



leadership in formulation science

***Painting* the strategy
and *sticking* to it**

Lehman Brothers Global Chemical Leaders Conference
March 2007



Agenda

- ICI Today
- From turnaround to transformation
- Key elements of ICI's sustainable growth strategy
- Development opportunities
 - Portfolio transformation
 - Evaluation of ICI's competitive position
- Conclusions



ICI Today

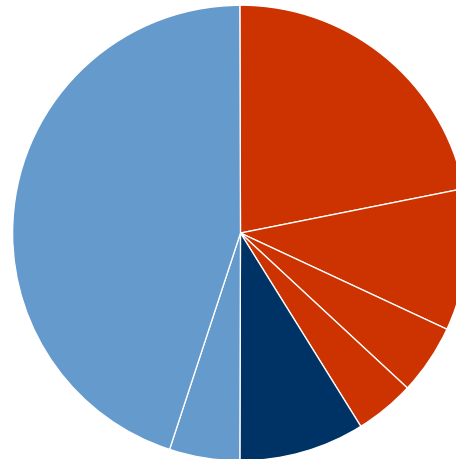
A major global coatings, adhesives and specialty polymer businesses

- Knowledge rather than capital intensive
- Sales growth drivers are product innovation and marketing
- Consumer rather than industrial focus
- Delivers products and services that create added value for its customers

2006 Financials¹	
Sales:	£4,845m
Trading profit:	£502m
Trading margins:	10.4%

Decorative Paints 45%

Packaging Coatings 5%



Adhesives 22%²

Specialty Starches 10%

Specialty Polymers 5%

Electronic Materials 4%

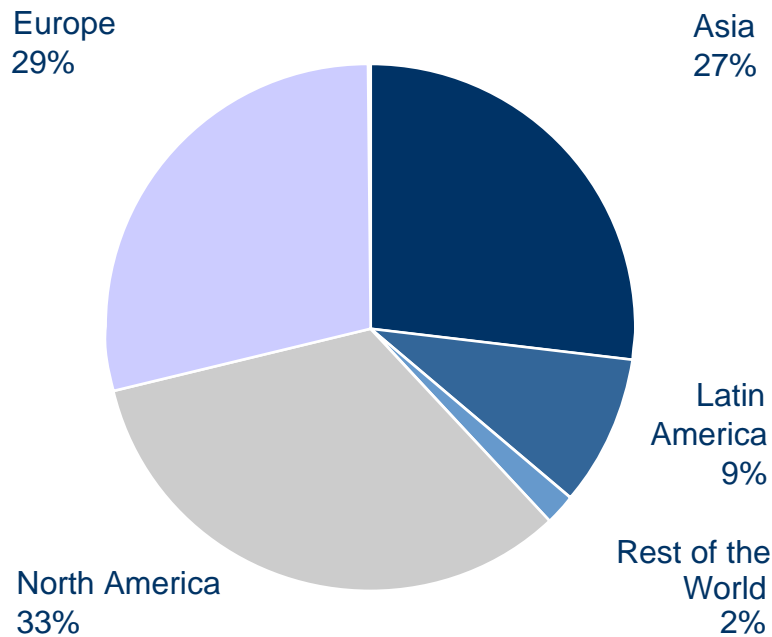
Regional & Industrial 9%

¹ Continuing operations only
² Percentages relate to proportion of 2006 Continuing Operations sales

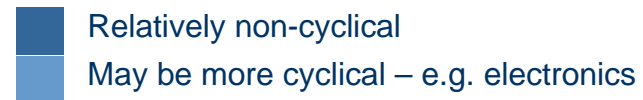
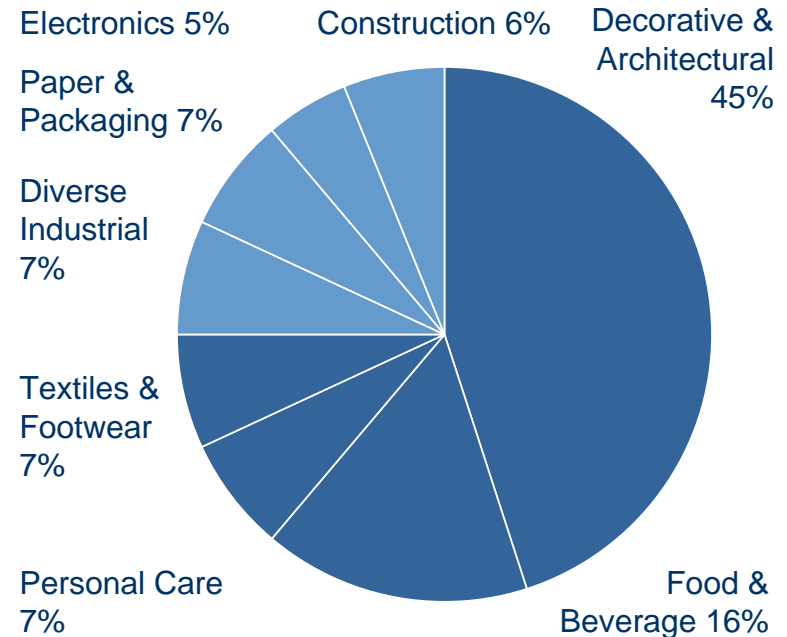


