
- Net cash £271m, improvement of £1.2bn
  - reflecting disposal proceeds offset by pension top-up payments

Overall a good start to 2007

1 Attributable to ICI equity holders

Trading Highlights

- Underlying trading conditions:
  - Asia, Latin America and Continental Europe buoyant
  - North American construction markets weak
  - Managing cost inflation for certain raw materials
- Over £65m investment in acquisitions focused on developing markets in last three months
- Alliances formed with Kleiberit (Adhesives) and AVEBE (Starches)

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Operating
and
Financial Review

Alan Brown

Group Results: Sales

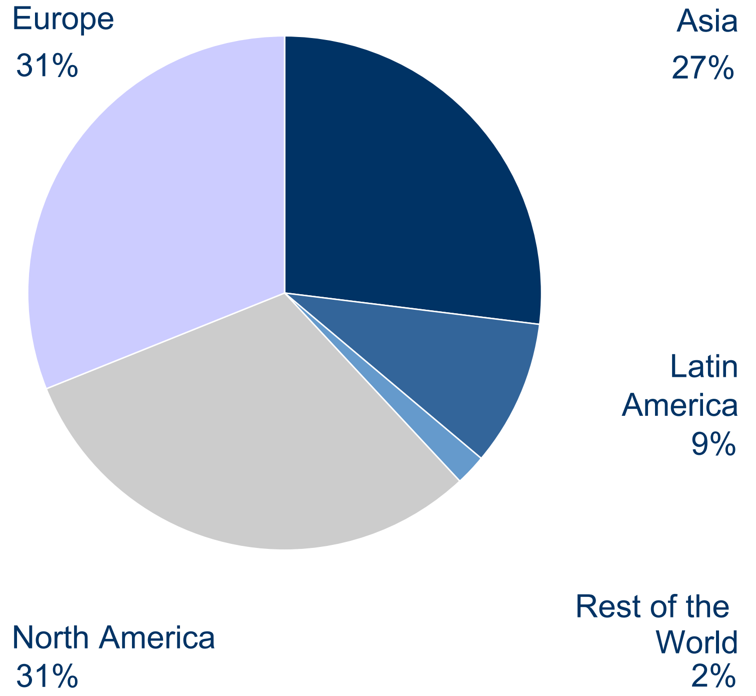
	Q2 2007	Growth %	H1 2007	Growth %
Comparable[1] Group Sales[2]		4%		5%
Foreign exchange translation effects		(6)%		(7)%
Business acquisitions and divestments		-		-
Reported Sales[2]	£1.3bn	(2)%	£2.4bn	(2)%

1 "Comparable" excludes the effects of currency translation and the impact of acquisitions and divestments
2 Continuing operations only

Group Results: Sales by Region

Continuing Group	Comparable growth[1] Q2	Comparable growth[1] H1
Asia	**9%**	**10%**
- Decorative Paint	19%	20%
- National Starch[2]	12%	11%
Latin America	**15%**	**12%**
North America	**(4)%**	**(2)%**
- Decorative Paint	(8)%	(7)%
- National Starch	2%	3%
Europe	**5%**	**6%**
- Decorative Paint	4%	4%
- National Starch	9%	11%

H1 2007 Sales by customer location

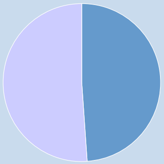


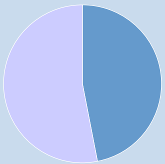
1 "Comparable" excludes effects of currency translation and impact of acquisitions and divestments
2 Excludes Japan and Australasia

Paints

	Q2 2007	H1 2007	Comparable Q2	Comparable H1
Sales:	£632m	£1,186m	2%	3%
Trading profit[1]:	£81m	£127m	7%	10%
Trading margins:	12.8%	10.7%		

% of H107 continuing reporting segments





- **Decorative UK and Republic of Ireland (23% of Paints[2])**: Sales up 3% mainly due to growth in UK Trade and Ireland. Volumes in UK Retail slightly lower. Gross margin percentages were ahead due to improved product mix in UK Trade and, despite increased publicity costs, trading profit was well ahead.
- **Decorative Continental Europe (11% of Paints[2])**: Sales ahead 6% with growth in southern Europe, the Benelux region and parts of Eastern Europe offsetting some weakness in Germany and Poland. Despite lower gross margin percentages and slightly higher costs below gross margin, trading profit was up.

1 Before special items
2 % of H107 sales of ICI Paints

Paints continued

			Comparable	
	Q2 2007	H1 2007	Q2	H1
Sales:	£632m	£1,186m	2%	3%
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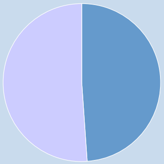
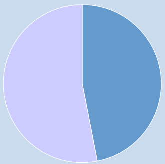
Trading margins:	12.8%	10.7%		

% of H107 continuing reporting segments


Sales
49%


Trading
Profit
47%

- **Decorative North America (34% of Paints[2])**: Sales 8% lower; US Retail and US Trade volumes depressed by continued weakness in the US housing market. Gross margin percentages up due to improved product mix, lower supply chain costs and pricing. With good cost control, trading profit was ahead.

- **Decorative Asia (15% of Paints[2])**: Sales up 19% with all countries ahead except Thailand. Growth in China was almost 30% reflecting volume growth due to further regional expansion. Volumes were also up in India helped by new product launches. Gross margin percentages in Asia were slightly lower, but despite increased promotional costs, trading profit was ahead.

1 Before special items
2 % of H107 sales of ICI Paints

Paints continued

	Q2 2007	H1 2007	Comparable Q2	Comparable H1
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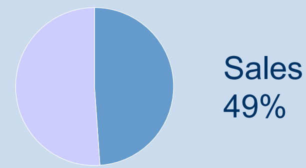
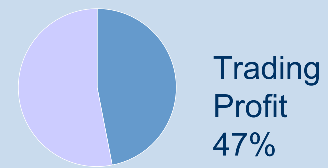
% of H107 continuing reporting segments





- **Decorative Latin America (8% of Paints[2])**: Sales grew 16% with increased volume demand in all countries and higher selling prices. Gross margin percentages were lower due to weaker product mix, but with good cost control and volume growth, trading profit was significantly ahead.

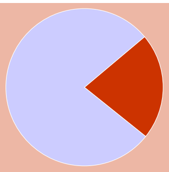
- **Packaging Coatings (9% of Paints[2])**: Sales up 4% reflecting improved selling prices and volume growth in Asia, North America and Latin America. Gross margin percentages were lower due to raw material cost pressure, but with good cost control, trading profit was in line.

