



## **ICI reports half year Group adjusted profit before tax\* up 12% Adjusted earnings per share\* up 20% for the half year**

**GROUP RESULTS (unaudited)**

**SECOND QUARTER AND HALF YEAR 2007**

### **Second Quarter 2007**

- 4% comparable\* growth in Group sales for continuing operations\*
- 12% comparable growth in Group trading profit\* for continuing operations
- 13% growth in Group adjusted profit before tax to £154m
- 22% growth in Group adjusted net profit\* to £121m (2006: £99m)

### **Half Year 2007**

- Group adjusted profit before tax\* £255m, 12% ahead (2006: £228m)
- Net profit after special items attributable to ICI equity holders £1,055m (2006: £80m) including £908m profit on sale of Quest
- Adjusted earnings per share 16.8p, up 20% (2006: 14.0p)
- Interim dividend declared of 4.95p per share (2006: 4.15p)
- Net cash\* £271m (2006: net debt\* £962m) reflecting disposal proceeds partially offset by pension top-up payments
- IAS 19 Pension deficit reduced from £1,305m end 2006 to £721m end Q2 2007, including updated actuarial assumptions, primarily discount rates, and a pension liability increase of £175m for additional longevity risk in the ICI UK Pension Fund.
- Announced over £65m investment in acquisitions, focused on developing markets, in last three months

### **John McAdam, Chief Executive, said:**

“The second quarter has continued our strong start to 2007, despite additional raw material cost increases for our adhesives business. Trading conditions remained buoyant in Asia, Latin America and Continental Europe. As expected, North America was mixed with weak construction markets, although we continued to reduce costs and improve returns in the Decorative Paint business. The efficiency benefits of our transformation programme contributed to an improvement in trading margins.

The outlook for the year as a whole remains positive; although visibility beyond the next quarter is limited, our expectations for the balance of the year remain unchanged.”

\* Definitions given in Appendix VIII.

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## ***Further information***

### ***Results presentation***

There will be a presentation for analysts and investors on 2 August at 9:00am, at UBS, One Finsbury Avenue, London. The presentation will be accessible live at 9:00am on ICI's website, [www.ici.com](http://www.ici.com). A recording can be accessed shortly after the presentation has concluded.

### ***Conference call***

The afternoon conference call on 2 August will be open to investors and analysts. There will be a brief synopsis of the results following which there will be an opportunity for participants to ask questions. The call will commence at 14:30hrs UK time (15:30 CET, 9:30 EST). Participants can join the call by dialling one of the numbers below, providing their name and other details, and quoting the "ICI Results Conference Call".

US dial-in: +1 334 323 6203  
UK: 020 7162 0025  
Other international: +44 20 7162 0025

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## **DISCONTINUED OPERATIONS**

The table on page 10 shows the reconciliation from trading profit to adjusted net profit for the Group for Q2 and the first half (and 2006 comparatives) including the results of Quest (sale completed Q1 2007) and Uniqema (sale completed in Q3 2006) within discontinued operations.

## **COMPARABLE MEASURES OF PERFORMANCE**

Measures of performance on a "comparable" basis relating to the Group are in respect of continuing operations only and thus exclude the results of Quest and Uniqema. "Comparable" and "continuing" are defined in Appendix VIII.

Comparable performance percentages in the Operating Review and Appendix VI exclude the effect of currency translation differences and the impact of acquisitions and divestments and are calculated using unrounded numbers. Unless otherwise stated, the commentary in the Operating Review refers to performance measured on a "comparable" basis. Reconciliations to "as reported" percentages in the Operating Review can be found in Appendix VI.

## GROUP FINANCIAL REVIEW

	Second Quarter		Half year	
	2007	2006	2007	2006
	£m	£m	£m	£m
<b>Sales</b>				
Continuing operations	1,251	1,271	2,398	2,442
<b>Trading profit*</b>				
Continuing operations	152	142	253	239
Discontinued operations	-	21	12	41
Income from associates (net of interest and tax)	2	1	3	2
Net finance expense for the Group (before special items)	-	(27)	(13)	(54)
- <i>Net interest cost</i>	(1)	(23)	(13)	(44)
- <i>Net post-retirement benefit finance cost</i>	1	(4)	-	(10)
<b>Total Group adjusted profit before tax*</b>	<b>154</b>	<b>137</b>	<b>255</b>	<b>228</b>
Taxation (before special items)	(26)	(30)	(43)	(48)
Special items after tax	(21)	(84)	864 <sup>†</sup>	(87)
<b>Net profit</b> after special items	<b>107</b>	<b>23</b>	<b>1,076</b>	<b>93</b>
Attributable to minorities	(7)	(8)	(21)	(13)
<b>Net profit</b> after special items (attributable to ICI equity holders)	<b>100</b>	<b>15</b>	<b>1,055</b>	<b>80</b>
<b>Adjusted net profit*</b> (attributable to ICI equity holders)	<b>121</b>	<b>99</b>	<b>199</b>	<b>167</b>
<b>Adjusted Earnings per £1 Ordinary Share*</b> (undiluted basis)	<b>10.2p</b>	<b>8.3p</b>	<b>16.8p</b>	<b>14.0p</b>
<b>Earnings per £1 Ordinary Share*</b> (undiluted basis)	<b>8.2p</b>	<b>1.3p</b>	<b>89.1p</b>	<b>6.7p</b>
<b>Key performance measures*</b>				
<i>Continuing operations</i>				
Comparable sales growth	3.7%	7.8%	4.7%	7.1%
Comparable trading profit growth	11.9%	7.7%	12.7%	3.2%
Trading margin	12.1%	11.2%	10.6%	9.8%
<i>Group</i>				
Interest cover	>100	7.1	20.8	6.2
Adjusted tax rate			17%	21%

\* Definitions given in Appendix VIII.

† Includes gain on sale of Quest.

## GROUP FINANCIAL REVIEW *(continued)*

### Trading performance

“Comparable” performance percentages exclude the effect of currency translation differences and the impact of acquisitions and divestments. Reconciliation to “as reported” percentages can be found in Appendix VI.

References in this section to National Starch are the aggregate of Adhesives, Specialty Starches, Specialty Polymers and Electronic Materials

On a comparable basis, for the **quarter**, National Starch sales were up 7% and Paints sales were up 2%. Sales for the Regional and Industrial businesses were 1% below last year. National Starch delivered growth in all regions with good growth in Asia (up 11%), Europe (up 9%) and Latin America (up 12%). Paints sales in Asia were up 18%, Latin America up 16% and Europe ahead 3%. Paints sales in North America were, as expected, weaker. Overall comparable sales for the continuing businesses, including Regional and Industrial were 5% ahead in Europe, 9% ahead in Asia and 15% ahead in Latin America, but lower year-on-year in North America.

Gross margin percentages for National Starch were slightly ahead of prior year, as successful implementation of price increases, improved product mix and effective leveraging of manufacturing costs in the Specialty Starches and Specialty Polymers businesses offset for the impact of raw material cost increases in Adhesives and Electronic Materials. Favourable product mix for Paints in UK & Ireland and lower supply chain costs in North America resulted in gross margin percentages ahead of last year for Paints. Costs below gross margin were slightly higher than last year for the continuing businesses, mainly due to investment to support the rapid growth of the Paints business in China and additional spend in the Adhesives and Specialty Polymers businesses of National Starch.