Spread and balance of activities

Sales by customer location



Sales by end market



Figures shown relate to 2006 Continuing Group sales

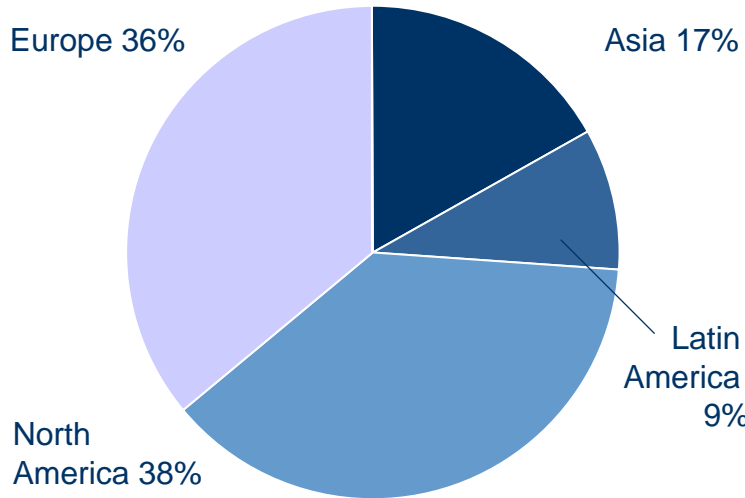
Paints



- Global leader in decorative paints
- Strong brand positions e.g. Dulux
- Key strengths: marketing, technology and unparalleled geographic reach

2006 Financials	
Sales:	£2,414m
Trading profit:	£257m
Trading margins:	10.6%

2006 Sales by Region and Major Brands



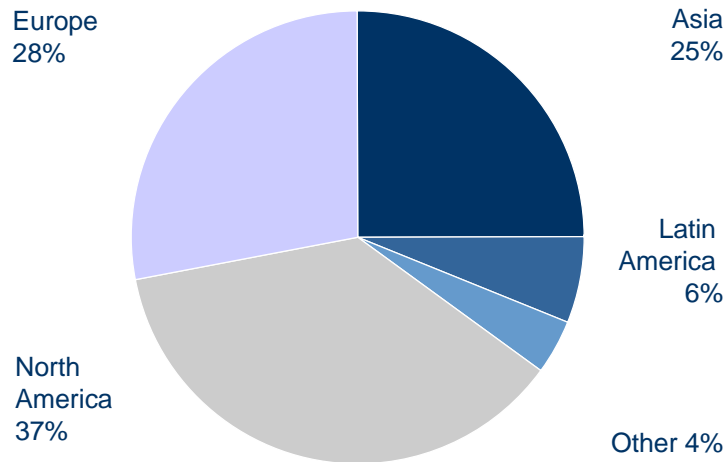


National Starch

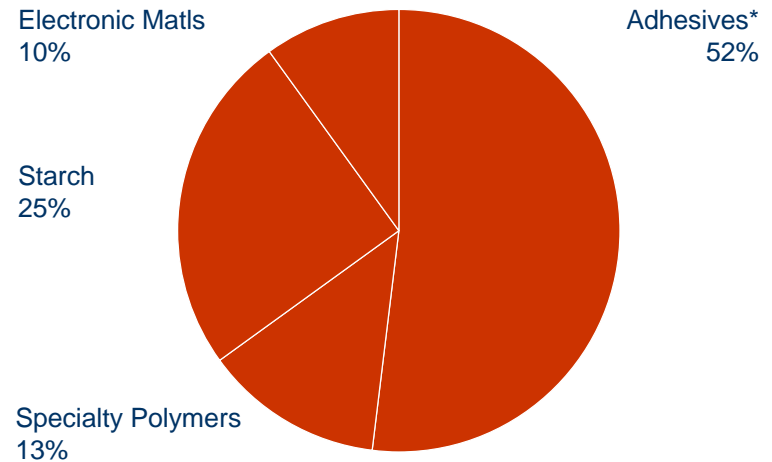
- A global leader in industrial adhesives, specialty polymers, high performance electronic materials and food starches
- Key strengths: natural and synthetic polymer technology, application understanding, technical support and global positioning

2006 Financials	
Sales:	£2,023m
Trading profit:	£242m
Trading margins:	12.0%

2006 Sales by Region



2006 Sales by Business

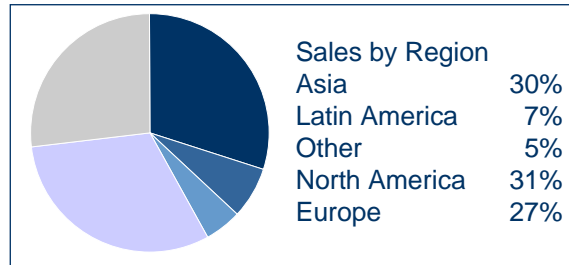


*Adhesives includes engineering materials



National Starch: Adhesives

Global producer of industrial adhesives including waterborne, hot melt and pressure sensitive products



2006 Financials	
Sales:	£1,052m
Trading profit:	£83m
Trading margins:	7.9%

- Consumer related end markets:**
- Food and consumer packaging
 - Non-wovens e.g nappies
 - Footwear
 - Dermal products

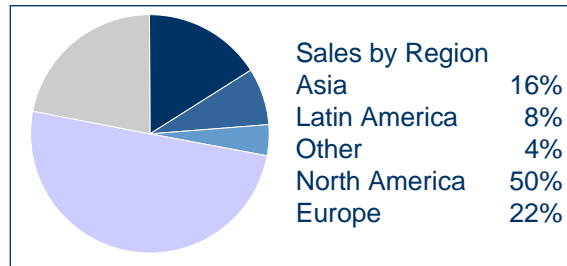
- Industrial related end markets:**
- Construction
 - Engineered wood products
 - Automotive
 - Paper applications and corrugation





National Starch: Specialty Starches

Global leader in specialty starches for food and major supplier of starches for industrial applications



2006 Financials	
Sales:	£502m
Trading profit:	£60m
Trading margins:	11.9%

- Food applications:**
- Enhances texture of sauces, dairy products, bread etc
 - Enables end food products to withstand rigours of extreme temperatures
 - Focus on nutrition and clean labelling