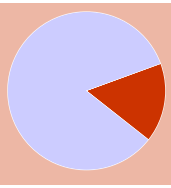
1 Before special items
2 % of H107 sales of ICI Paints

National Starch: Adhesives

	Q2 2007	H1 2007	Comparable Q2	Comparable H1
Sales:	£268m	£527m	5%	6%
Trading profit[1]:	£25m	£44m	-	2%
Trading margins:	9.1%	8.3%		

% of H107 continuing reporting segments





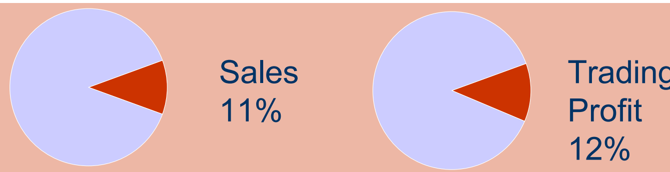
- Sales up 5% with good growth in all regions
- Growth in Asia was strong notably in China, India, Vietnam, Indonesia & Malaysia
- Good growth in Europe and Latin America in part from increased demand for non woven applications
- Sales only slightly ahead in North America with good progress made on new account wins partly offset by reduced demand in US construction
- Gross margin percentages in line with prior year, despite raw material inflation
- Good trading profit progress was offset by one-off healthcare cost benefits[2] in 2006

1 Before special items
2 2006 healthcare benefits (lower costs) reported in EM in 2006 structure

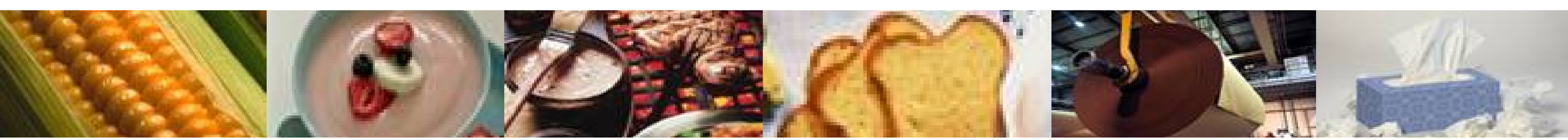
National Starch: Specialty Starches

	Q2 2007	H1 2007	Comparable Q2	Comparable H1
Sales:	£132m	£263m	10%	11%
Trading profit[1]:	£17m	£33m	36%	39%
Trading margins:	12.9%	12.7%		

% of H107 continuing reporting segment



- Sales up 10%; good demand in all regions for food and industrial starches
- Sales of wholesome Novation® starches were strong in Europe. North America food starch sales ahead due to improved product mix and higher selling prices
- Gross margin percentages were ahead, with price increases partly offset by higher tapioca costs. Costs below gross margin were in line and trading profit was up 36%
- Good underlying performance in the second half is likely to be partially offset by increased corn costs, particularly in Q4.

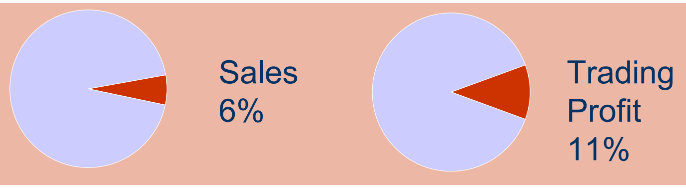


1 Before special items

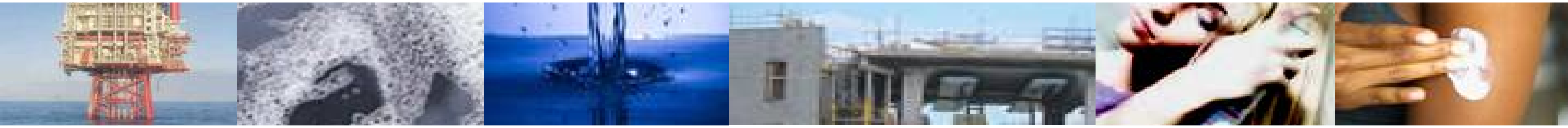
National Starch: Specialty Polymers

	Q2 2007	H1 2007	Comparable Q2	Comparable H1
Sales:	£72m	£139m	12%	13%
Trading profit[1]:	£15m	£29m	38%	32%
Trading margins:	21.0%	20.5%		

% of H107 continuing reporting segment



- Sales up 12%, all regions ahead, with strong double digit growth in Asia and Europe
- Elotex achieved exceptional sales growth for its construction materials polymers in Asia and Europe. Personal Care delivered strong sales growth due to improved demand for sunscreen and hair care polymers and Alco sales were ahead with good progress on biopolymer-based sales
- Gross margin percentages were ahead due to good control of manufacturing costs and trading profit was up 38%

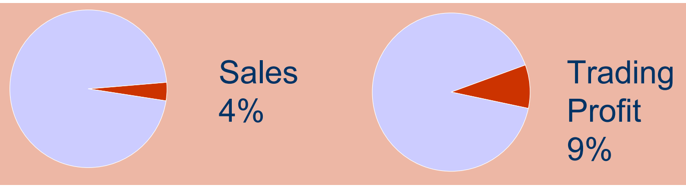


1 Before special items

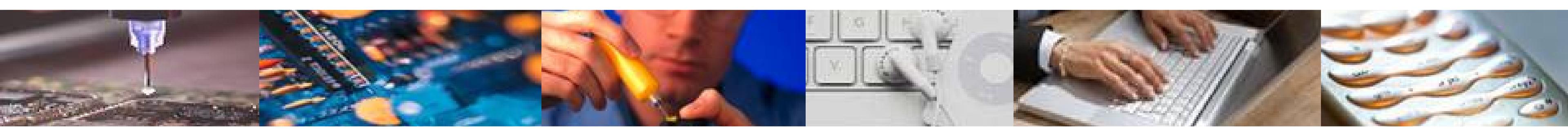
National Starch: Electronic Materials

	Q2 2007	H1 2007	Comparable Q2	Comparable H1
Sales:	£48m	£96m	1%	2%
Trading profit[1]:	£11m	£23m	(11)%	(5)%
Trading margins:	22.7%	24.1%		

% of H107 continuing reporting segment



- Sales up 1%; reflecting slower growth in consumer electronics year to date
- Ablestik and Acheson Electronic Materials sales slightly ahead despite softening demand for semiconductor packaging
- Emerson & Cuming sales broadly unchanged; sales for digital printing and LED lighting were offset by weaker demand for handheld devices and telecommunications equipment
- Gross margin percentages were lower due to higher silver and nickel costs and despite good cost control trading profit was lower

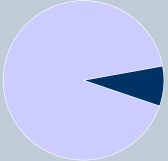


1 Before special items

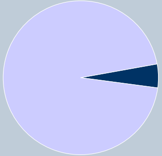
Regional and Industrial

	Q2 2007	H1 2007	Comparable Q2	Comparable H1
Sales:	£103m	£196m	(1)%	1%
Trading profit[1]:	£10m	£13m	14%	(14)%
Trading margins:	9.9%	6.6%		

% of H107 continuing reporting segments

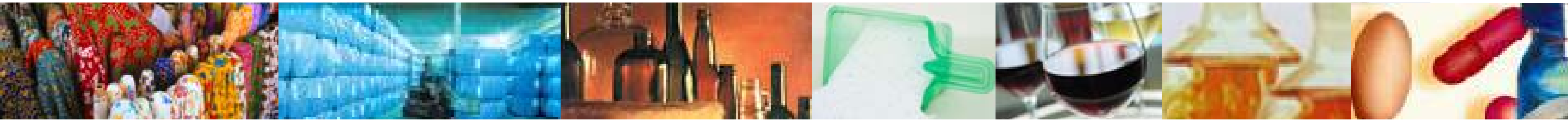


Sales 8%



Trading Profit 5%

- Sales slightly lower; good sales growth in ICI Pakistan and ICI Argentina offset by lower sales in Pakistan PTA
- Pakistan PTA gross margin percentages were lower than last year but up on Q1. Despite the short-term improvement, the PTA cycle is still not expected to turn until well into 2008
- Overall gross margins were slightly higher due to lower raw material costs for ICI Pakistan. With lower costs below gross margin, trading profit up 14%