Comparable trading profit for continuing operations for the quarter was 12% ahead of 2006, with National Starch up 13% and Paints up 7%. Regional and Industrial comparable trading profit for the quarter was 14% higher than last year, reflecting a recovery from a weak second quarter last year for ICI Argentina, partially offset by lower margins for PTA in Pakistan. Corporate and other costs were lower than last year. Despite adverse effects of foreign currency translation and adjusting for acquisitions and divestments, the resulting trading profit for the continuing Group in the quarter was still 6% ahead of last year, at £152m.

Net finance expense before special items for the quarter was £ nil, £27m lower than last year, further benefiting from the Group’s reduced debt position following the disposals of Quest and Uniqema. Consequently, adjusted profit before tax for the Total Group was £154m for the quarter, 13% ahead of last year.

For the **half year**, comparable sales for continuing operations were 5% ahead of the first half of 2006. Including the impact of foreign currency, reported sales for the Group of £2,398m were 2% lower than last year.

Comparable trading profit for the continuing reporting segments for the first half was 11% ahead of last year, with Paints and National Starch delivering growth of 10% and 14% respectively. Regional and Industrial trading profit was below last year, reflecting the lower average margins for PTA. The Group’s comparable trading profit was 13% ahead. Adjusting for foreign currency translation (-6%) and acquisitions and divestments (-1%) continuing Group trading profit at £253m was 6% ahead of last year.

Net finance expense of £13m was £41m below 2006 and the adjusted profit before tax for the Group was £255m, 12% ahead of last year. After tax of £43m, equating to an adjusted tax rate of 17% (2006: 21%), adjusted earnings per share for the half year were 16.8p, 20% higher than 2006.

## GROUP FINANCIAL REVIEW *(continued)*

### Special Items – continuing and discontinued operations

	Second Quarter		Half year	
	2007	2006	2007	2006
	£m	£m	£m	£m
<i>Continuing operations</i>				
Losses on special items in continuing operating profit	(31)	(24)	(58)	(26)
Profit on sale of continuing operations	-	4	4	3
Foreign exchange gain on debt previously hedging goodwill written off to reserves	11	2	5	1
Losses on special items before tax and minority interests	(20)	(18)	(49)	(22)
Taxation	(3)	4	4	6
Minority interests	-	-	(1)	-
<b>Losses on special items after tax and minority interests</b>	<b>(23)</b>	<b>(14)</b>	<b>(46)</b>	<b>(16)</b>

#### *Continuing operations*

Special items in operating profit of £(31)m for the quarter and £(58)m for the half year related to the transformation programmes announced in May 2006.

<i>Discontinued operations</i>				
Losses on special items in discontinued operating profit	-	(65)	(1)	(68)
Profit (loss) on sale of discontinued operations	(18)	(4)	923	(4)
Gains (losses) on special items before tax and minority interests	(18)	(69)	922	(72)
Taxation	20	(1)	(13)	1
Minority interests	-	-	(7)	-
<b>Gains (losses) on special items after tax and minority interests</b>	<b>2</b>	<b>(70)</b>	<b>902</b>	<b>(71)</b>

#### *Discontinued operations*

The loss on sale of discontinued operations of £18m for the quarter primarily reflected a reduction in net post-retirement benefit liabilities disposed of in the Quest divestment.

For the half year, the gain on special items before tax and minority interests of £922m primarily reflected the gain on the sale of Quest.

### Net profit and earnings per share

Net profit after special items attributable to equity holders of the parent for the quarter was £100m, compared with £15m in 2006. Earnings per share after special items were 8.2p compared with 1.3p for the second quarter of 2006.

For the half year, net profit after special items attributable to equity holders of the parent was £1,055m, reflecting the gain on the Quest divestment. Earnings per share after special items were 89.1p for the half, compared to 6.7p for the same period last year.

## GROUP FINANCIAL REVIEW *(continued)*

### Group cash flow analysis – management format

	Half Year	
	2007	2006
	£m	£m
<b>Operating activities</b>		
Adjusted net profit	212	180
Net finance expense	13	54
Depreciation and amortisation	58	83
Taxation	43	48
<b>Earnings before Interest, Tax, Depreciation and Amortisation (“EBITDA”)</b>	<b>326</b>	<b>365</b>
Post-retirement benefit charges	23	30
Taxation on associates	2	1
Movement in working capital	(191)	(201)
Outflows from special items	(53)	(27)
Post retirement benefit payments – regular	(39)	(65)
Post retirement benefit payments – top up	(151)	(122)
Other items	4	-
Cash generated from operating activities	(79)	(19)
Net finance expense payments	(38)	(36)
Tax paid excluding tax on disposal of businesses	(36)	(39)
Dividends paid	(62)	(56)
<b>Net cash outflow from operating activities</b>	<b>(215)</b>	<b>(150)</b>
<i>including net cash inflow (outflow) from discontinued operating activities</i>	<i>2</i>	<i>(1)</i>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(65)	(65)
Sale of property, plant and equipment	1	6
Acquisitions	(15)	(18)
Net proceeds from disposal of businesses	1,185	5
Post retirement benefit payments – top up relating to disposals	(226)	-
Legacy payments	(10)	(17)
Tax paid in relation to disposals	(11)	-
Movement in current asset investments	(48)	2
<b>Net cash inflow (outflow) from investing activities</b>	<b>811</b>	<b>(87)</b>
<i>including net cash inflow (outflow) from discontinued investing activities</i>	<i>1,160</i>	<i>(45)</i>
<b>Net cash inflow (outflow) before financing activities</b>	<b>596</b>	<b>(237)</b>
<b>Reconciliation of movement in net cash (debt)</b>		
<b>Opening net debt</b>	<b>(329)</b>	<b>(763)</b>
Net cash outflow from operating activities	(215)	(150)
Net cash inflow (outflow) used in investing activities	811	(87)
<b>Cash inflow (outflow) before financing activities</b>	<b>596</b>	<b>(237)</b>
ESOP share purchase / receipts from options exercised	(72)	-
Other movements	76	38
<b>Total movement in net cash (debt)</b>	<b>600</b>	<b>(199)</b>
<b>Closing net cash (debt)</b>	<b>271</b>	<b>(962)</b>

\* The basis of preparation and presentation are given in Appendix VII.

## **GROUP FINANCIAL REVIEW** *(continued)*

### **Group cash flow and movement in net debt**

#### **Operating activities**

Working capital efficiency, measured as average monthly working capital as a percentage of sales, improved compared to the second quarter of 2006. Depreciation expense of £58m in the half year was £25m lower than last year, of which £20m related to Quest and Uniqema. Pension retirement benefit payments of £190m included £151m of regular top ups (2006: £122m). Increased cash outflows on special items related to the 2006 transformation programme were £53m (2006: £27m). Net finance expense payments of £38m in the half included £24m relating to interest accruals on the forward contracts to acquire ICI shares in relation to the share option plans. As a result, the net cash outflow from operating activities for the half year of £215m was £65m higher than last year.

#### **Investing activities**

Net cash from investing activities was an inflow of £811m for the half year compared to an outflow of £87m in 2006. Net proceeds related to the disposal of the Quest business amounted to £1,162m and reflect the gross proceeds of £1,200m after deducting net cash disposed and transaction related costs. After pension related payments of £226m (2006: nil) of which £178m related to Quest and £48m related to Uniqema, the effective net disposal proceeds related to Quest were £984m. The Group invested £15m on the acquisition of the minority interests in the Dongsung NSC footwear adhesives business in Asia.