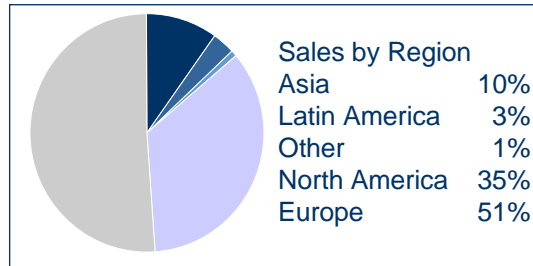
- Industrial applications:**
- Improves strength and printable quality of paper
 - Adds strength to tissues and towels





National Starch: Specialty Polymers

Develops, manufactures and sells high performance synthetic polymers



2006 Financials	
Sales:	£266m
Trading profit:	£48m
Trading margins:	18.3%

- Alco**
- Anti-scalents for water treatment
 - Detergent builders
 - Dispersants & rheology modifiers

- Elotex**
- Produces redispersible powder polymers
 - Provides adhesion and insulation properties in construction products

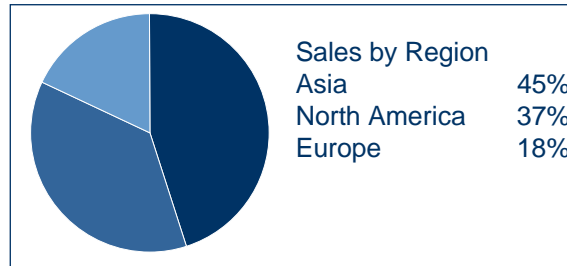
- Personal Care**
- Polymers created for aesthetic properties
 - Mainly used in hair and skin lotions





National Starch: Electronic Materials

Global leader in adhesives, encapsulants and specialty coatings for the electronics market



2006 Financials	
Sales:	£203m
Trading profit:	£51m
Trading margins:	25.1%

Ablestik

- Semiconductor packaging and microelectronic assembly
- Adhesives, encapsulants and underfills: conduct heat and electricity whilst providing essential strength to the end product

Emerson & Cuming

- Circuit and component assembly
- Advanced technology adhesives, coatings and encapsulants which provide shielding, strength and shock resistance, as well as conductivity





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

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





2006 status report

Profitable growth at or just above GDP levels

but... → Aim to accelerate profitable growth

Support services and supply chains slightly more efficient

but... → Effectiveness of processes all have scope for improvement

Now operating at industry average standards

but... → Transform our culture to one of sustainable improvement



Sustainable Growth Strategy

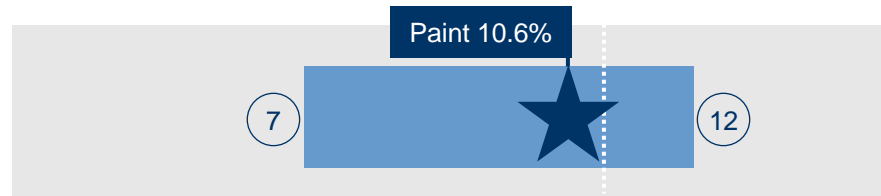
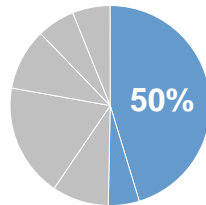
Investor Proposition: To be one of the leading creators of shareholder return in our industry



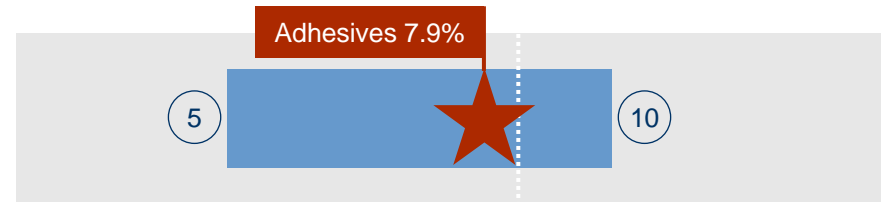
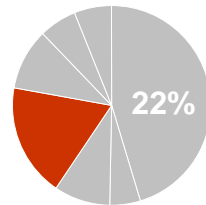