1 Before special items

Group Results

Group trading profit to adjusted profit before tax

	Q2 2007	H1 2007	As reported growth Q2 2007	As reported growth H1 2007
Continuing reporting segments	**£159m**	**£269m**		
Corporate and other	**£(7)m**	**£(16)m**		
Trading profit[1]	**£152m**	**£253m**	**6%**	**6%**
Discontinued operations	**-**	**£12m**		
Income from associates[2]	**£2m**	**£3m**		
Group net finance expense	**-**	**£(13)m**		
Adjusted profit before tax[3]	**£154m**	**£255m**	**13%**	**12%**

1 Continuing operations before special items
2 Net of interest and tax
3 Total Group before special items

Group Results
Adjusted profit before tax to net profit

	Q2 2007	H1 2007
Adjusted profit before tax[1]	£154m	£255m
Tax	£(26)m	£(43)m
Special items – Continuing[2]	£(23)m	£(45)m
Special items – Discontinued[2]	£2m	£909m
Net profit after special items[2]	£107m	£1,076m
Minorities	£(7m)	£(21)m
Net profit after special items[3]	£100m	£1,055m

As reported growth	
13%	12%

1 Total Group before special items
2 After taxation, before minorities
3 Attributable to the equity holders of the parent

Foreign Exchange Translation

- Main impact from USD depreciation
- £14m adverse profit impact on translation in H1
- 1 cent movement ~ £1.4m full year trading profit impact
- Indicative figures only, based on H1 profit mix and average July 2007 rates

GBP/USD	Q1	Q2	Q3	Q4	FY
2007	1.95	1.99	2.03*	2.03*	2.00*
2006	1.75	1.83	1.87	1.92	1.84
Trading profit impact	(£7m)	(£7m)	(£5m)*	(£3m)*	(£22m)*

Assumptions:
First half trading profit mix remains unchanged
Average £/$ rate of 2.03 for July 2007 continues to end of year

* Indicative estimates only

Cash flow before acquisitions and divestments

	H1 2007 £m	H1 2006 £m
EBITDA – continuing operations	**314**	**303**
EBITDA – discontinued operations	12	62
Total Group EBITDA	**326**	**365**
Working capital movements	(191)	(201)
Post-retirement benefit charges in EBITDA	23	30
Post retirement benefit payments	(190)	(187)
Purchase / sale of fixed assets	(64)	(59)
Cash flows from special items	(53)	(27)
Interest and tax	(50)	(75)
ESOP financing costs	(24)	-
Dividends paid	(62)	(56)
Legacy and other items	(4)	(16)
Cash flow before acquisitions and divestments	**(289)**	**(226)**

Cash flow from acquisitions, divestments and other activities

	H1 2007 £m	H1 2006 £m
Cash flow before acquisitions and divestments	**(289)**	**(226)**
Net disposal proceeds	1,185	5
Post retirement benefit payments – disposal related	(226)	-
Tax in relation to disposals	(11)	-
Acquisitions	(15)	(18)
ESOP share purchase / options exercised	(72)	-
Other	28	40
Total movement in net cash / (debt)	**600**	**(199)**
Net Debt Opening Balance	**(329)**	**(763)**
Net Cash / (Debt) Closing Balance	**271**	**(962)**

Post-retirement benefits

Adjustments to Balance Sheet Deficit IAS19 basis

	£m
31 December 2006 post-retirement benefit liabilities	(1,305)
Top-up contributions in 2007	151 [1]
Top-up contributions in 2007 – disposal related	226
Net actuarial gain	303
Additional longevity in ICI UK Pension Fund	(175)
Quest deficits disposed	67
Other	12
30 June 2007 post-retirement benefit liabilities	(721)

1 Top-up contributions to the ICI UK Pension Fund £122m, UK Specialty Chemicals fund £12m and US Pension Fund £17m

ICI UK Pension Fund
Funding deficit

- Interim valuation as at 31 March 2007 indicated funding deficit of c.£350m based on 2005 triennial valuation assumptions
- Some evidence that fund members living longer than assumed in 2005
- The Company and Trustee have agreed further remediation payments:
  - 2008: £50m
  - 2009: £50m
  - 2010: £100m
- Further review of longevity assumptions as part of full triennial review as at 31 March 2008

Conclusions

- Second quarter continued strong start to the year
- Performance in line with the strategy:
  - strong growth in particular in developing markets
  - Decorative North America leadership team making progress in tough market conditions
  - focus on improved operational effectiveness has led to further trading margin improvement

Outlook

- Outlook for the year as a whole remains positive
- Visibility beyond the next quarter is limited
- Our expectations for the balance of the year remain unchanged

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Strategic Update

John McAdam

Strategic update

Strategic objectives

Performance indicators

Accelerating profitable growth

- Strengthen target market positions
- Deliver higher growth from developing markets (3 times GDP)
- Innovation driving growth (at least 25% of sales)