#### **Movement in net debt**

Cash flow before financing for the half year was an inflow of £596m, compared with an outflow of £237m in 2006. An outflow of £72m, excluding £24m of finance costs included in net finance expense payments, resulted from the settlement of forward contracts to acquire ICI shares less proceeds from the exercise of employee share options. With favourable other movements of £76m due in part to exchange movements on the Group's US dollar debt, net cash at the quarter end was £271m, compared with net debt of £329m at the end of 2006.

## STRATEGIC PROGRESS

In February 2007 ICI set out an updated strategy to focus on transforming the performance of its core businesses building on ICI's successful turnaround. The updated strategy reinforces the Group's vision of achieving leadership in formulation science through focusing on three strategic objectives; *accelerating profitable growth*, *improving operational effectiveness* and *developing a culture of sustainable improvement*.

During the first six months of 2007 the Group has made good progress developing and implementing plans to deliver the revised strategy. A full review of the 2007 progress will be included in the 2007 full year results and annual report and accounts but some of the first half highlights are set out below:

### **Accelerating profitable growth**

One of ICI's KPIs for accelerating profitable growth is to capitalise on high growth developing markets. During the first six months of 2007, comparable sales growth in Asia and Latin America was 12% and 10% respectively, reflecting the strengths of the Paints and National Starch businesses in both regions. Developing markets account for around a third of ICI's sales. In May, the Adhesives business established a strategic alliance with Kleiberit of Germany to produce and market its range of high performance pressure-sensitive adhesives in Asia. Also in May, ICI announced the acquisition of outstanding minority interests in the Dongsung NSC footwear adhesives business, based in Asia. Acquiring full control of the key operations of the business will allow management to restructure its activities to better match customer developments and improve growth opportunities. In July, the Group announced the acquisition of the Dulux paints business in southern Africa which will further strengthen the Group's position in target developing markets, in line with ICI's KPI to strengthen attractive market positions. A number of other prospects are under review and the Group remains confident that there will be more such opportunities in our chosen markets.

### **Improving operational effectiveness**

Implementation of the 2006 transformation programme has continued well, with over 20 major projects underway across the Group, embracing a large number of different activities. Various initiatives on supply chain effectiveness and cost-to-serve have already started to deliver major savings, in particular in both Paints and Adhesives. Since the start of the 2006 programme, headcount has reduced by around 700 and delivery of benefits is in line with the early expectations of achieving £170m per annum annualised savings by 2012. Delivery of the transformation programme will be an important part of achieving top quartile trading margins. In the first six months of 2007 trading margins from continuing operations improved to 10.6% (2006: 9.8%).

### **Developing a culture of sustainable improvement**

In May, ICI published its Sustainability Review for 2006 which set out the good first year of progress against the Challenge 2010 objectives which underpin the KPIs for sustainable improvement. In the first half of 2007, resources have been committed to further initiatives that will reduce the Group's environmental impact, particularly in energy and water usage. In addition, the Group reinforced its Code of Conduct with comprehensive training across the organisation, underpinned by local initiatives on improved supplier management and health and safety.

## BUSINESS INFORMATION

	Second Quarter		Half year	
	2007	2006	2007	2006
	£m	£m	£m	£m
<b>Sales</b>				
<i>Continuing operations</i>				
Paints	632	647	1,186	1,218
Adhesives	268	269	527	532
Specialty Starches	132	126	263	251
Specialty Polymers	72	69	139	133
Electronic Materials	48	51	96	102
<i>Total National Starch</i>	520	515	1,025	1,018
Regional and Industrial	103	115	196	217
Total continuing reporting segments	1,255	1,277	2,407	2,453
Corporate and other	-	-	1	1
Inter-segment revenue	(4)	(6)	(10)	(12)
Total continuing operations	1,251	1,271	2,398	2,442
<i>Discontinued operations</i>				
Uniqema	-	161	-	327
Quest**	-	151	98	297
<b>EBITDA*</b>				
<i>Continuing operations</i>				
Paints	93	91	151	145
Adhesives	28	30	52	55
Specialty Starches	22	19	44	37
Specialty Polymers	17	13	32	26
Electronic Materials	13	14	26	29
<i>Total National Starch</i>	80	76	154	147
Regional and Industrial	14	14	21	26
Total continuing reporting segments	187	181	326	318
Corporate and other	(7)	(8)	(15)	(17)
Income from associates (net of interest and tax)	2	1	3	2
Total continuing operations	182	174	314	303
<i>Discontinued operations</i>				
Uniqema	-	10	-	22
Quest**	-	21	12	40

\* Definitions are given in Appendix VIII.

\*\* Sales, EBITDA and trading profit for Quest in discontinued operations reflect two months of ownership in 2007 and six months of ownership in 2006.

**BUSINESS INFORMATION** (continued)

	Second Quarter		Half Year	
	2007	2006	2007	2006
	£m	£m	£m	£m
<b>Trading Profit*</b>				
<i>Continuing operations</i>				
Paints	81	79	127	121
Adhesives	25	25	44	45
Specialty Starches	17	13	33	25
Specialty Polymers	15	12	29	24
Electronic Materials	11	13	23	26
<i>Total National Starch</i>	68	63	129	120
Regional and Industrial	10	10	13	17
Total continuing reporting segments	159	152	269	258
Corporate and other	(7)	(10)	(16)	(19)
Total continuing operations	152	142	253	239
<i>Discontinued operations</i>				
Uniqema	-	4	-	10
Quest**	-	17	12	31

**RECONCILIATION FROM TRADING PROFIT TO ADJUSTED NET PROFIT FOR THE GROUP INCLUDING THE RESULTS OF QUEST AND UNIQEMA WITHIN DISCONTINUED OPERATIONS**

	Second quarter 2007			Second Quarter 2006		
	Continuing operations £m	Discontinued operations £m	Total Group £m	Continuing operations £m	Discontinued operations £m	Total Group £m
<b>Trading profit</b>	<b>152</b>	-	<b>152</b>	<b>142</b>	<b>21</b>	<b>163</b>
Income from associates	2	-	2	1	-	1
Net finance expense	-	-	-	(27)	-	(27)
<b>Adjusted profit before tax</b>	<b>154</b>	-	<b>154</b>	<b>116</b>	<b>21</b>	<b>137</b>
Taxation	(26)	-	(26)	(26)	(4)	(30)
Minority interests	(7)	-	(7)	(8)	-	(8)
<b>Adjusted net profit</b>	<b>121</b>	-	<b>121</b>	<b>82</b>	<b>17</b>	<b>99</b>

	Half year 2007			Half year 2006		
	Continuing operations £m	Discontinued operations £m	Total Group £m	Continuing operations £m	Discontinued operations £m	Total Group £m
<b>Trading profit</b>	<b>253</b>	<b>12</b>	<b>265</b>	<b>239</b>	<b>41</b>	<b>280</b>
Income from associates	3	-	3	2	-	2
Net finance expense	(13)	-	(13)	(53)	(1)	(54)
<b>Adjusted profit before tax</b>	<b>243</b>	<b>12</b>	<b>255</b>	<b>188</b>	<b>40</b>	<b>228</b>
Taxation	(41)	(2)	(43)	(40)	(8)	(48)
Minority interests	(13)	-	(13)	(12)	(1)	(13)
<b>Adjusted net profit</b>	<b>189</b>	<b>10</b>	<b>199</b>	<b>136</b>	<b>31</b>	<b>167</b>

## OPERATIONAL REVIEW - *Continuing operations*

### Paints

2007 £m	Second Quarter		2007 £m	2006 £m	Reported %	Comparable %	Half Year	
	2006 £m	Reported %					Reported %	Comparable %
632	647	(2)	2	Sales	1,186	1,218	(3)	3
81	79	2	7	Trading Profit	127	121	5	10
12.8%	12.2%			Trading Margin (%)	10.7%	9.9%		

**Paints** comparable sales were 2% ahead for the quarter. Strong growth for the Decorative businesses in Asia and Latin America, and further progress in the UK & Ireland and Continental Europe offset further weak trading for Decorative North America. Gross margin percentages were ahead of the same quarter in 2006, benefiting from higher selling prices and efficiency improvements which offset regional mix effects due to high growth in Asia. With costs below gross margin only slightly higher, trading profit was 7% higher than the second quarter last year. Trading margins were 12.8% (2006: 12.2%).

