



leadership in formulation science

An update on ICI's strategy

Citigroup Global Materials Conference
7 March 2007

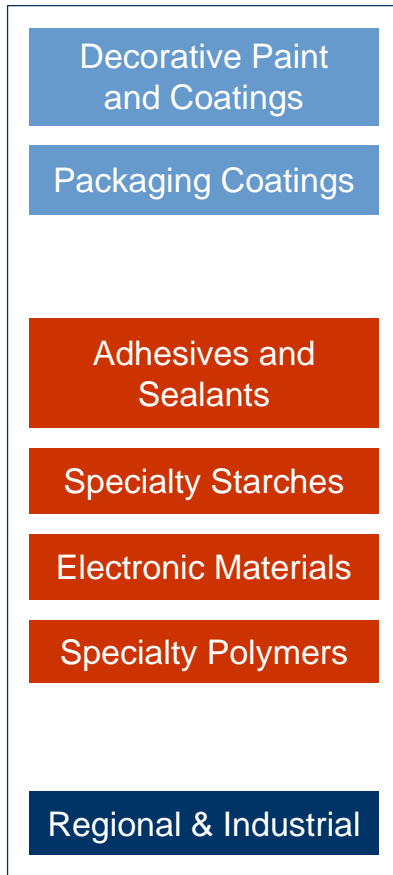


Agenda

- ICI Today
- Hunted?
 - From turnaround to transformation
 - Key elements of ICI's sustainable growth strategy
- Hunter
 - Evaluation of ICI's competitive position
- Conclusions



ICI Today



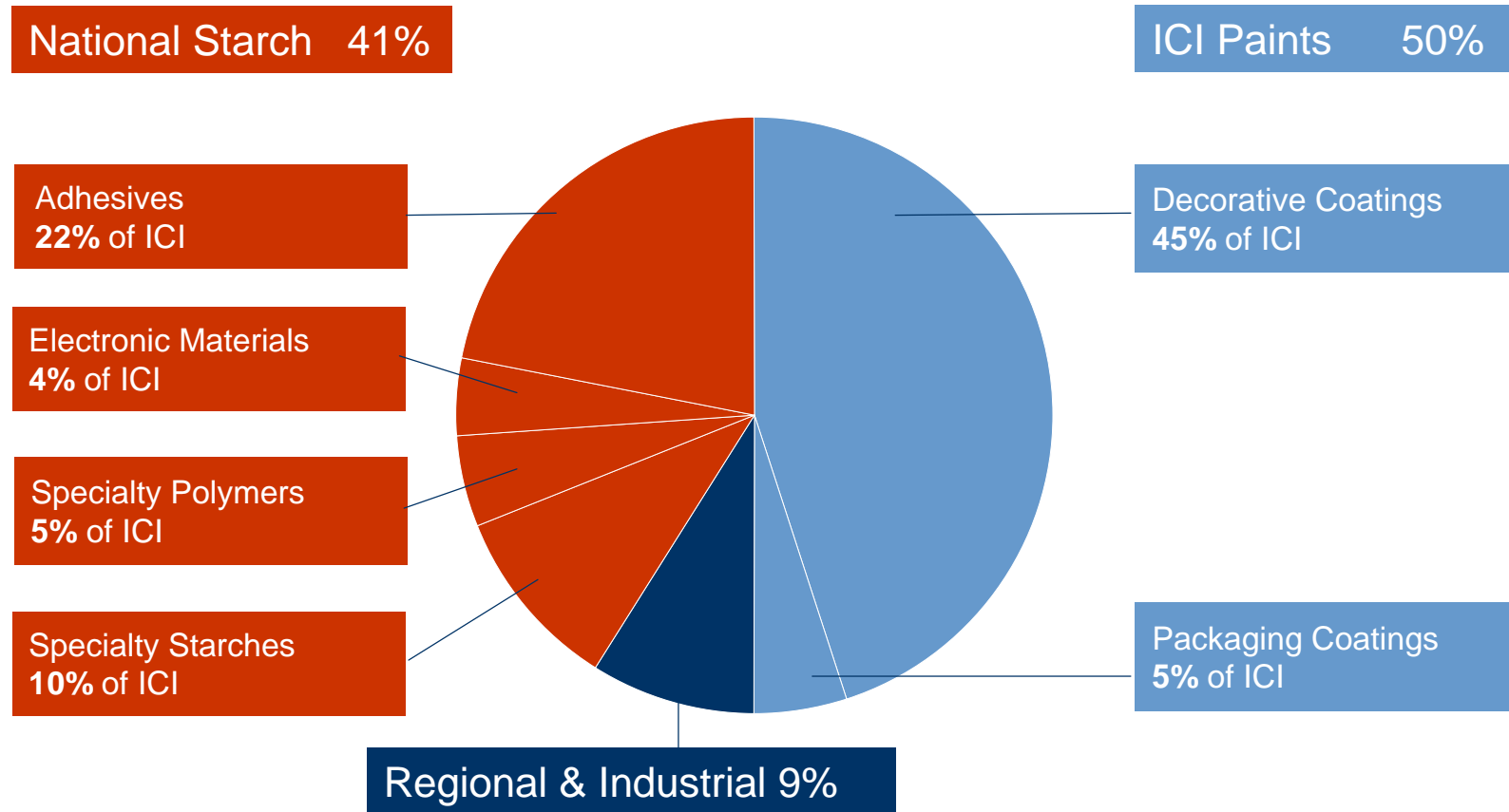
- One of the world's major coatings, adhesives and specialty polymer businesses
- Consumer rather than industrial focus
- Knowledge rather than capital intensive
- Delivers products and services that create added value for its customers
- Sales growth drivers are product innovation and marketing
- 2006¹ sales of £4.8bn and adjusted EBITA¹ of £502m