Improved Operational Effectiveness: Top Quartile Trading Margins

Paints



Adhesives



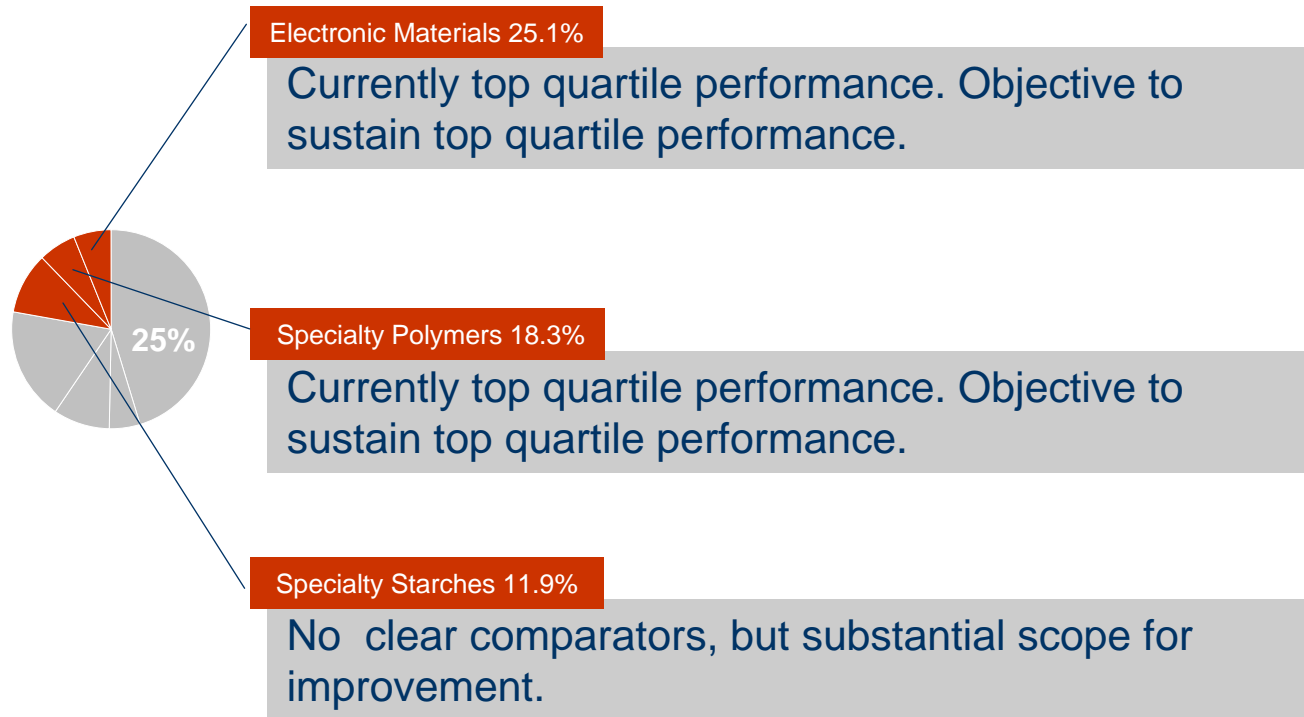
Our objective is to achieve consistent top quartile performance against our international industry peers

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

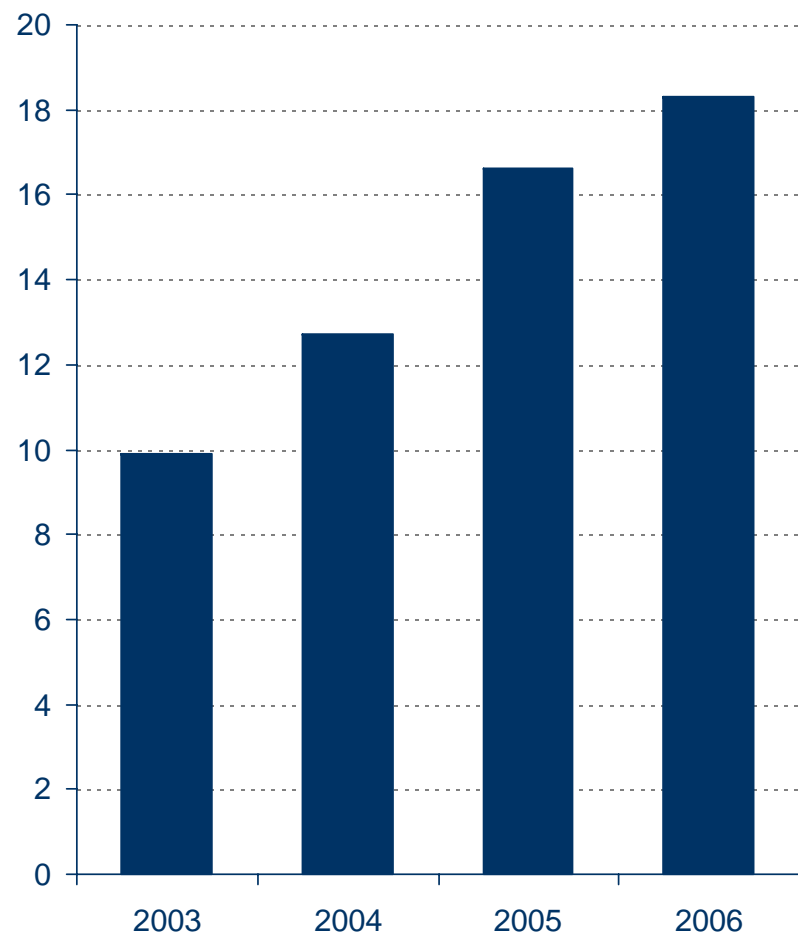


Improved Operational Effectiveness: Continuing to target average +1% ROCE pa

- 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

Return on Capital Employed
(As reported continuing group each year)



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Accelerating Profitable Growth