For the **half year**, comparable sales were 3% ahead. Gross margin percentages were ahead of last year and, with costs below gross margin only slightly increased, trading profit was 10% ahead.

Sales for **Decorative UK & Ireland** were 3% ahead of the second quarter last year as volume growth in UK Trade and the Ireland business offset weaker volumes in UK Retail. Gross margin percentages were ahead of last year and despite increased publicity costs, trading profit was well ahead.

**Decorative Continental Europe** sales were 6% ahead of last year, with growth in southern Europe, the Benelux region and parts of Eastern Europe offsetting some weakness in Germany and Poland. Good weather in the early part of the quarter contributed to good growth across the region. Gross margin percentages were lower than last year, reflecting a weaker product mix. Despite costs below gross margin being higher than last year, the strong top-line performance contributed to a good improvement in trading profit.

As expected, sales for **Decorative North America** were lower than last year due to lower sales volumes across all channels. Overall sales were down 8% compared to a steady quarter in 2006, with sales volumes for US Retail and US Trade depressed by the continuing weakness in the US housing market. This was partially offset by favourable product mix, lower supply chain costs and price increases, contributing to improved gross margin percentages compared with the prior year. With good control of costs below gross margin and the benefits of restructuring initiatives, trading profit was ahead of the same period in 2006. Market conditions are not expected to change in the second half of the year, but good cost control and weaker prior year comparative performance should help contribute to an overall improvement in profitability.

**Decorative Asia** had another strong quarter, with sales growth of 19%. All countries were ahead of last year with the exception of Thailand. Sales growth in China was 28%, reflecting strong volume growth as expanded distribution continued to bring benefits. Despite lower gross margin percentages, reflecting increased sales of mid-tier products, trading profit for the quarter was ahead.

**Decorative Latin America** had another good quarter with sales growth of 16%. Gross margin percentages were lower than last year due to a weaker product mix in Argentina and Uruguay and lower selling prices in Brazil, but trading profit was significantly ahead.

Sales for **Packaging Coatings** for the quarter grew by 4%, reflecting improved selling prices and volume growth in Asia, North America and Latin America. Gross margin percentages were lower due primarily to raw material cost pressure only partially offset by price increases. However, with costs below gross margin lower than last year, trading profit was in line with the same period last year.

## OPERATIONAL REVIEW - *Continuing operations* (continued)

### National Starch

**National Starch** delivered 7% comparable sales growth for the quarter. Double digit growth was achieved in Asia and Latin America, with good growth across the other regions. Gross margin percentages were ahead of last year and trading profit was 13% ahead due to continued strong performances in Specialty Starches and Specialty Polymers. Trading margins were 12.9% (2006 12.2%).

For the **half year**, comparable sales were 8% ahead. Gross margin percentages were ahead of last year and, despite higher costs below gross margin, trading profit was 14% ahead.

#### National Starch: Adhesives

2007 £m	Second Quarter		Comparable %		2007 £m	Half Year		Comparable %
	2006 £m	Reported %				2006 £m	Reported %	
268	269	-	5	Sales	527	532	(1)	6
25	25	(2)	-	Trading Profit	44	45	(3)	2
9.1%	9.3%			Trading Margin (%)	8.3%	8.5%		

**Adhesives** comparable sales for the quarter were 5% ahead, with growth across all regions. Sales in Asia were well ahead with strong growth in China, India, Vietnam, Indonesia and Malaysia which offset slower growth in Japan. Whilst North American sales were only slightly ahead, sales growth in Latin America and Europe was good. Gross margin percentages were in line with the second quarter last year reflecting good control of supply chain costs. Trading profit was in line with the same period last year despite the prior year including a benefit arising from changes to healthcare schemes in the US. After taking this into account, underlying trading margins continued to improve.

#### National Starch: Specialty Starches

2007 £m	Second Quarter		Comparable %		2007 £m	Half Year		Comparable %
	2006 £m	Reported %				2006 £m	Reported %	
132	126	5	10	Sales	263	251	4	11
17	13	29	36	Trading Profit	33	25	30	39
12.9%	10.4%			Trading Margin (%)	12.7%	10.2%		

Comparable sales for **Specialty Starches** were 10% ahead of last year, with continued strong growth in all regions, good growth in food starches and double digit growth in the industrial paper-making market. Sales of specialty food starches were again strong in Europe, where the Novation<sup>®</sup> product range continued to deliver significant growth and in Latin America, where growth was good in all segments. Sales of industrial starches were supported by price increases in North America and strong sales in Japan and China. Gross margin percentages were ahead of last year. As a result, trading profit was 36% ahead of last year, with good growth across all regions. During the balance of the year, the impact of increased corn and tapioca costs is expected to reduce the rate of trading profit growth.

## OPERATIONAL REVIEW - *Continuing operations* (continued)

### National Starch: Specialty Polymers

2007 £m	Second Quarter		Comparable %		2007 £m	Half Year		Comparable %
	2006 £m	Reported %				2006 £m	Reported %	
72	69	5	12	Sales	139	133	5	13
15	12	29	38	Trading Profit	29	24	23	32
21.0%	17.0%			Trading Margin (%)	20.5%	17.5%		

Comparable sales for **Specialty Polymers** were 12% ahead of last year, with Europe and Asia delivering double digit growth. Elotex had another strong quarter with good growth in Europe and Asia. Strong growth in Personal Care was driven by demand for sunscreen and hair care polymers. Sales for Alco were also up, helped by increased demand for biopolymer-based products. Overall, gross margin percentages were ahead of last year and trading profit was 38% ahead.

### National Starch: Electronic Materials

2007 £m	Second Quarter		Comparable %		2007 £m	Half Year		Comparable %
	2006 £m	Reported %				2006 £m	Reported %	
48	51	(7)	1	Sales	96	102	(6)	2
11	13	(16)	(11)	Trading Profit	23	26	(11)	(5)
22.7%	25.2%			Trading Margin (%)	24.1%	25.4%		

**Electronic Materials** comparable sales were 1% ahead of last year, reflecting the slower growth in consumer electronics year-to-date, and the consequential impact on component demand. Ablestik and Acheson Electronic Materials sales were slightly ahead whilst Emerson & Cuming sales were broadly unchanged. Gross margin percentages were below last year, in part due to higher silver and nickel costs and a weaker mix. Despite good cost control, trading profit was 11% lower than the same quarter last year.