¹ Continuing operations only



Sales by business

Continuing operations

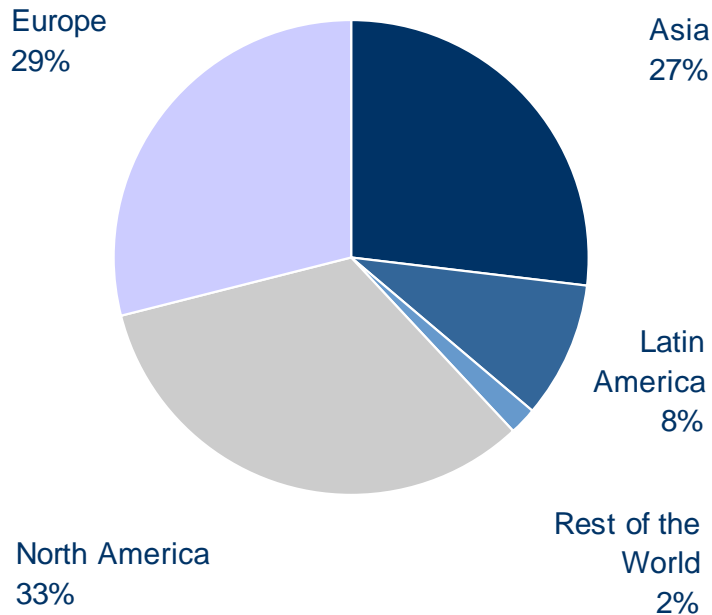


Percentages relate to proportion of 2006 reported sales for continuing operations

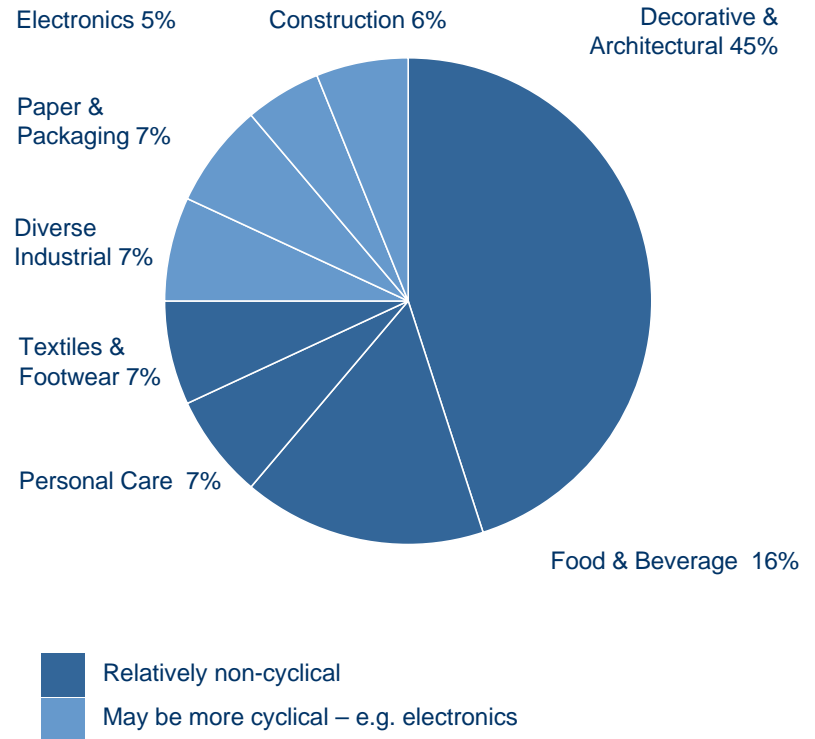


Spread and balance of activities

Sales by customer location



Sales by end market



Figures shown relate to 2006 Continuing Group sales



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2003 turnaround strategy

- Realistically assess top line growth prospects on a differentiated basis
- Aggressively pursue internally orientated cost and capital effectiveness improvements
- Simultaneously address the cash flow situation

Strategic Progress 2006

2003-2007



Objectives

- Sales growth at or slightly above GDP growth
- On average half a percentage point improvement in trading margins per annum
 - i.e. around 2% over 4 years
- On average one percentage point improvement in ROCE per annum
 - i.e. around 4% over 4 years
- Sustainable positive cash flow (pre acqs & divestments) from 2005 onwards

Strategic Progress 2006

2003-2007



Objectives

Results so far

- Sales growth at or slightly above GDP growth

Up 6% on average per annum



- On average half a percentage point improvement in trading margins per annum
- i.e. around 2% over 4 years

Up 0.5% on average per annum



- On average one percentage point improvement in ROCE per annum
- i.e. around 4% over 4 years