Improved operational effectiveness

- Top quartile trading margins
- 1% on average per annum improvement in ROCE

Culture of sustainable improvement

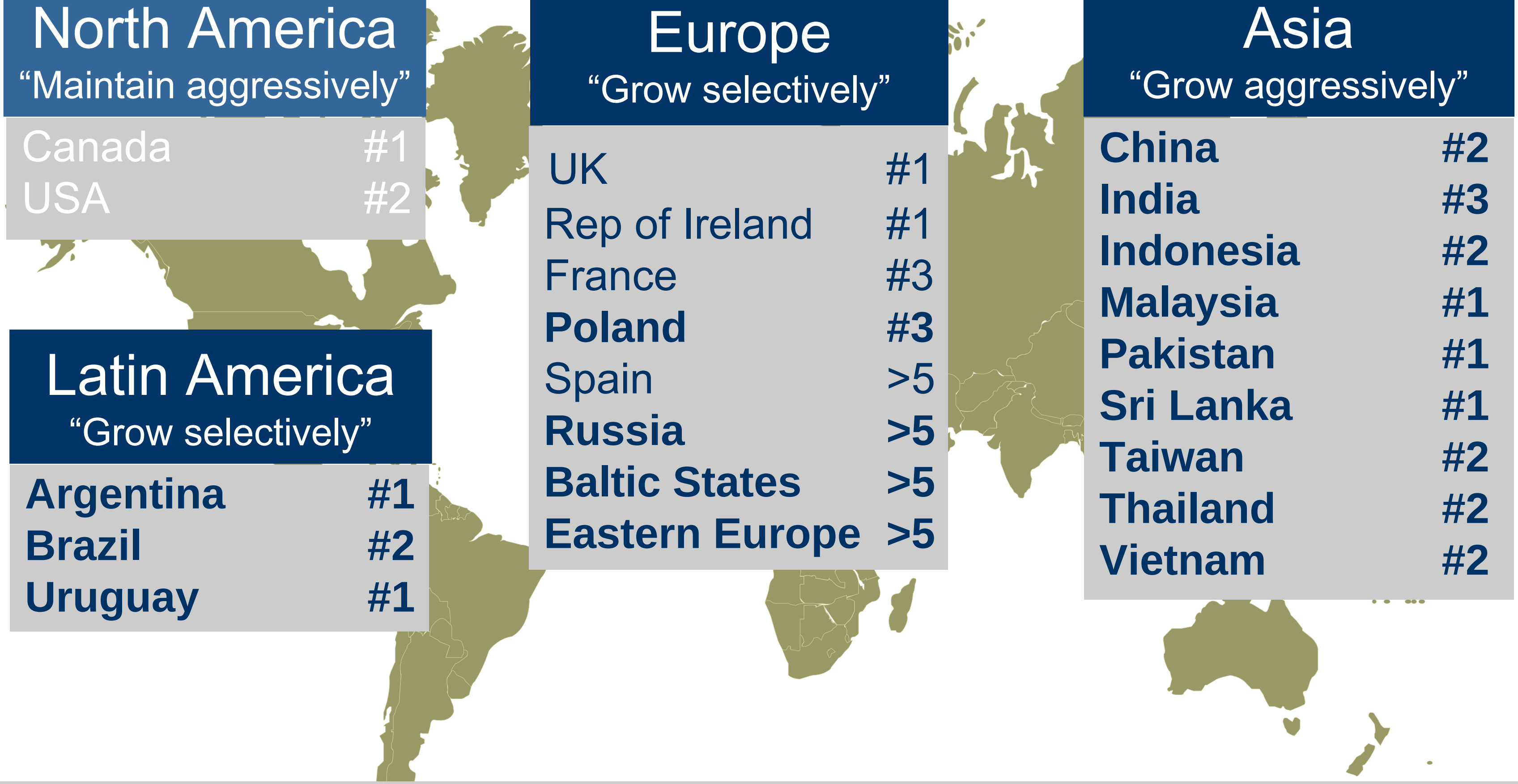
- Safe working environment
- Environmental Impact

World leading businesses

Paints	Adhesives	Electronic Materials	Specialty Polymers	Specialty Starches
Asia =#1 Latin America #1 UK & Ireland #1 North America #2	Asia #1 North America =#1 Europe #2 Leading positions in industrial adhesives. Strengths in FMCG and other value added applications	Ablestik #1 Number 1 in chosen fields: - semi conductor packaging - microelectronic assemblies Emerson & Cuming #1 Leader in chosen fields: - encapsulants for circuit assembly - electromechanical components	Alco #2 Strengths in rheology modifiers and water treatment Elotex #2 Strong in redispersible powder polymers Personal Care #1 Strong leadership in hair care fixatives	Specialty starches #1 #1 in specialty food starches focused on value added segments: - Nutrition - Clean labelling - Wholesomeness - Texturising Good position in industrial starch, mainly for paper making
50% of sales 48% of profit 11% trading margin 25% ROCE	22% of sales 15% of profit 8% trading margin 13% ROCE	4% of sales 10% of profit 25% trading margin 31% ROCE	5% of sales 9% of profit 18% trading margin 35% ROCE	10% of sales 11% of profit 12% trading margin 11% ROCE

* Company estimates
Percentages refer to proportion of ICI reporting segments for 2006

Paints: Decorative Market Positions



North America
"Maintain aggressively"

Canada	#1
USA	#2

Latin America
"Grow selectively"

Argentina	**#1**
Brazil	**#2**
Uruguay	**#1**

Europe
"Grow selectively"

UK	#1
Rep of Ireland	#1
France	#3
Poland	**#3**
Spain	>5
Russia	**>5**
Baltic States	**>5**
Eastern Europe	**>5**

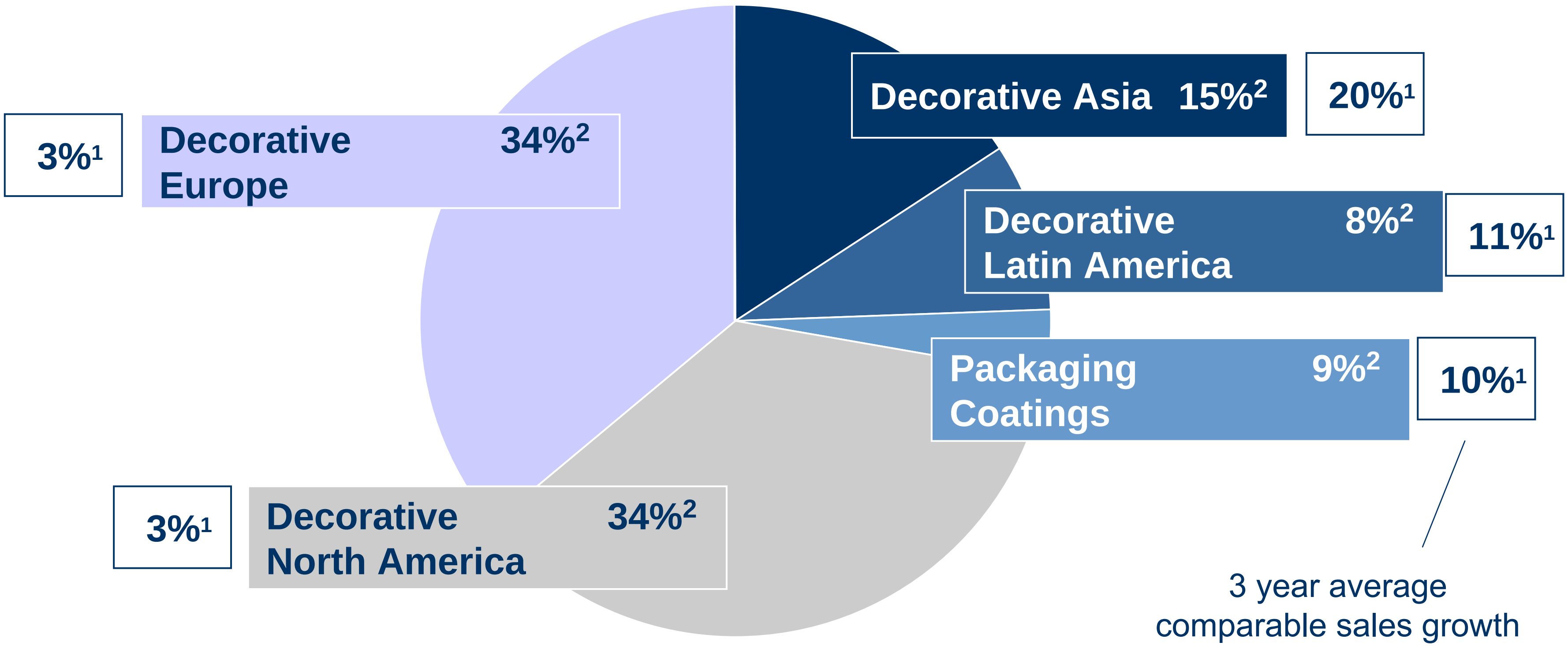
Asia
"Grow aggressively"

China	**#2**
India	**#3**
Indonesia	**#2**
Malaysia	**#1**
Pakistan	**#1**
Sri Lanka	**#1**
Taiwan	**#2**
Thailand	**#2**
Vietnam	**#2**