Focus on higher growth developing markets

+

Innovation through formulation science

+

Stronger market leadership positions

+

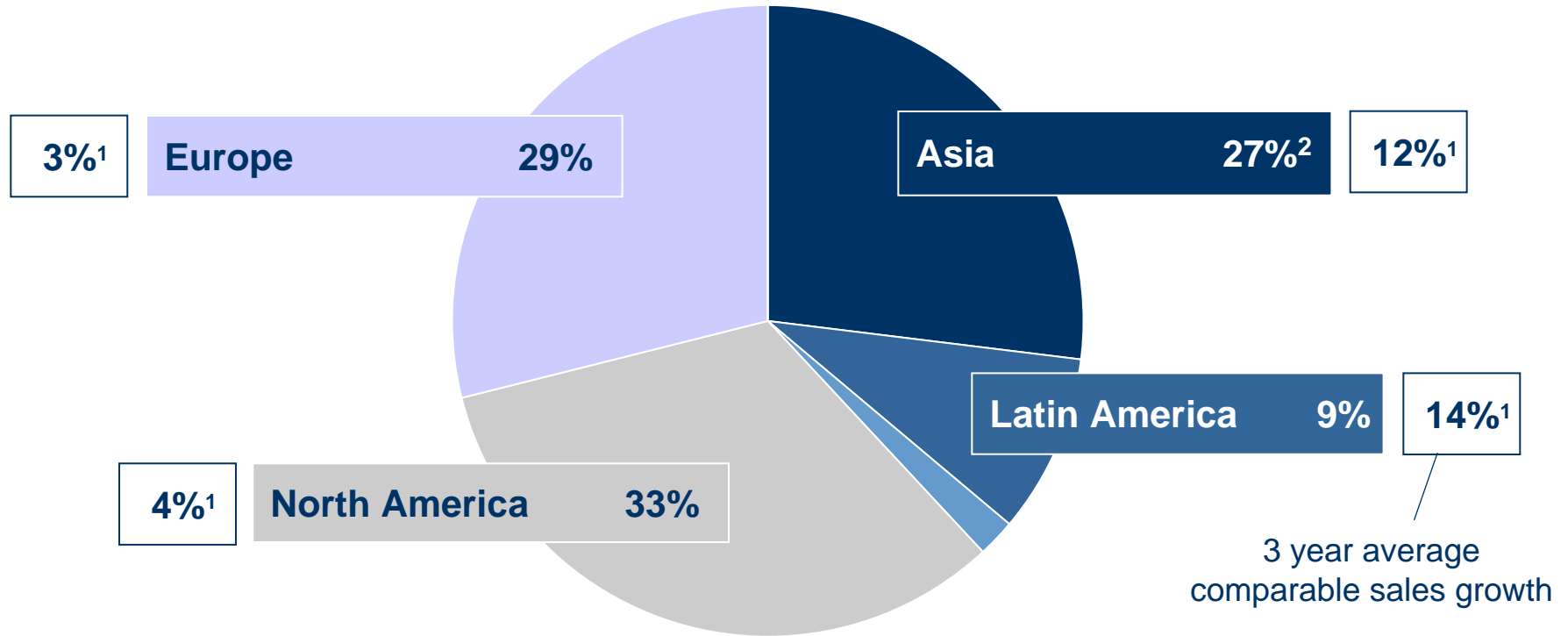
Strategic acquisitions

=

Accelerating Profitable Growth



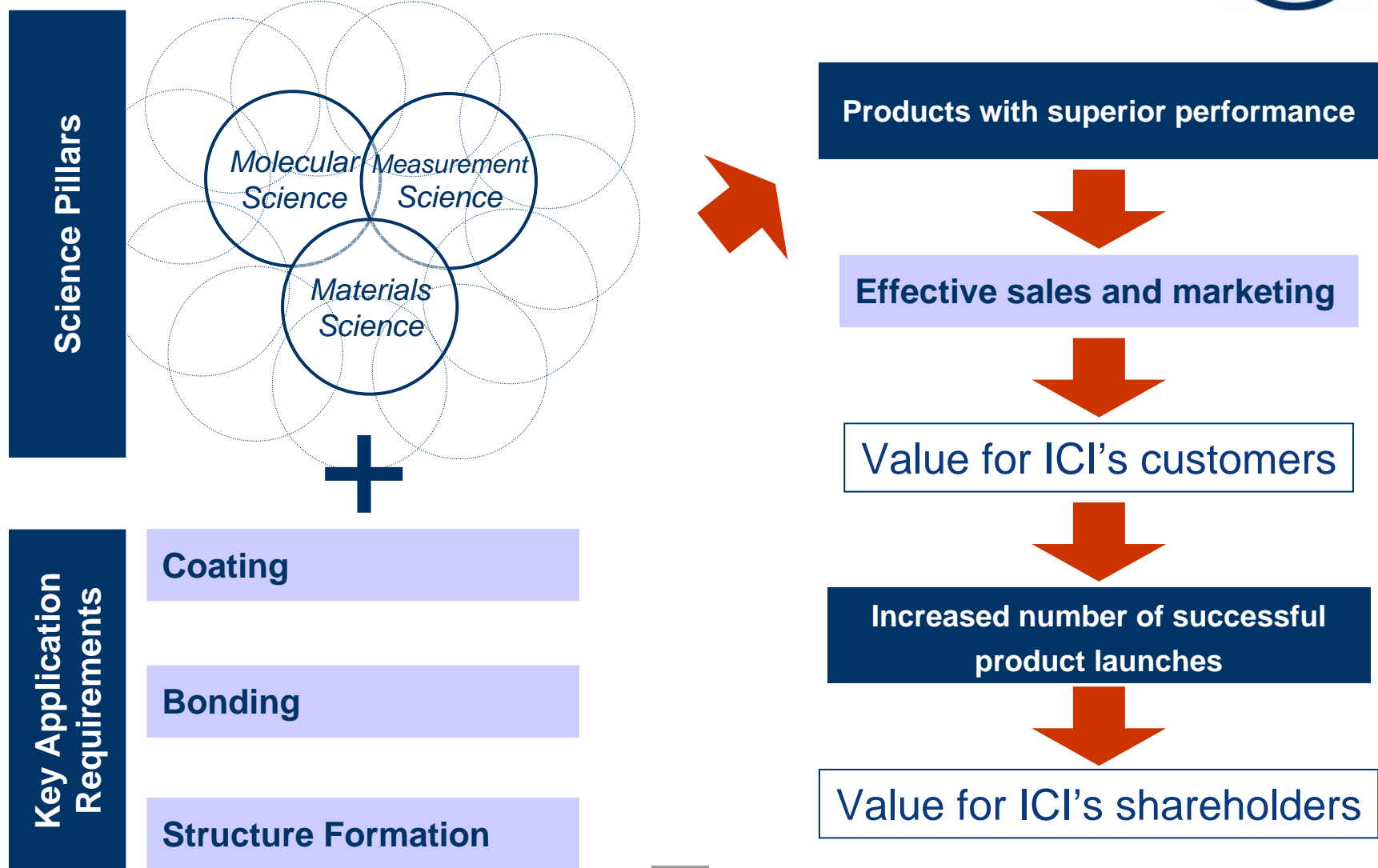
Accelerating Profitable Growth: Focus on growth in developing markets