Up 1.8% on average per annum



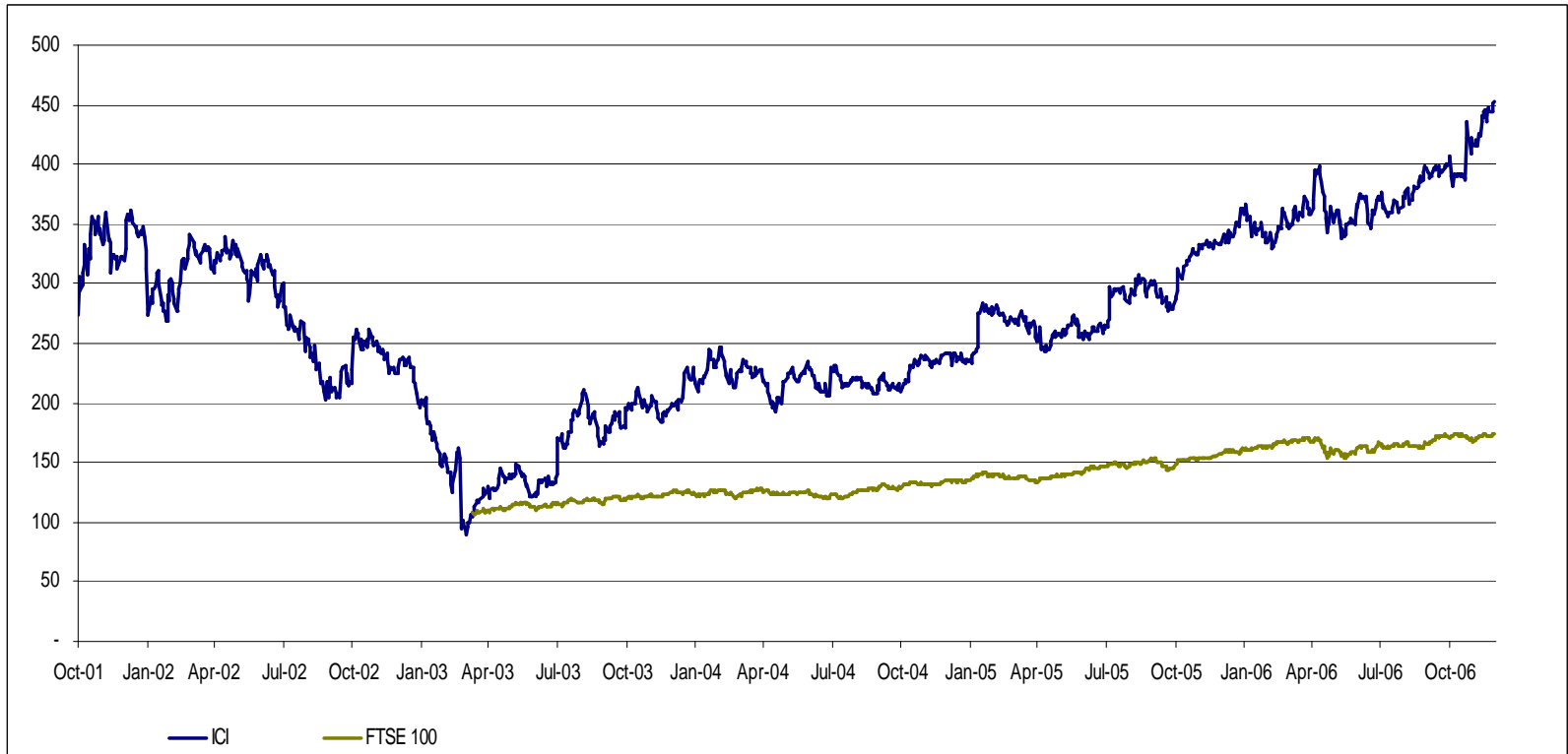
- Sustainable positive cash flow (pre acqs & divestments) from 2005 onwards

Positive cash flows from 2004



ICI share price¹

Through to end December 2006



¹ FTSE 100 rebased to ICI share price as at 9 April 2003



2006 status report

Profitable growth at or just above GDP levels



Aim to accelerate profitable growth

Support services and supply chains slightly more efficient



Effectiveness of processes all have scope for improvement

Now operating at industry average standards



Transform our culture to one of sustainable improvement



ICI's Investor Proposition

To be one of the leading creators of shareholder return in our industry

Accelerating Profitable Growth

- Strengthen target market positions
- Deliver higher growth from developing markets (on average 3 times GDP)
- Innovation from formulation science 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



Accelerating Profitable Growth

Stronger market leadership positions

+

Focus on higher growth developing markets

+

Innovation through formulation science

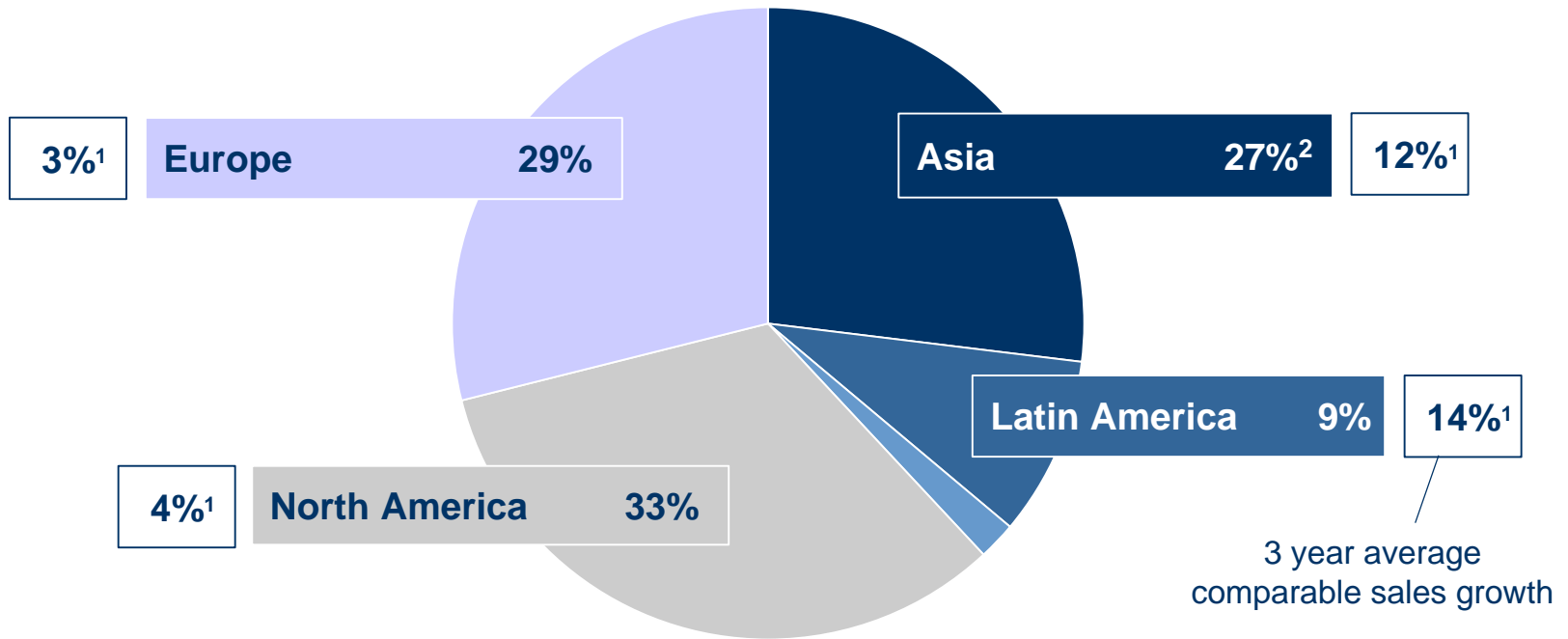
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Strategic acquisitions