### Regional and Industrial

2007 £m	Second Quarter		Comparable %		2007 £m	Half Year		Comparable %
	2006 £m	Reported %				2006 £m	Reported %	
103	115	(10)	(1)	Sales	196	217	(10)	1
10	10	4	14	Trading Profit	13	17	(22)	(14)
9.9%	8.5%			Trading Margin (%)	6.6%	7.7%		

Comparable sales for the **Regional and Industrial** business for the quarter were slightly lower than last year, with good sales growth for ICI Pakistan and ICI Argentina offset by lower sales in Pakistan PTA.

Gross margin percentages were slightly higher, mainly due to lower raw material costs in ICI Pakistan's Soda Ash business and a recovery from sharply lower margins for ICI Argentina in the same quarter last year. With lower costs below gross margin, particularly in the PTA business, trading profit for the quarter was 14% above last year.

For the **half year**, comparable sales were slightly ahead of last year. Gross margin percentages were down and despite lower costs below gross margin, trading profit was markedly below last year.

## **ADDITIONAL INFORMATION**

### **DIVIDEND**

The Company's dividend policy is to grow dividends at about the same rate as the growth in net profit before special items attributable to the equity holders of the parent. Consequently, the Board has declared a first interim dividend of 4.95p (2006: 4.15p), in line with the growth in net profit before special items attributable to the equity holders of the parent for the first half of 2007. The dividend will be payable on 5 October 2007 to members on the register on 24 August 2007.

### **POST RETIREMENT BENEFITS**

#### *Group IAS 19 Deficit:*

Due to the significant movement in bond yields, the Group has updated its accounting valuation of the post retirement benefit deficit at the half year.

The IAS 19 deficit for ICI's global post retirement benefit programmes has fallen from £1,305m at end 2006 to £721m at end Q2 2007. The half year position includes a net gain of £303m for updated actuarial assumptions, primarily discount rates, and £377m of top-up contributions to various funds.

This update also includes the Company's revised view of longevity following discussions with the Trustee of the ICI UK Pension Fund (the UK Fund) on its interim valuation as at 31 March 2007. The half year estimate includes an increase of £175m in respect of additional longevity risk in the UK Fund. (The UK Fund accounts for over 80% of the Group's post-retirement benefit liabilities.)

#### *ICI UK Pension Fund funding deficit:*

Using the actuarial assumptions employed in the 2005 Triennial valuation, the interim funding deficit for the Fund at 31 March 2007 would have been circa £350m.

However, there is also some evidence that Fund members are living longer than assumed in the 2005 Triennial valuation.

The Trustee of the Fund, which is entirely independent of the Company, is of the view that this increasing longevity is likely to require in the region of £350m additional funding, thereby increasing the funding deficit to circa £700m.

The Company, based on separate actuarial advice, believes this judgement is too conservative at this time and should form part of the 2008 triennial valuation when a full three years' experience is available.

The Trustee and the Company have therefore agreed to an additional remediation schedule totalling £175m in NPV terms, with £50m being paid to the Fund in Q1 2008, £50m in Q1 2009 and £100m in Q1 2010. Both parties and the Scheme Actuary have agreed to review these factors again as part of the full Triennial Review as at 31 March 2008.

## **NEXT ANNOUNCEMENT**

Results for the third quarter of 2007 will be announced on 1 November 2007.

Imperial Chemical Industries PLC  
ICI Group Headquarters  
20 Manchester Square  
London W1U 3AN

2 August 2007

## **ATTACHMENTS**

Appendix I	Group Income Statement
Appendix II	Group Balance Sheet
Appendix III	Statement of Group Cash flow
Appendix IV	Statement of Recognised Income and Expense
Appendix V	Reconciliation of Changes in Equity Reconciliation of Earnings per £1 Ordinary Share to Adjusted Earnings per £1 Ordinary Share
Appendix VI	Reconciliation Tables – “As Reported” to “Comparable” Revenue and Trading Profit
Appendix VII	Notes
Appendix VIII	Definitions

**IMPERIAL CHEMICAL INDUSTRIES PLC**  
**GROUP INCOME STATEMENT**  
**SECOND QUARTER**

The unaudited results of the Group for the second quarter 2007, with comparative figures for 2006 are set out below:

	Second Quarter 2007			Second Quarter 2006		
	Before special items	Special items	Total	Before special items	Special items	Total
	£m	£m	£m	£m	£m	£m
<b>Continuing operations</b>						
Revenue	1,251		1,251	1,271		1,271
Net operating costs <i>(including restructuring costs)</i>	(1,099)	(31) <i>(31)</i>	(1,130) <i>(31)</i>	(1,129)	(24) <i>(24)</i>	(1,153) <i>(24)</i>
<b>Operating profit (loss)</b>	<b>152</b>	<b>(31)</b>	<b>121</b>	<b>142</b>	<b>(24)</b>	<b>118</b>
Profits (losses) on sale of continuing operations	-	-	-	-	4	4
Share of profits less losses of associates	2	-	2	1	-	1
Interest expense	(24)	-	(24)	(31)	-	(31)
Interest income	23	-	23	8	-	8
Post-retirement benefit finance expense:						
- interest cost	(114)	-	(114)	(104)	-	(104)
- expected return on assets	115	-	115	100	-	100
Foreign exchange losses on debt previously hedging goodwill written off to reserves		11	11		2	2
Net finance expense	-	11	11	(27)	2	(25)
<b>Profit (loss) before taxation</b>	<b>154</b>	<b>(20)</b>	<b>134</b>	<b>116</b>	<b>(18)</b>	<b>98</b>
Income tax (expense) credit	(26)	(3)	(29)	(26)	4	(22)
<b>Net profit (loss) for the period from continuing operations</b>	<b>128</b>	<b>(23)</b>	<b>105</b>	<b>90</b>	<b>(14)</b>	<b>76</b>
<b>Discontinued operations</b>						
Profit (loss) for the period for discontinued operations <i>(including special items of: restructuring costs fines)</i>	-	-	-	17	(66) <i>(3)</i> <i>(63)</i>	(49) <i>(3)</i> <i>(63)</i>
Profits less losses on disposal of discontinued operations		2	2		(4)	(4)
<b>Net profit (loss) for discontinued operations</b>	<b>-</b>	<b>2</b>	<b>2</b>	<b>17</b>	<b>(70)</b>	<b>(53)</b>
<b>Net profit (loss) for the period</b>	<b>128</b>	<b>(21)</b>	<b>107</b>	<b>107</b>	<b>(84)</b>	<b>23</b>
Attributable to minority interest	(7)	-	(7)	(8)	-	(8)
<b>Attributable to equity holders of the parent</b>	<b>121</b>	<b>(21)</b>	<b>100</b>	<b>99</b>	<b>(84)</b>	<b>15</b>
<b>Earnings per £1 ordinary share</b>						
Basic			8.2p			1.3p
Weighted average number of Ordinary shares in issue during the period			1,187m			1,190m
of which:						
Continuing			8.3p			5.8p
Discontinued			(0.1)p			(4.5)p

**IMPERIAL CHEMICAL INDUSTRIES PLC**  
**GROUP INCOME STATEMENT**  
**HALF YEAR**

The unaudited results of the Group for the half year 2007, with comparative figures for 2006 are set out below:

	Half year 2007			Half year 2006		
	Before special items	Special items	Total	Before special items	Special items	Total
	£m	£m	£m	£m	£m	£m
<b>Continuing operations</b>						
Revenue	2,398		2,398	2,442		2,442
Net operating costs (including restructuring costs)	(2,145)	(58) (58)	(2,203) (58)	(2,203)	(26) (26)	(2,229) (26)
<b>Operating profit (loss)</b>	<b>253</b>	<b>(58)</b>	<b>195</b>	<b>239</b>	<b>(26)</b>	<b>213</b>
Profits less (losses) on sale of operations		4	4	-	3	3
Share of profits less (losses) of associates	3	-	3	2	-	2
Interest expense	(50)	-	(50)	(63)	-	(63)
Interest income	37	-	37	19	-	19
Post-retirement benefit finance expense:						
- interest cost	(225)	-	(225)	(211)	-	(211)
- expected return on assets	225	-	225	202	-	202
Foreign exchange gains (losses) on debt previously hedging goodwill written off to reserves		5	5		1	1
Net finance expense	(13)	5	(8)	(53)	1	(52)
<b>Profit (loss) before taxation</b>	<b>243</b>	<b>(49)</b>	<b>194</b>	<b>188</b>	<b>(22)</b>	<b>166</b>
Income tax expense	(41)	4	(37)	(40)	6	(34)
<b>Net profit (loss) for continuing operations</b>	<b>202</b>	<b>(45)</b>	<b>157</b>	<b>148</b>	<b>(16)</b>	<b>132</b>
<b>Discontinued operations</b>						
Profit for the period for discontinued operations (including special items of: restructuring costs fine)	10	(1) (1)	9 (1)	32	(68) (5) (63)	(36) (5) (63)
Profits less (losses) on disposal of discontinued operations		910	910		(3)	(3)
<b>Net profit (loss) for discontinued operations</b>	<b>10</b>	<b>909</b>	<b>919</b>	<b>32</b>	<b>(71)</b>	<b>(39)</b>
<b>Net profit for the period</b>	<b>212</b>	<b>864</b>	<b>1,076</b>	<b>180</b>	<b>(87)</b>	<b>93</b>
Attributable to minority interest	(13)	(8)	(21)	(13)	-	(13)
<b>Attributable to equity holders of the parent</b>	<b>199</b>	<b>856</b>	<b>1,055</b>	<b>167</b>	<b>(87)</b>	<b>80</b>
<b>Earnings per £1 ordinary share</b>						
Basic			89.1p			6.7p
Weighted average number of shares in issue during the period			1,184m			1,190m
of which:						
Continuing			12.1p			10.1p
Discontinued			77.0p			(3.4)p

**IMPERIAL CHEMICAL INDUSTRIES PLC**  
**GROUP BALANCE SHEET**  
**HALF YEAR**

The unaudited position of the Group as at 30 June 2007, with comparative figures as at 31 December 2006 is set out below:

	At 30 June 2007 £m	At 31 December 2006 £m
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	525	523
Property, plant and equipment	1,054	1,069
Investments in associates	24	21
Financial assets	26	28
Deferred tax assets	271	229
Other receivables	33	35
Post-retirement benefit asset	32	12
	1,965	1,917
<b>Current assets</b>		
Inventories	523	486
Trade and other receivables	891	791
Current tax debtor	12	17
Financial assets	150	110
Cash and cash equivalents	1,148	596
Assets classified as held for sale	-	372
	2,724	2,372
<b>Total assets</b>	<b>4,689</b>	<b>4,289</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	(1,106)	(1,272)
Financial liabilities	(499)	(487)
Current tax liabilities	(213)	(217)
Provisions	(242)	(193)
Liabilities classified as held for sale	-	(201)
	(2,060)	(2,370)
<b>Non current liabilities</b>		
Financial liabilities	(528)	(548)
Other creditors	(27)	(28)
Provisions	(271)	(277)
Deferred tax liabilities	(38)	(18)
Post-retirement benefit liabilities	(753)	(1,237)
	(1,617)	(2,108)
<b>Total liabilities</b>	<b>(3,677)</b>	<b>(4,478)</b>
<b>Net assets</b>	<b>1,012</b>	<b>(189)</b>
<b>Equity</b>		
Called-up share capital	1,195	1,193
Share premium account	938	936
Retained earnings and other reserves	(1,249)	(2,442)
Attributable to equity holders of the parent	884	(313)
Attributable to minority interests	128	124
<b>Total equity</b>	<b>1,012</b>	<b>(189)</b>

**IMPERIAL CHEMICAL INDUSTRIES PLC**  
**GROUP CASH FLOW STATEMENT**

The unaudited cash flows of the Group as at 30 June 2007, with comparative figures for 30 June 2006 is set out below:

	Half year	
	2007 £m	2006 £m
<b>Cash flows from operating activities</b>		
Net profit	1,076	93
Adjusted for:		
Net finance expense	13	54
Depreciation and amortisation	58	83
Post-retirement benefit charges	23	30
Special items after taxation	(864)	87
Taxation (including taxation on associates)	45	49
Movement in working capital	(191)	(201)
Outflows relating to operating special items <sup>1</sup>	(53)	(27)
Post-retirement benefit payments <sup>2</sup>	(190)	(187)
Net interest received (paid)	(38)	(36)
Tax paid (excluding tax on disposal of businesses)	(36)	(39)
Dividends paid to equity holders of the parent	(56)	(47)
Dividends paid to minority interests	(6)	(9)
Other items	4	-
<b>Net cash outflow from operating activities</b>	<b>(215)</b>	<b>(150)</b>
<i>including net cash inflow (outflow) from discontinued operating activities</i>	<i>2</i>	<i>(1)</i>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(65)	(65)
Proceeds from sale of property, plant and equipment	1	6
Purchase of businesses, net of cash acquired	(15)	(18)
Net proceeds from disposal of businesses	1,185	5
Post retirement benefit payments – top up relating to disposals	(226)	-
Legacy payments	(10)	(17)
Tax on disposal of businesses	(11)	-
Movement in current asset investments	(48)	2
<b>Net cash inflow (outflow) from investing activities</b>	<b>811</b>	<b>(87)</b>
<i>including net cash inflow (outflow) from discontinued investing activities</i>	<i>1,160</i>	<i>(45)</i>
<b>Cash outflow from financing activities</b>		
Increase in long-term loans	1	2
Repayment of long-term loans	(12)	(8)
Net increase in short-term borrowings	5	162
Movement in non-operating derivatives	6	(47)
Capital repayment of finance leases	(1)	(1)
ESOP share purchase / receipts from options exercised	(77)	-
<b>Net cash (outflow) inflow from financing activities</b>	<b>(78)</b>	<b>108</b>
<i>including net cash inflow (outflow) from discontinued financing activities</i>	<i>-</i>	<i>-</i>
<b>Cash and cash equivalents at beginning of period</b>	<b>589</b>	<b>516</b>
Net cash inflow (outflow) from all activities	518	(129)
Movement arising on foreign currency translation and other movements	11	(10)
<b>Cash and cash equivalents at end of period</b>	<b>1,118</b>	<b>377</b>
Per the balance sheet:		
Cash and cash equivalents	1,148	386
Overdrafts	(30)	(9)

<sup>1</sup> Includes payments against restructuring provisions.

<sup>2</sup> Defined benefit payments only.