1 Figures shown 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 technology



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Leveraging applications knowledge



ICI is now fundamentally a business which is about:

- **Coating** *Protecting and modifying appearance*
- **Bonding** *Connects and holds materials together*
- **Structuring** *Creates the right physical form*

	Decorative Paints	Packaging Coatings	Adhesives	Specialty Starches	Electronic Materials	Specialty Polymers
Coating	Interior & exterior paints	All packaging coatings	Waterproofing adhesives	Nutrients	Display sealants	Skin moisturisers
Bonding	Fillers		All adhesives		Die attach adhesives	Hair fixatives
Structuring	Coverings		Structural adhesives	Texturising agents	Underfills	Concrete additives

Highly Relevant
 Relevant
 Not Relevant

Accelerating Profitable Growth: Paints Innovation



China: Odourless paint for expansion into Tier 2 cities, launched Jan 07



India: Reflects up to twice the amount of light back into a room, launched Dec 06



UK: Covers hairline cracks in 2 coats without need for preparation, launched Jan 06



Argentina: Provides a smooth and even film, launched Sep 06



Poland: Premium scrub & stain resistant paint, launched Apr 06



North America: No VOC product offering for The Home Depot launched Feb 07

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.



Novation[®]

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



Development Opportunities

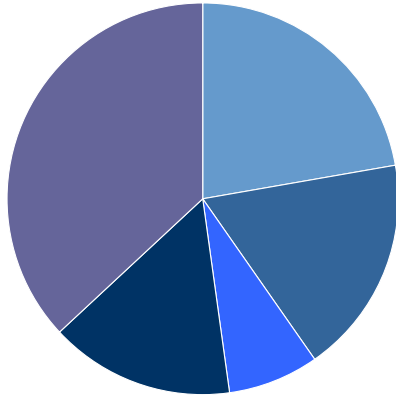
- Significant transformation through acquisitions and divestments
- Acquisitions for profitable growth
 - Paints: acquire for regional access, or strong brands
 - National: acquire for technology and access to new markets
- Strong market positions built through organic growth and acquisitions

Transformation of ICI over the last 10 years has been significant



1996

Largely bulk chemicals and paint



£11bn turnover, **cyclical** end-markets, **volatile** trading margins (5%)

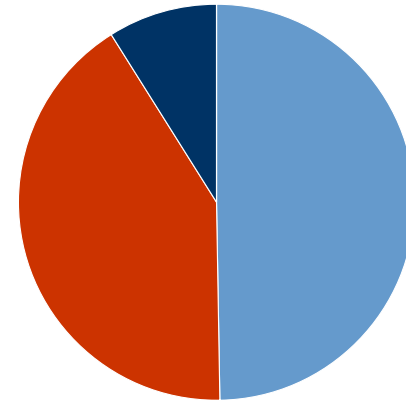
Major acquisitions: Unilever Specialty Chemicals (National Starch, Crosfield, Quest and Unichema) and parts of the Williams coatings businesses



Major divestments: Acrylics, Chemicals and Polymers, Explosives, Films, ICI Australia, Polyester, Polyurethanes, Quest, Synetix, Surfactants, Tioxide and Uniqema