=

Accelerating Profitable Growth

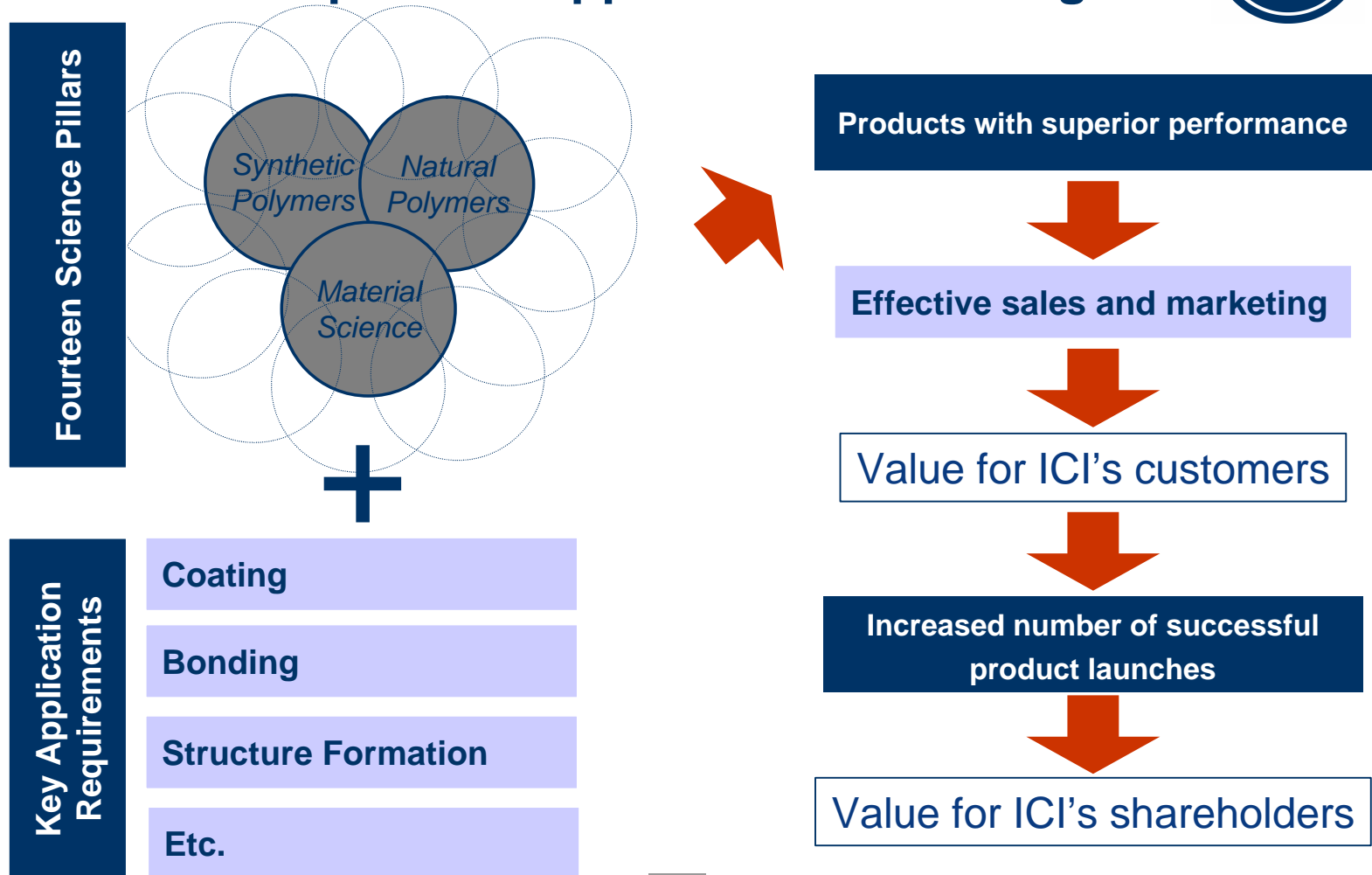
Accelerating Profitable Growth: Focus on growth in developing markets