**IMPERIAL CHEMICAL INDUSTRIES PLC**  
**STATEMENT OF RECOGNISED INCOME AND EXPENSE**  
**HALF YEAR**

	<b>2007</b>	<b>2006</b>
	<b>£m</b>	<b>£m</b>
Net profit	1,076	93
Exchange differences on translating foreign operations	1	(56)
Recycling of cumulative exchange differences	9	-
Changes in fair value of cash flow hedges	(3)	(1)
Actuarial gains and losses on post-retirement benefits	121	35
Tax on items taken directly to equity	37	(2)
<b>Total recognised income and expense for the period</b>	<b>1,241</b>	<b>69</b>
Attributable to equity holders of the parent	1,221	62
Attributable to minority interests	20	7

## IMPERIAL CHEMICAL INDUSTRIES PLC

## RECONCILIATION OF CHANGES IN EQUITY BY COMPONENT OF EQUITY

	Share capital £m	Share premium account £m	Translation reserves £m	Retained earnings and other reserves £m	Equity holders of the parent £m	Minority interests £m	Total equity £m
<b>As at 1 January 2006</b>	1,192	934	44	(2,786)	(616)	126	(490)
Total recognised income and expense	-	-	(51)	113	62	7	69
Dividends	-	-	-	(47)	(47)	(9)	(56)
Share-based payments	-	-	-	3	3	-	3
Shares issued/movement in respect of own shares	1	2	-	2	5	-	5
Acquisition of additional minority interests	-	-	-	-	-	(6)	(6)
<b>As at 30 June 2006</b>	1,193	936	(7)	(2,715)	(593)	118	(475)

	Share capital £m	Share premium account £m	Translation reserves £m	Retained earnings and other reserves £m	Equity holders of the parent £m	Minority interests £m	Total equity £m
<b>As at 1 January 2007</b>	1,193	936	(26)	(2,416)	(313)	124	(189)
Total recognised income and expense	-	-	11	1,210	1,221	20	1,241
Dividends	-	-	-	(56)	(56)	(7)	(63)
Share-based payments	-	-	-	3	3	-	3
Shares issued / movement in respect of own shares	2	2	-	25	29	-	29
Acquisition of additional minority interests	-	-	-	-	-	(9)	(9)
<b>As at 30 June 2007</b>	1,195	938	(15)	(1,234)	884	128	1,012

## IMPERIAL CHEMICAL INDUSTRIES PLC

## RECONCILIATION OF EARNINGS PER £1 ORDINARY SHARE TO ADJUSTED EARNINGS PER £1 ORDINARY SHARE†

	Second Quarter		Half Year	
	2007 £m	2006 £m	2007 £m	2006 £m
<i>Continuing operations</i>				
Adjusted earnings*	121	82	189	136
Special items after tax and minorities	(23)	(14)	(46)	(16)
<b>Earnings – continuing operations</b>	<b>98</b>	<b>68</b>	<b>143</b>	<b>120</b>
<i>Discontinued operations</i>				
Adjusted earnings*	-	17	10	31
Special items after tax and minorities	2	(70)	902	(71)
<b>Earnings – discontinued operations</b>	<b>2</b>	<b>(53)</b>	<b>912</b>	<b>(40)</b>
Total adjusted earnings	121	99	199	167
Total special items after tax and minorities	(21)	(84)	856	(87)
<b>Total earnings – Group</b>	<b>100</b>	<b>15</b>	<b>1,055</b>	<b>80</b>
<i>Continuing operations</i>				
Basic adjusted earnings per £1 Ordinary Share*	10.2p	6.9p	16.0p	11.4p
Special items after tax per £1 Ordinary Share	(1.9)p	(1.1)p	(3.9)p	(1.3)p
<b>Basic earnings per £1 Ordinary Share – continuing operations</b>	<b>8.3p</b>	<b>5.8p</b>	<b>12.1p</b>	<b>10.1p</b>
<i>Discontinued operations</i>				
Basic adjusted earnings per £1 Ordinary Share	-	1.4p	0.8p	2.6p
Special items after tax per £1 Ordinary Share	(0.1)p	(5.9)p	76.2p	(6.0)p
<b>Basic earnings per £1 Ordinary Share – discontinued operations</b>	<b>(0.1)p</b>	<b>(4.5)p</b>	<b>77.0p</b>	<b>(3.4)p</b>
Total basic adjusted earnings per £1 Ordinary Share	10.2p	8.3p	16.8p	14.0p
Total special items after tax per £1 Ordinary Share	(2.0)p	(7.0)p	72.3p	(7.3)p
<b>Total earnings per £1 Ordinary Share – Group</b>	<b>8.2p</b>	<b>1.3p</b>	<b>89.1p</b>	<b>6.7p</b>
<b>Weighted average number of Ordinary shares in issue during the period</b>	<b>1,187m</b>	<b>1,190m</b>	<b>1,184m</b>	<b>1,190m</b>

\* Definitions are given in Appendix VIII.

† Measures of earnings per share are calculated using rounded values.

## IMPERIAL CHEMICAL INDUSTRIES PLC

## RECONCILIATION TABLES – “AS REPORTED” TO “COMPARABLE”

In the following reconciliation tables, percentage changes are calculated using unrounded values. As noted, comparable performance is defined on the basis of continuing operations.

**RECONCILIATION TABLE – “AS REPORTED” TO “COMPARABLE” REVENUE**  
Second quarter 2007 vs second quarter 2006

	Revenue		“As reported” change		Foreign exchange translation effects	Divestment/ (acquisition) effects	“Comparable” change	
	2007	2006	2007 vs 2006		adverse/ (favourable)		2007 vs 2006	
	£m	£m	£m	%	£m	£m	£m	%
<i>Continuing operations</i>								
Paints	632	647	(15)	(2)	25	2	12	2
Adhesives	268	269	(1)	-	15	-	14	5
Specialty Starches	132	126	6	5	7	-	13	10
Specialty Polymers	72	69	3	5	5	-	8	12
Electronic Materials	48	51	(3)	(7)	3	-	-	1
<i>Total National Starch</i>	520	515	5	1	30	-	35	7
Regional and Industrial	103	115	(12)	(10)	10	-	(2)	(1)
Total continuing reporting segments	1,255	1,277	(22)	(2)	65	2	45	4
Corporate and other	-	-	-	-	-	-	-	-
Inter segment revenue	(4)	(6)	2		(1)	-	1	
Total	1,251	1,271	(20)	(2)	64	2	46	4

**RECONCILIATION TABLE – OPERATING PROFIT AND TRADING PROFIT**  
Second quarter 2007 vs second quarter 2006

	Trading profit		Special operating items		Operating profit	
	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m
<i>Continuing operations</i>						
Paints	81	79	(5)	(3)	76	76
Adhesives	25	25	(9)	(11)	16	14
Specialty Starches	17	13	(1)	(2)	16	11
Specialty Polymers	15	12	(1)	(1)	14	11
Electronic Materials	11	13	(1)	-	10	13
<i>Total National Starch</i>	68	63	(12)	(14)	56	49
Regional and Industrial	10	10	-	(2)	10	8
Total continuing reporting segments	159	152	(17)	(19)	142	133
Corporate and other	(7)	(10)	(14)	(5)	(21)	(15)
Total	152	142	(31)	(24)	121	118

## IMPERIAL CHEMICAL INDUSTRIES PLC

RECONCILIATION TABLE – OPERATING PROFIT AND TRADING PROFIT  
AND “AS REPORTED” TO “COMPARABLE” TRADING PROFITRECONCILIATION TABLE – “AS REPORTED” TO “COMPARABLE” TRADING PROFIT  
Second quarter 2007 vs second quarter 2006