Strong position in important developing markets

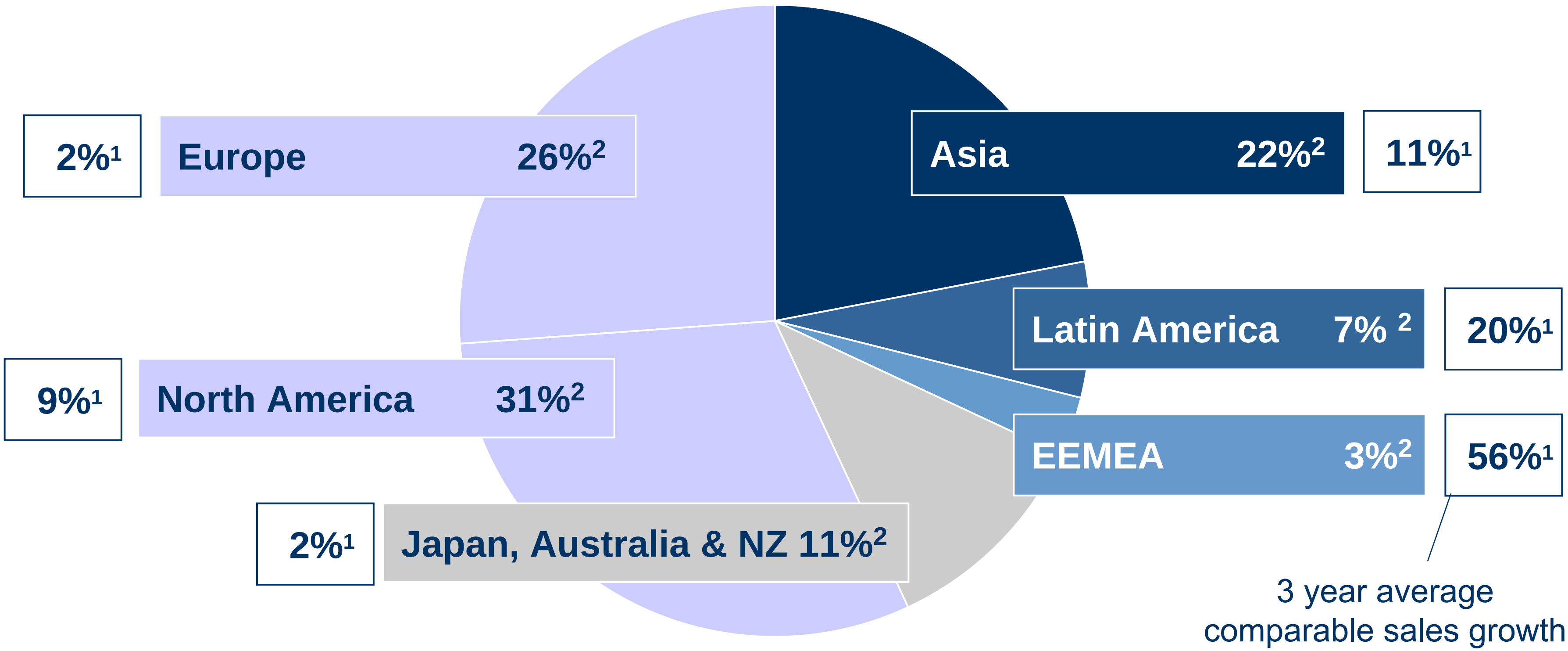
Positions reflect Company estimates

Paints: Continued growth developing markets will contribute to strong top-line growth



1 Percentages based on full year comparable sales for 2004-2006
2 Pie-chart based on sales for H1 2007

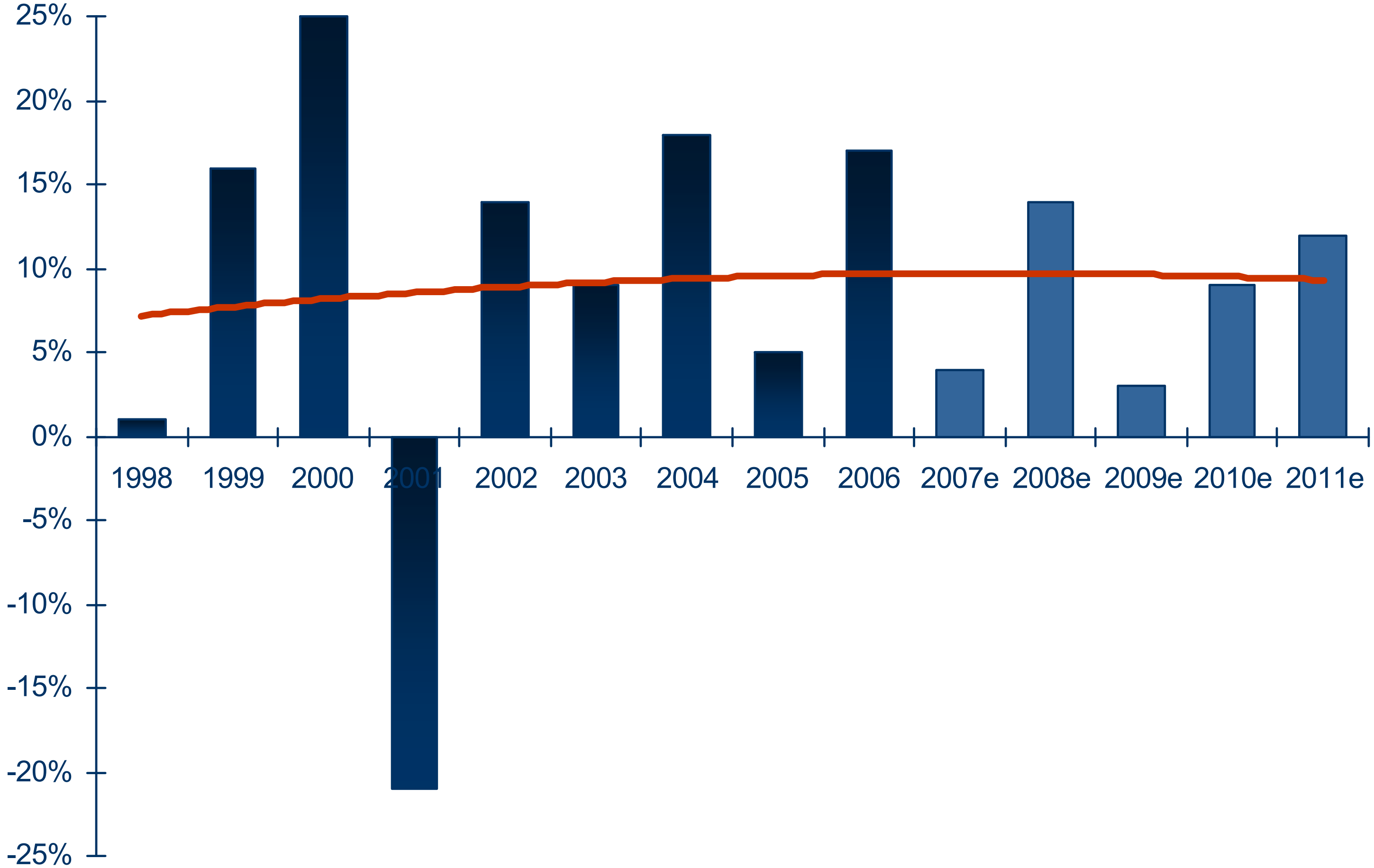
Adhesives: Strong position in developing markets will drive accelerated profitable growth