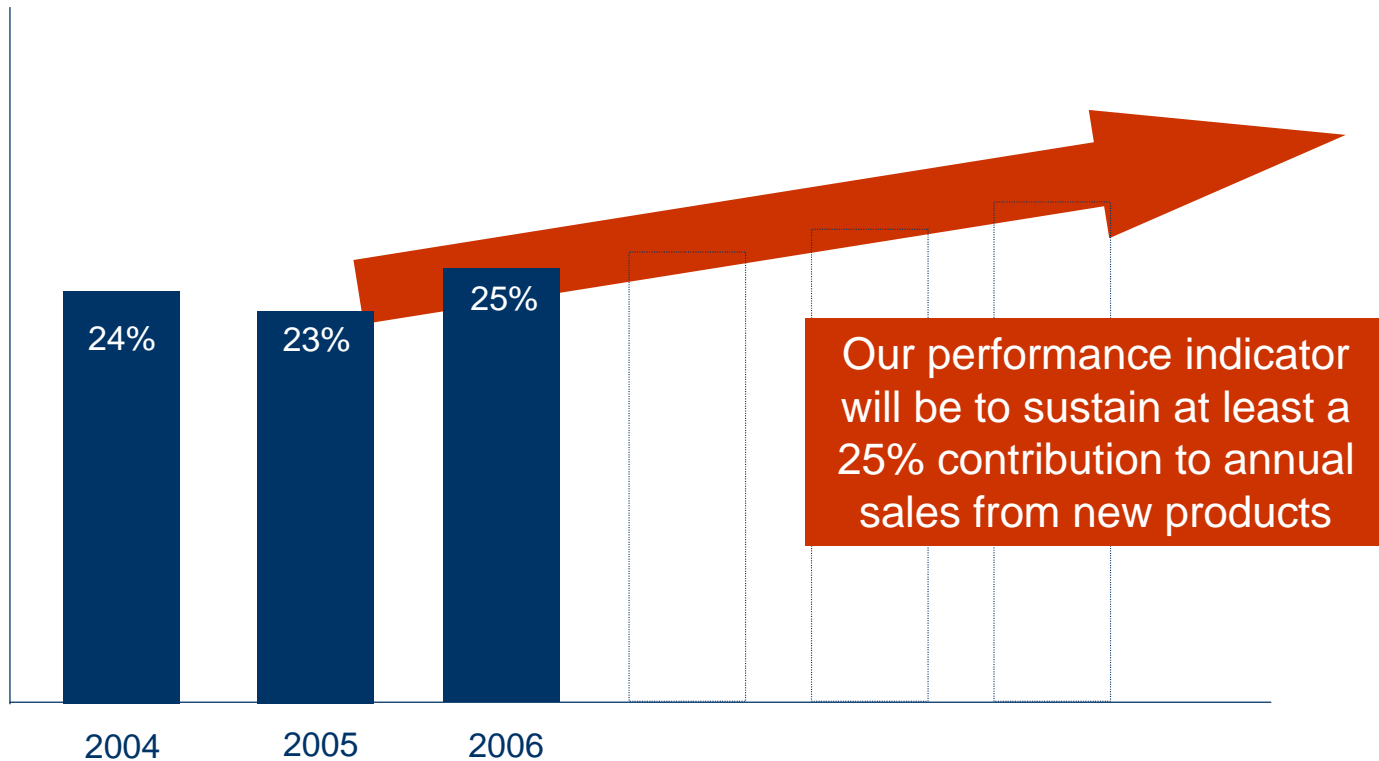
Our performance indicator will be to deliver sales growth in developing markets at on average three times global GDP

1 Figures show refer to average comparable growth over the last three years excluding R&I. "Comparable" excludes the effects of currency translation and the impact of acquisitions and divestments
2 Asia includes R&I activities in Pakistan – not included in average comparable growth, reflecting "maintain selectively" stance

Accelerating Profitable Growth: ICI's science pillars & applications knowledge



Accelerating Profitable Growth: Growth from new product development



Sales from products less than 3 years ~ 25% sales

Accelerating Profitable Growth: Paints Innovation



ICI **Dulux**
多乐士
强效抗划木器清漆

China: Anti-scratch woodcare with ingredients to automatically repair scratches




ICI **Dulux**
Velvet Touch
EMULSION PAINT

India: Pearl Glow Finish



ICI **Dulux**
Lau chùi hiệu quả

Vietnam: Easy clean to remove stains from walls



ALBA Dulux
ALBALATEX
TOQUE SUBLIME
LATEX PAINTS

Argentina: "enjoy your home more, feel it, live it..., give your walls a touch of light and softness"



Pentalite
Classic
ICI **Dulux**

Pakistan: Superior coverage and better flow, first in market

Poland: Targeting professional painter to provide perfect opacity



Sales from products less than 3 years ~ 30% Decorative Paint sales

Accelerating Profitable Growth: National Starch Innovation



Electronic Materials: Ablestik
Board on chip printable paste for high
speed dynamic random access memory
devices.