2007

Largely paints and adhesives

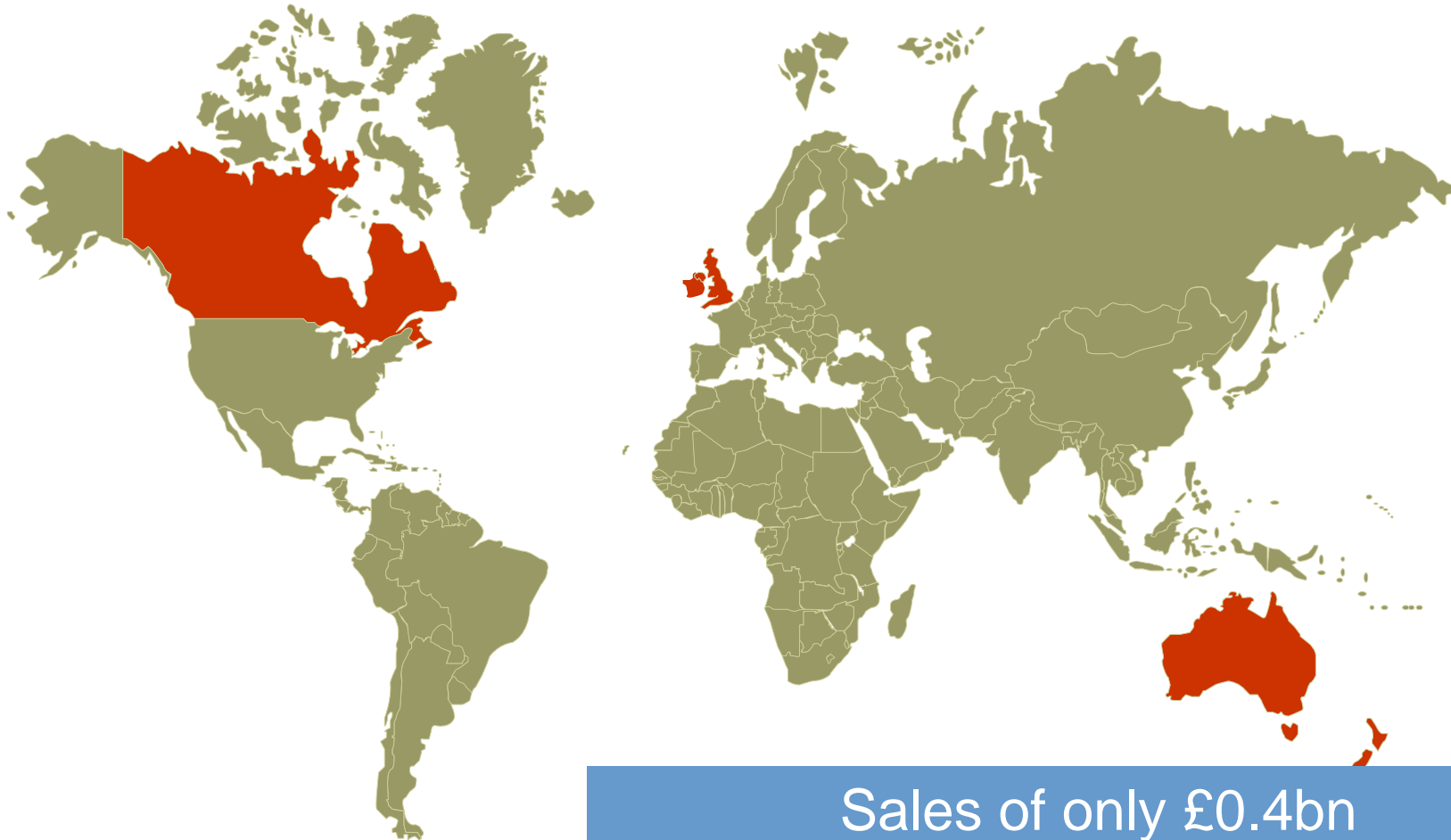


£5bn turnover, relatively **non-cyclical** end-markets, **steady, improving*** trading margins (>10%)

* Over the three years from 2004 to 2006, ICI trading margins improved by on average 0.5% per annum, in line with the Group strategic plan targets