1 Percentages based on full year comparable sales for 2004-2006
2 Pie-chart based on full year sales for 2006

Electronics: strong long-term market growth

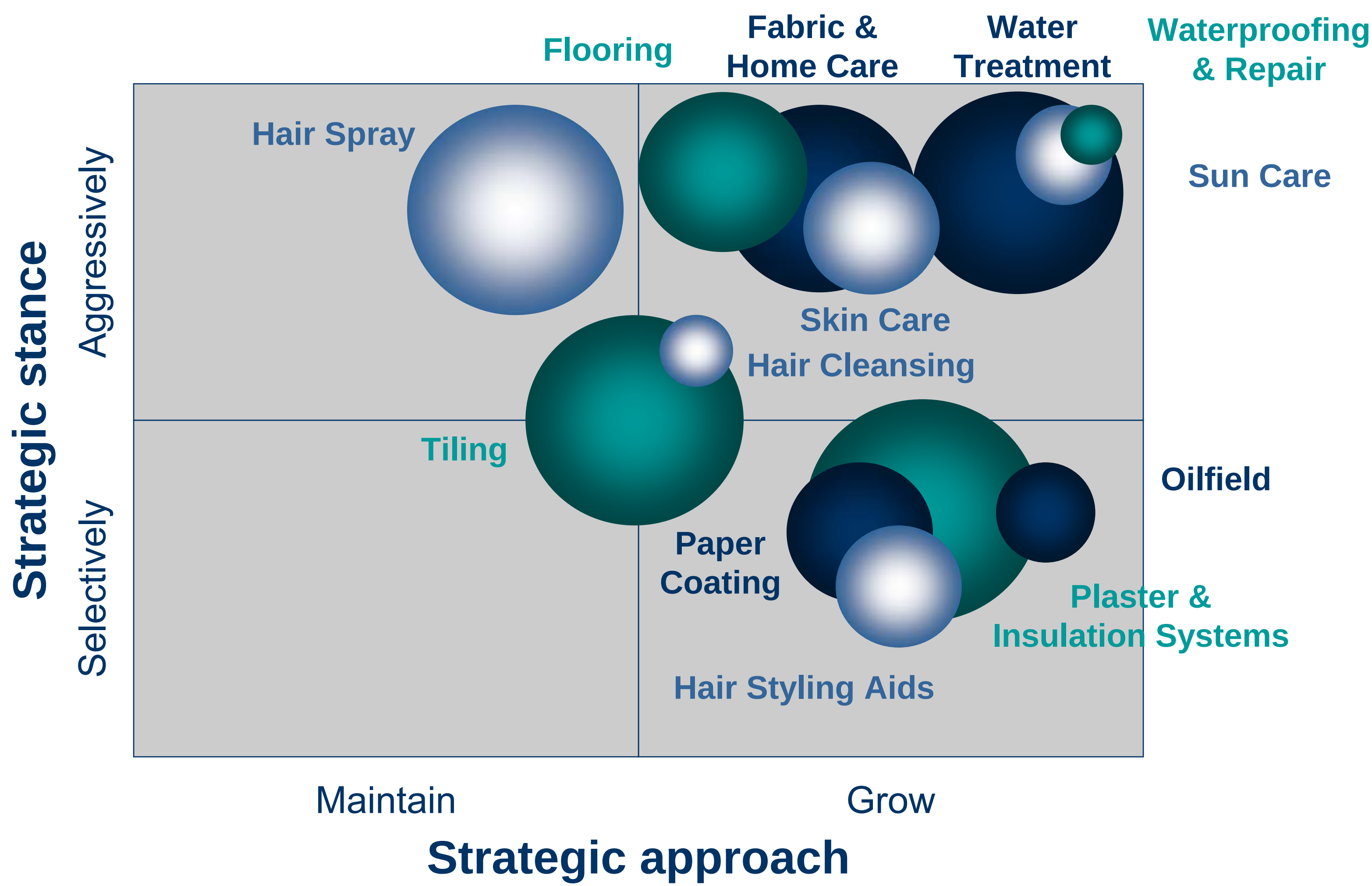
Semiconductor unit shipment growth



Long-term expectations for strong growth remain unchanged

Source: IC Insights

Specialty Polymers: Opportunities are dominated by growth market segments

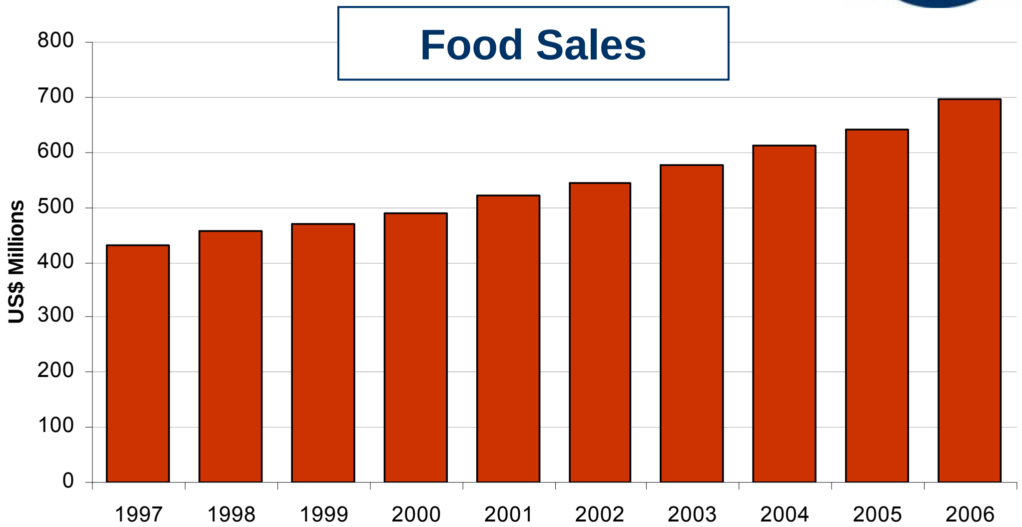


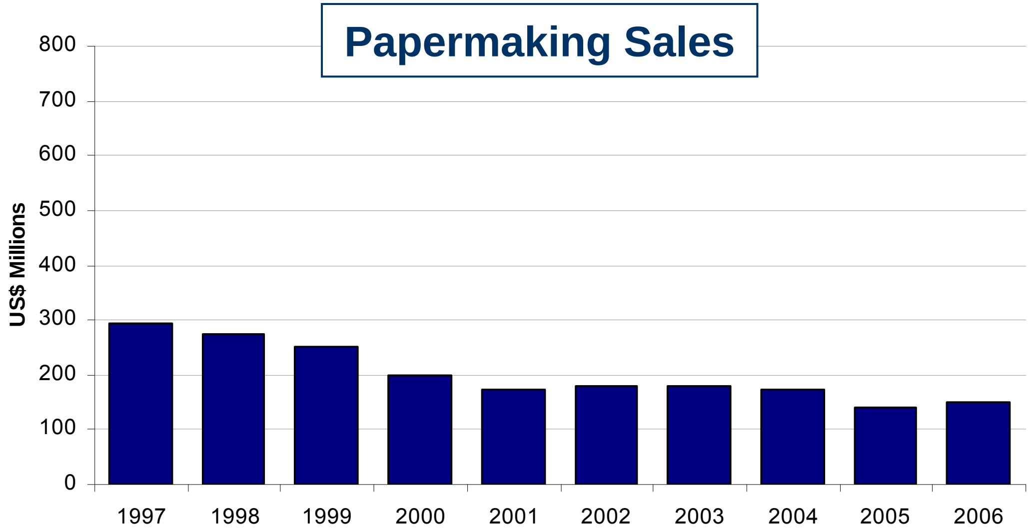