Specialty Food Starches
Critical focus on clean labelling

Adhesives
EasyPac, low temperature “cool melt” system



Specialty Food Starches
Natural carbohydrate
fibre replacement



Sales from products less than 3 years ~ 22% National sales



Improved Operational Effectiveness

Operations cost reduction

+

Cost-to-serve improvements

+

Efficient cross-business functions

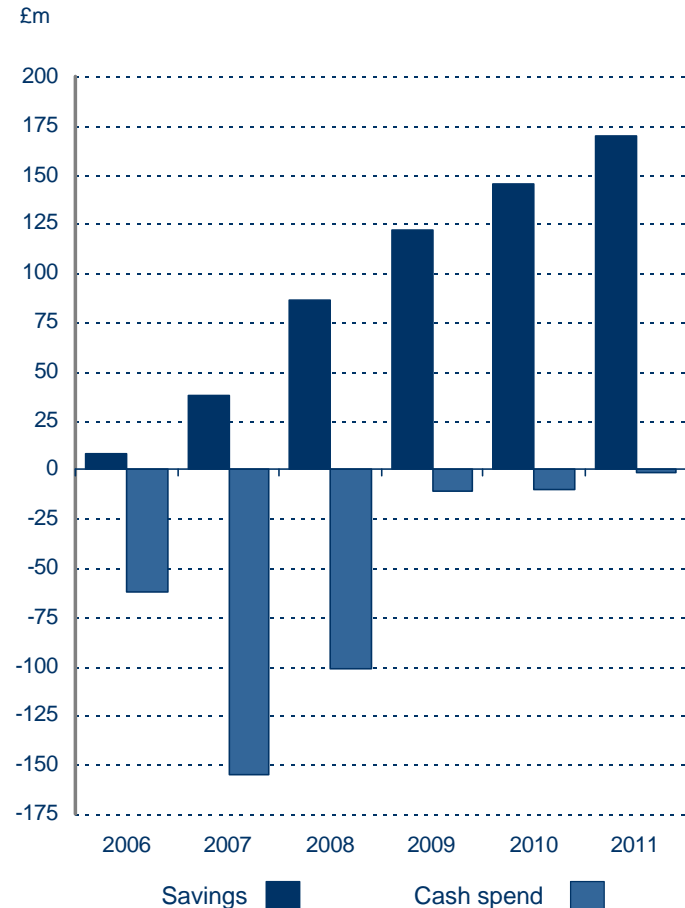
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Improved operational effectiveness

Improved Operational Effectiveness: 2006 Transformation Programme



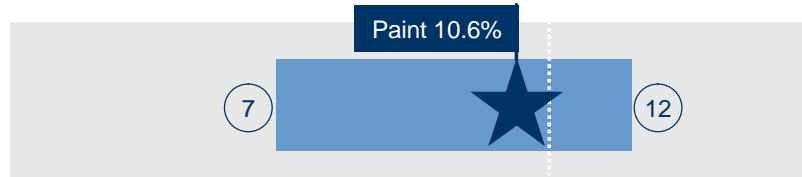
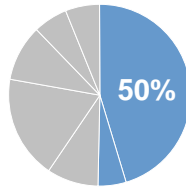
- Maintain our target of £170m annualised savings from a five year investment of £340m
- 2007 savings objective of £38m re-confirmed
- Further projects being developed to replace Quest opportunity



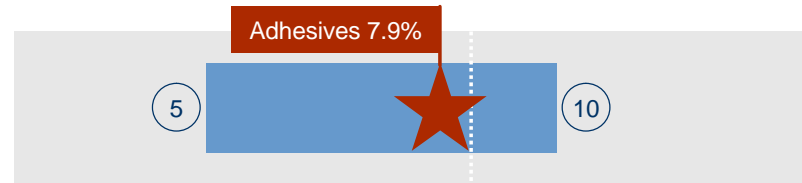
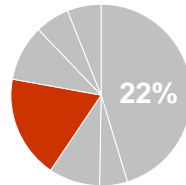


Improved Operational Effectiveness: Top Quartile Trading Margins

Paints



Adhesives



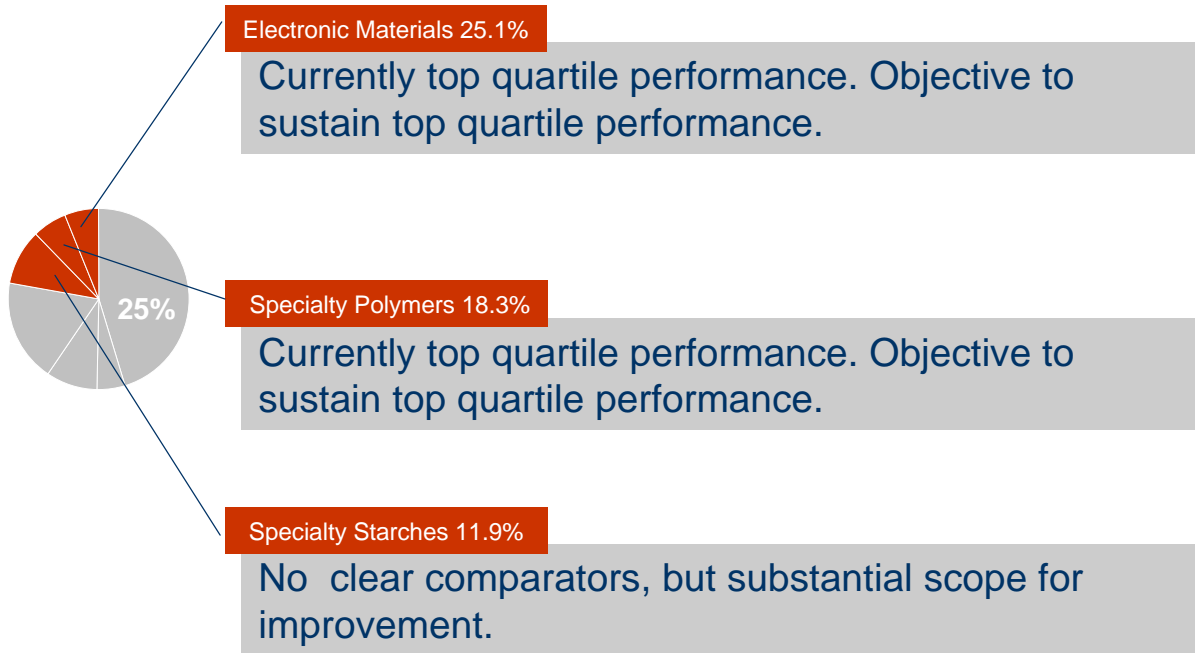
Our performance indicator is to achieve consistent top quartile performance against our international industry peers

Source: Company Estimates and Company Reports
Sample peers shown include: for Paints; Akzo Nobel, Valspar, RPM, Sherwin Williams. For Adhesives; HB Fuller, Henkel.