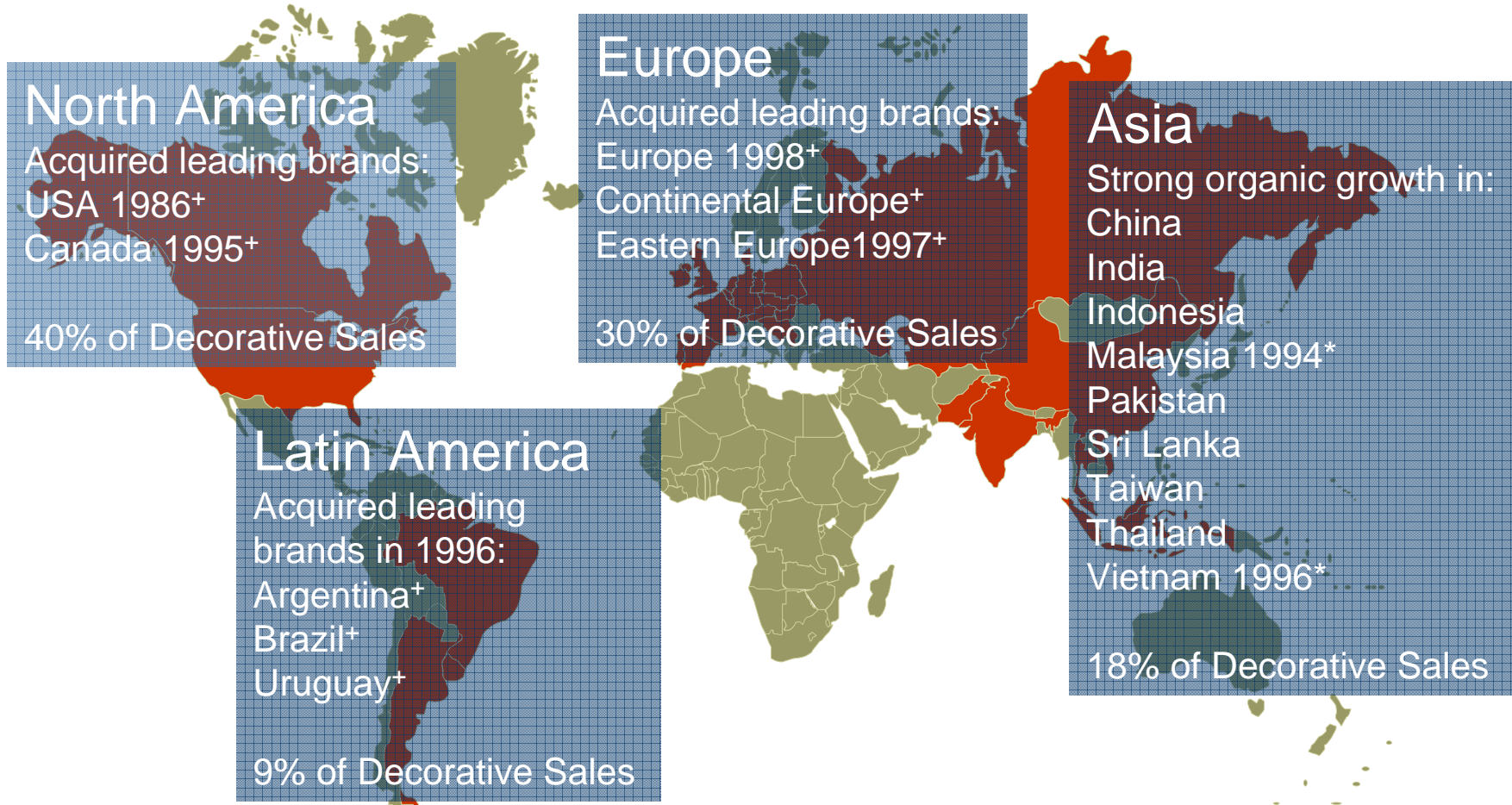


Decorative Paints pre 1980



 Decorative Paints presence

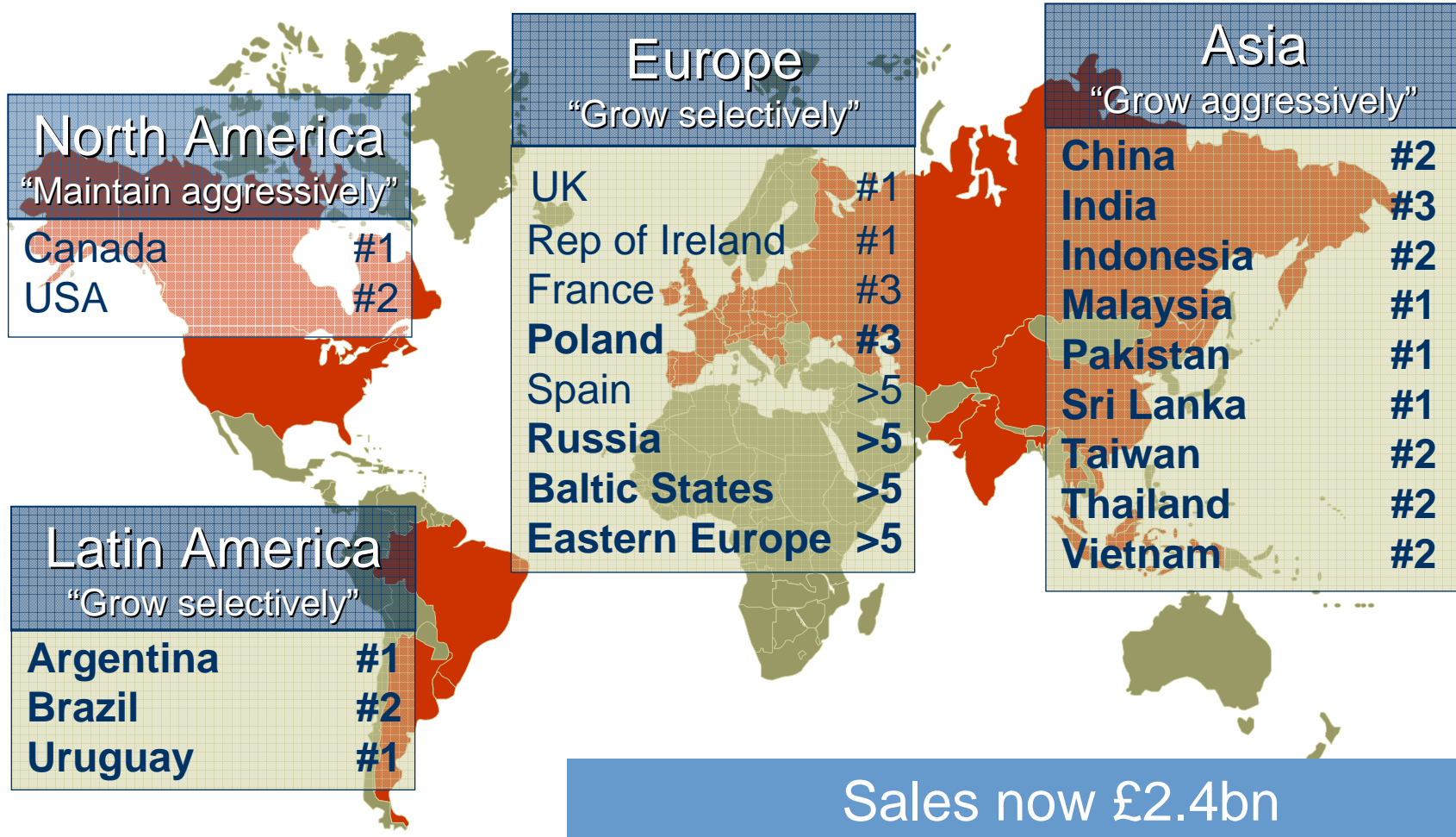
Organic and acquisitive growth has developed a strong global Decorative Paints business



* Acquired local stake and then expanded
+ Acquired strong local brands and then expanded including new geographic markets
% sales balance refers to rest of the world



Despite good market positions today there are still significant growth opportunities



Sales now £2.4bn



National Starch pre 1980

National Starch

Adhesives

North America

Acquired 1926

Europe

Entered 1928

Specialty Starch

Specialty starch

Acquired wet milling capability 1939

Specialty Polymers

Launched in 1952 with synthetic resins

Personal Care

Entered market in 1961 with synthetic polymer hairspray

Electronic Materials

Ablestik

Acquired in 1974 for specialty epoxies

Sales of only ~£0.2bn

Over 30 years, good organic growth and bolt-on acquisitions created a strong global business



National Starch

Adhesives

Asia

Various acquisitions since 1986
- Nippon NSC
- Dongsung

North America

Acquired 1926

Europe

Entered 1928

Specialty Starch

Specialty starch

Acquired wet milling capability 1939

Specialty Polymers

Launched in 1952 with synthetic resins

Alco

Acquired 1989 for specialty polymer and microbiocide technology

Elotex

- Acquired 1991
- Acquired Celanese redispersible polymers powders business

Personal Care

Entered market in 1961 with synthetic polymer hairspray

Electronic Materials

Ablestik

Acquired in 1974 for specialty epoxies

Emerson & Cuming

Acquired 1997, leading supplier of electronic adhesives and circuit materials

Attractive #1 or #2 positions in growth markets: strong base for acquisitive and organic growth



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

Sales now £2.0bn

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



Conclusions

- Strong core businesses
- 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



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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.