Areas proportional to 2006 sales

Starches: Business refocused on higher margin, growth food markets

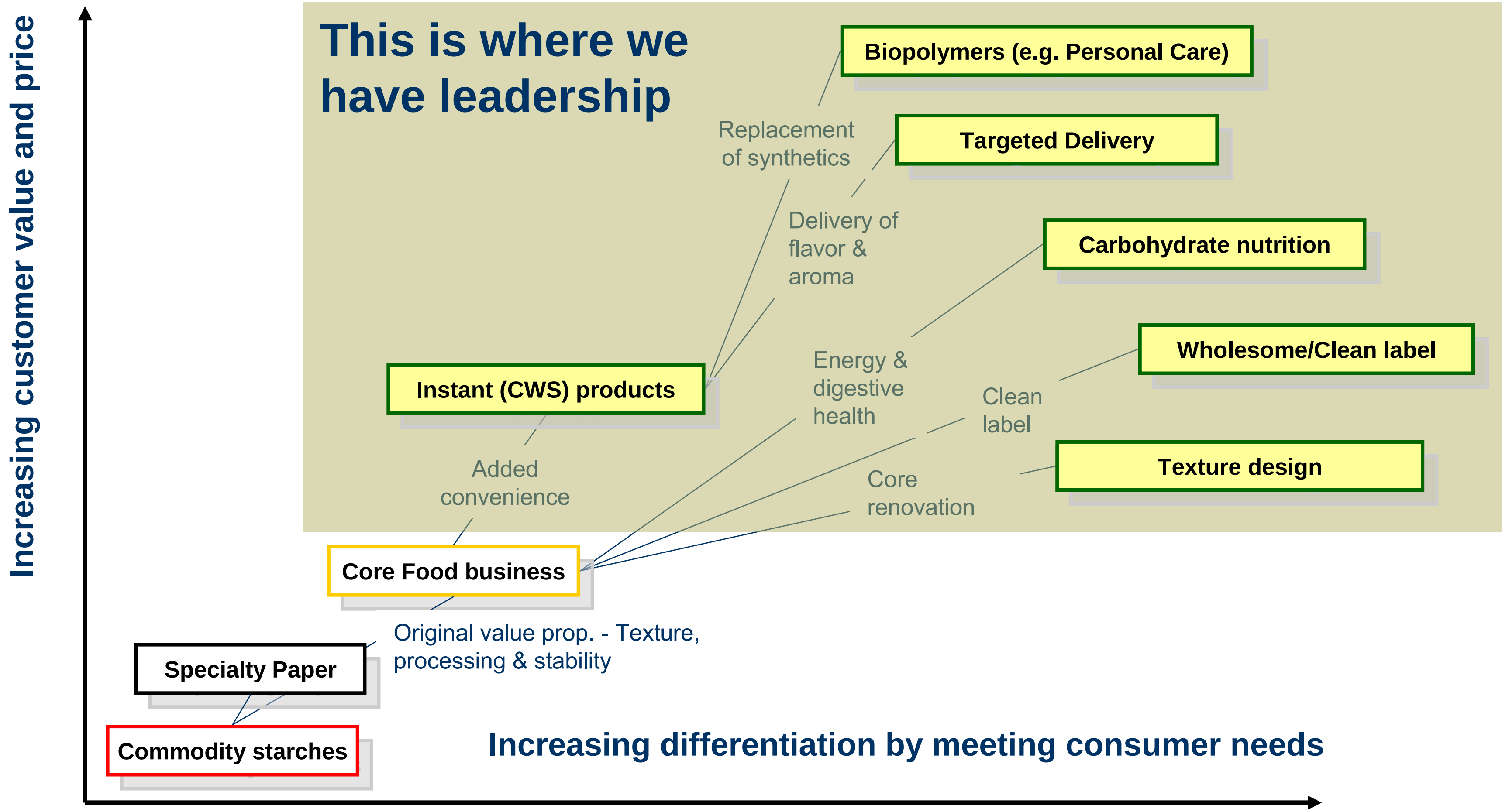
- Strong growth over the last five years CAGR: 7%
- Improved mix of higher margin business
- Impact of innovation
- Larger benefit from emerging market growth

- Shed low margin commodity business
- N America → Asia papermaking migration
- Increased focus on specialties in N America and Europe
- Good growth in China