Improved Operational Effectiveness: Top Quartile Trading Margins

Other Specialties



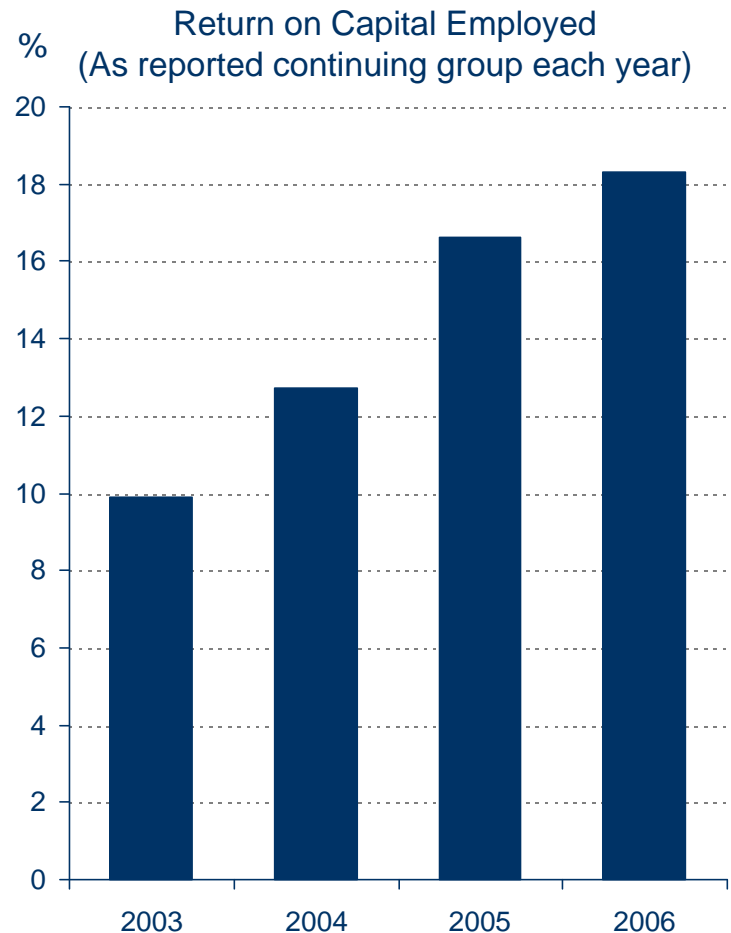
Our performance indicator is to sustain consistent top quartile performance against our international industry peers

Improved Operational Effectiveness: Continuing to target average +1% ROCE pa



- Good working capital
- +
- Capital expenditure in line with depreciation
- +
- Improved profitability
- =
- Return on capital employed up

Our performance indicator will be to maintain on average 1% per annum improvement in return on capital employed, before the impact of acquisitions and divestments



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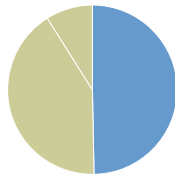
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Strong Core Businesses

Paints

£2,414m sales
 £257m trading profit
 24.6% ROCE
 14,868 employees*



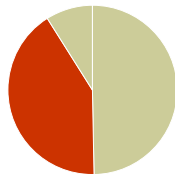
Decorative Paint and Coatings

Packaging Coatings

- Relatively **non-cyclical consumer** markets
- **Higher levels of growth** in developing markets driven by rising income and new construction
- Trend toward high levels of repaint and use of innovative paint products
- **Market share growth** lead by product innovation and strengthen brand positions

National Starch

£2,011m sales
 £242m trading profit
 16.1% ROCE
 8,909 employees*



Adhesives

Specialty Starches

Electronic Materials

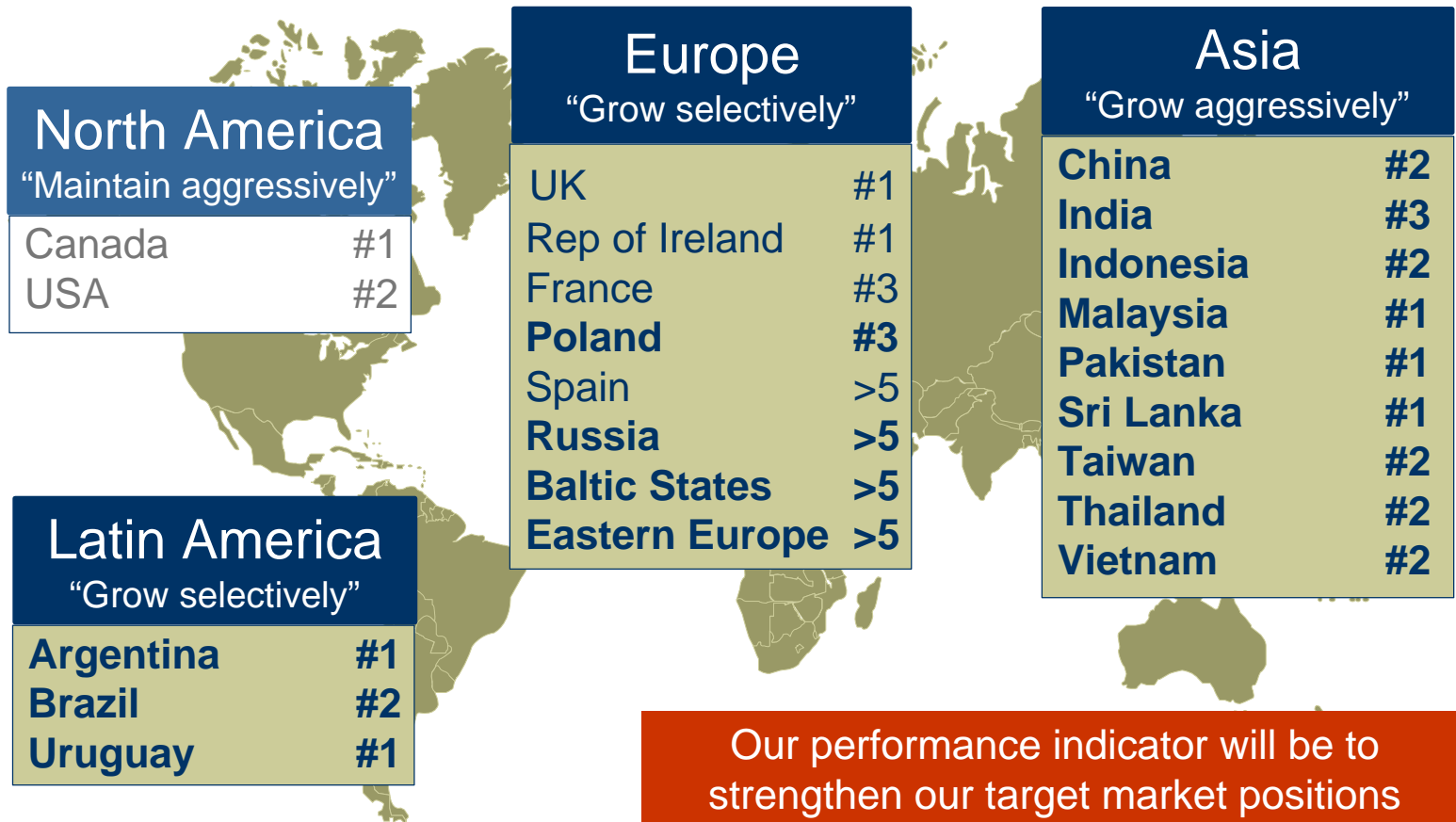
Specialty Polymers

- **Consumer orientated** markets for adhesives, starches, specialty polymers and electronic materials
- **Higher levels of market growth** due to specific trends e.g. wellness, nutrition, convenience, culinary, consumer electronics, environmental concerns and water shortages
- **Market share growth** driven by providing technically differentiated products that reduce costs, or provide valued functionality; focus on product innovation and technical insight

Figures shown refer to reported results as disclosed in 2006 Annual Report
 Pie charts reflect turnover as % of Continuing Group sales
 Average employee numbers in 2006



Decorative Paints Market Positions*



Our performance indicator will be to strengthen our target market positions

* Company estimates



National Starch Market Positions*

National Starch

Adhesives

Asia #1

North America =#1

Europe #2

Leading positions in industrial adhesives

52% of sales
34% of profit
8% trading margin

Specialty Starch

Specialty starch #1

Number 1 in specialty food starches
Good position in industrial starch

25% of sales
25% of profit
12% trading margin

Specialty Polymers

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

13% of sales
20% of profit
18% trading margin

Electronic Materials

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

10% of sales
21% of profit
25% trading margin

Our performance indicator will be to strengthen our target market positions

* Company estimates
Percentages refer to proportion of National Starch 2006 results



Conclusions

- Strategy for value creation in place
 - clear investor proposition led by accelerated profitable growth and improved operational effectiveness
- Significant opportunities to strengthen our existing businesses
 - through organic growth
 - through acquisitions



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, assumptions, or expectations with respect to these items. These statements are intended as forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995. These statements include, without limitation, those concerning: the Group's strategy and its ability to achieve it, the benefits of the Group's restructuring programmes, the Group's disposals plans, the implementation of new systems, the Group's possible or assumed future results of operations, trends in raw material costs, the Group's views on improvements in markets and trading conditions and those preceded by, followed by, or that include the words "believe", "expect", "intend", "plan", "anticipate" or similar expressions.

Actual results may differ from those expressed in such statements, depending on a variety of factors including, among other things, the impact of competitive products and pricing, adverse macro economic factors, changes in the price of raw materials, the occurrence of major operational problems, the loss of major customers, limitations imposed by the Company's indebtedness and leverage, a credit rating downgrade by the rating agencies, contingent liabilities, including those arising in connection with recently disposed businesses, risks associated with the Company's international operations, risks of litigation, and other factors described in the Company's filings with the Securities and Exchange Commission.

You should read the Company's Annual Report and Accounts and Form 20-F, which is available without charge at the internet site of the Securities and Exchange Commission (<http://www.sec.gov>), for more information regarding factors that could cause actual results and developments to differ from those expressed or implied by the forward-looking statements in this document.

You should also read the Company's related quarterly results press release that is included in these presentation materials and is also located at the Internet site of the Securities and Exchange Commission.