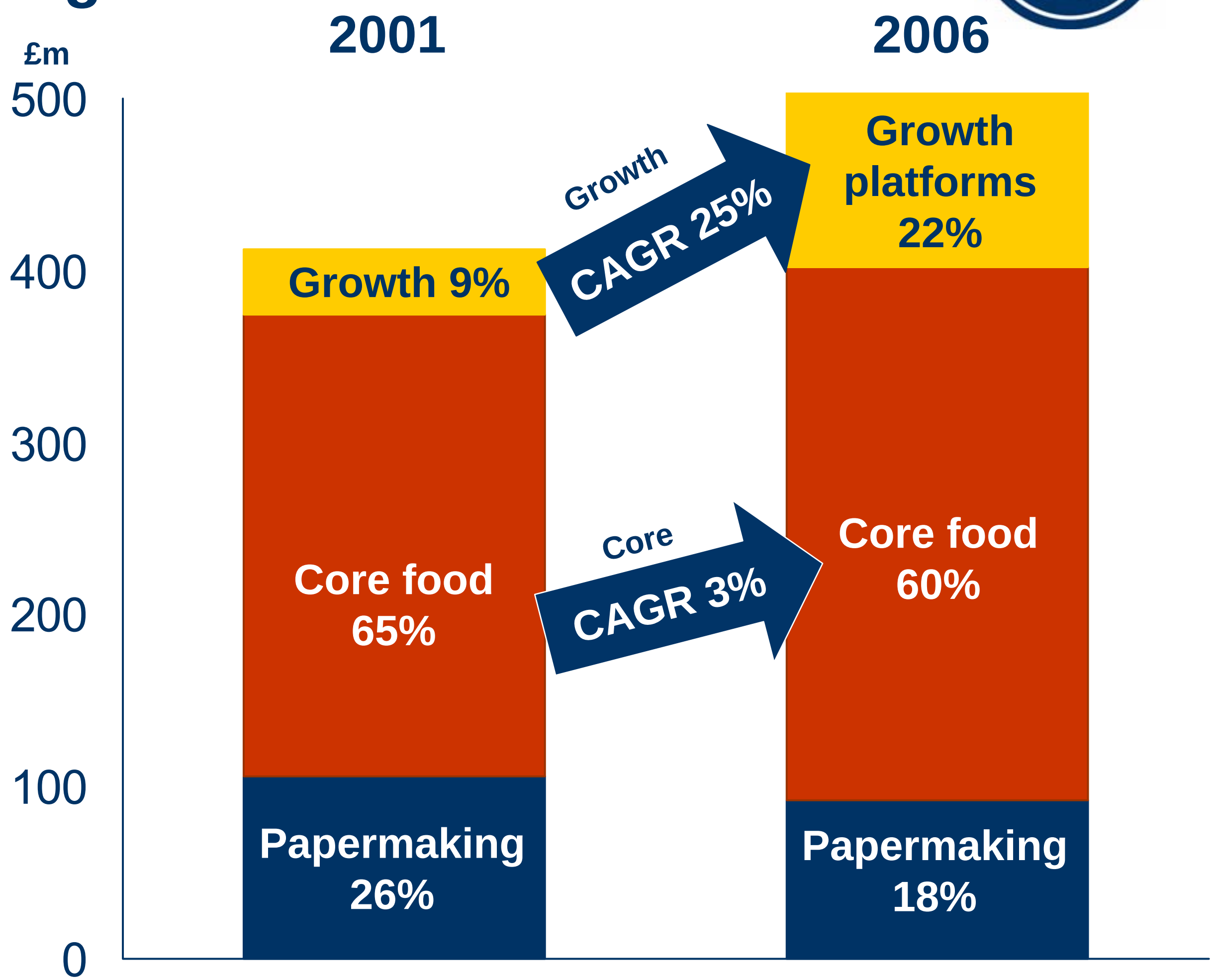


Starches: Capture value via market segmentation and product differentiation



Starches: Growth platforms are now delivering significant revenue growth

- A more profitable portfolio better positioned for future growth
- Growth in excess of global GDP
- Increasing biopolymer contribution



Total Sales: £408m | Total Sales: £502m

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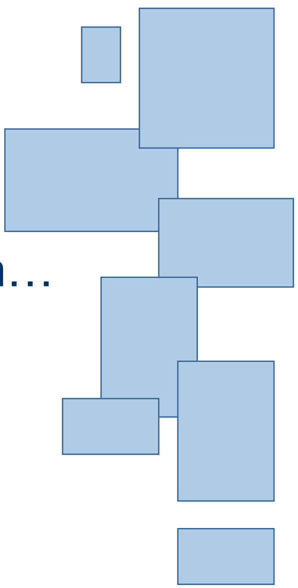
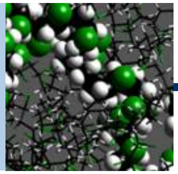
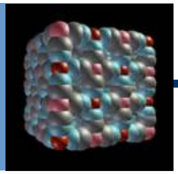
Technology: ICI's leverage

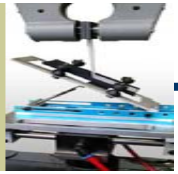
Individual business research

From…  …to

Centres of Research

Molecular Science 

Materials Science 

Measurement and Modelling 

Science & Technology Pillars

- Homogeneous Polymer Systems
- Heterogeneous Polymer Systems
- Reactive Chemistry and Polymer Modification
- Process Research

- Complex Fluids and Colloid Science
- Particles and Fillers
- Materials Physics
- Processing of Multiphase Systems

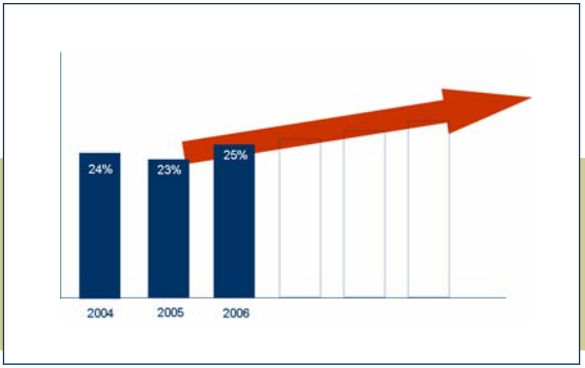
- Measurement Science
- Technical Knowledge Management
- Experimental Design and Modelling
- Appearance and Perception

Focused business with **similar functionality** utilising **common technology**

Technology: Delivering innovation

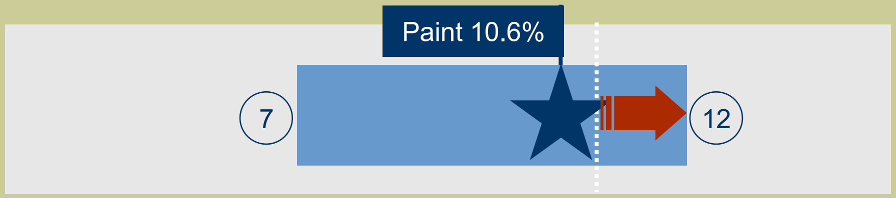
- ICI now focused on three critical functionalities
  - coating, bonding, structure
- Leverage of science and technology across ICI through much simplified applied research organisation
- Applied research and product development built in key growth regions
- Delivery to key innovation projects
  - “Light and Space”, low VOC and odourless paint
  - EASY-PAC (Adhesives)
  - Wafer backside adhesives (Electronic Materials)
  - Dial-in texture (Specialty Starches)
  - Delivery systems (Specialty Polymers)

We will be to sustain at least a 25% contribution to annual sales from new products



Paints: restructuring and growth in developing markets will strengthen trading margins

- Objective: to achieve best-in-class margins

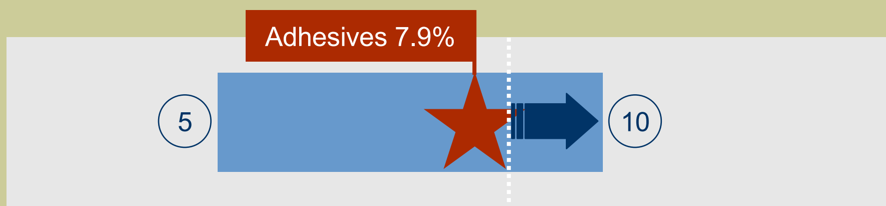


- Analysis of 2006 performance

- Investment in cost-to-serve initiatives already generating sales force effectiveness improvements
- Supply chain rationalisation in Europe and North America underway
- High growth in developing markets will enrich average trading margins

Adhesives: good opportunities to improve trading margins and returns

- Objective: to achieve best-in-class margins



- Analysis of 2006 performance

- Significant operational efficiencies still to be obtained from our current programme of investment
- Improvement to product mix led by development of higher margin adhesive systems and market niches

Conclusions

- Well positioned world class businesses
  - Strategy in place to deliver accelerated profitable growth
  - Restructuring and performance improvements delivering increased margins and higher returns on capital
- Acquisitions; good opportunities to acquire in developing markets and through niche product technologies that strengthen offering

leadership in formulation science

Forward looking statements

This document contains statements concerning the Group's business, financial condition, results of operations and certain of the Group's plans, objectives, assumptions, projections, expectations or beliefs with respect to these items. These statements are intended as forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995.

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