	Trading profit “As reported”		“As reported” change		Foreign exchange translation effects	Divestment/ (acquisition) effects	“Comparable” change	
	2007	2006	2007 vs 2006		adverse/ (favourable)		2007 vs 2006	
	£m	£m	£m	%	£m	£m	£m	%
<i>Continuing operations</i>								
Paints	81	79	2	2	2	1	5	7
Adhesives	25	25	-	(2)	-	-	-	-
Specialty Starches	17	13	4	29	1	-	5	36
Specialty Polymers	15	12	3	29	1	-	4	38
Electronic Materials	11	13	(2)	(16)	1	-	(1)	(11)
<i>Total National Starch</i>	68	63	5	7	3	-	8	13
Regional and Industrial	10	10	-	4	2	-	2	14
Total continuing reporting segments	159	152	7	5	7	1	15	10
Corporate and other	(7)	(10)	3		-	-	3	
Total	152	142	10	6	7	1	18	12

## IMPERIAL CHEMICAL INDUSTRIES PLC

RECONCILIATION TABLE – OPERATING PROFIT AND TRADING PROFIT  
AND “AS REPORTED” TO “COMPARABLE” TRADING PROFIT

## RECONCILIATION TABLE – “AS REPORTED” TO “COMPARABLE” REVENUE

Half year 2007 vs half year 2006

	Revenue		“As reported” change		Foreign exchange translation effects	Divestment/ (acquisition) effects	“Comparable” change	
	2007	2006	2007 vs 2006		adverse/ (favourable)		2007 vs 2006	
	£m	£m	£m	%	£m	£m	£m	%
<i>Continuing operations</i>								
Paints	1,186	1,218	(32)	(3)	62	2	32	3
Adhesives	527	532	(5)	(1)	36	-	31	6
Specialty Starches	263	251	12	4	16	-	28	11
Specialty Polymers	139	133	6	5	10	-	16	13
Electronic Materials	96	102	(6)	(6)	8	-	2	2
<i>Total National Starch</i>	<i>1,025</i>	<i>1,018</i>	<i>7</i>	<i>1</i>	<i>70</i>	<i>-</i>	<i>77</i>	<i>8</i>
Regional and Industrial	196	217	(21)	(10)	22	-	1	1
Total continuing reporting segments	2,407	2,453	(46)	(2)	154	2	110	5
Corporate and other	1	1	-		-	-	-	
Inter segment revenue	(10)	(12)	2		(2)	-	-	
Total	2,398	2,442	(44)	(2)	152	2	110	5

## RECONCILIATION TABLE – OPERATING PROFIT AND TRADING PROFIT

Half year 2007 vs half year 2006

	Trading profit		Special operating items		Operating profit	
	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m
<i>Continuing operations</i>						
Paints	127	121	(13)	(3)	114	118
Adhesives	44	45	(10)	(12)	34	33
Specialty Starches	33	25	(1)	(2)	32	23
Specialty Polymers	29	24	(1)	(1)	28	23
Electronic Materials	23	26	(5)	-	18	26
<i>Total National Starch</i>	<i>129</i>	<i>120</i>	<i>(17)</i>	<i>(15)</i>	<i>112</i>	<i>105</i>
Regional and Industrial	13	17	-	(2)	13	15
Total continuing reporting segments	269	258	(30)	(20)	239	238
Corporate and other	(16)	(19)	(28)	(6)	(44)	(25)
Total	253	239	(58)	(26)	195	213

## IMPERIAL CHEMICAL INDUSTRIES PLC

RECONCILIATION TABLE – OPERATING PROFIT AND TRADING PROFIT  
AND “AS REPORTED” TO “COMPARABLE” TRADING PROFIT

## RECONCILIATION TABLE – “AS REPORTED” TO “COMPARABLE” TRADING PROFIT

Half year 2007 vs half year 2006

	Trading profit “As reported”		“As reported” change		Foreign exchange translation effects	Divestment/ (acquisition) effects	“Comparable” change	
	2007	2006	2007 vs 2006				adverse/ (favourable)	2007 vs 2006
	£m	£m	£m	%	£m	£m	£m	%
<i>Continuing operations</i>								
Paints	127	121	6	5	4	2	12	10
Adhesives	44	45	(1)	(3)	2	-	1	2
Specialty Starches	33	25	8	30	2	-	10	39
Specialty Polymers	29	24	5	23	2	-	7	32
Electronic Materials	23	26	(3)	(11)	2	-	(1)	(5)
<i>Total National Starch</i>	<i>129</i>	<i>120</i>	<i>9</i>	<i>7</i>	<i>8</i>	<i>-</i>	<i>17</i>	<i>14</i>
Regional and Industrial	13	17	(4)	(22)	2	-	(2)	(14)
Total continuing reporting segments	269	258	11	5	14	2	27	11
Corporate and other	(16)	(19)	3		-	-	3	
Total	253	239	14	6	14	2	30	13

**IMPERIAL CHEMICAL INDUSTRIES PLC****NOTES****1. Notes to the figures used on page 3**

ICI management believes that the information presented in the table on page 3 provides useful financial information relating to the performance of the operations of the Group. This should not be considered as an alternative, but as supplementary to the full IFRS income statement presented in Appendix I. Further explanation of the basis of presentation is included in section 4 below.

**2. Basis of Preparation**

The information included within this document has been prepared on the basis of the recognition and measurement requirements of IFRS standards and IFRIC interpretations in issue that are endorsed by the European Commission and effective (or which ICI has chosen to early adopt) for the year ended 31 December 2007 (“adopted IFRS”).

**3. Basis of segmentation**

ICI changed its reporting segments in 2006. The National Starch business, previously reported as one segment, is now reported as four segments.

Segmental data for continuing operations comprises:

- Paints,
- Adhesives, Specialty Starches, Specialty Polymers, and Electronic Materials (collectively formerly reported as National Starch),
- Regional and Industrial, and
- Corporate and other.

The Regional and Industrial segment comprises the Group’s Regional businesses (of which the largest operation is the pure terephthalic acid business in Pakistan) and some ongoing residual activity relating to legacy management. Corporate and other represents the shared costs that are not directly attributable to individual segments i.e. largely those relating to operating as a “PLC”. The Group’s discontinued reporting segment, as described on page 71 of the 2006 Annual Report and Accounts, includes Uniqema and Quest.

Information for the entirety of the National Starch business continues to be provided as it is an important part of the organisation and management structure. Prior year segment information has been updated for the change.

**IMPERIAL CHEMICAL INDUSTRIES PLC****NOTES (continued)****4. Basis of Presentation**

The Group's financial statements are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards.

The financial data presented in this document is for the second quarter 2007, being the three months ended 30 June 2007, and for the half year 2007, being the six months ended 30 June 2007, and compared to the corresponding periods in the previous year.

The results presented in the financial table on pages 5 and 6 and in the tables in the operational review on pages 11 to 13 are "as reported". "As reported" numbers include the effects of currency translation, acquisitions and divestments and are quoted before accounting for special items. Unless otherwise stated, the commentary on pages 11 through 13 refers to performance measured on a "comparable" basis and are quoted before special items.

References to "comparable" performances exclude the effect of currency translation differences and the impact of acquisitions and divestments. "Comparable" results for both 2007 and 2006 are derived by excluding the results of divested businesses and the impact of acquired businesses from the relevant periods and translating results of those subsidiaries that report in currencies other than sterling for both periods at a single average exchange rate for each currency. For this purpose ICI has used the average of the daily exchange rates for each particular currency for the first year included in the comparison (e.g. both the 2007 and 2006 results for the quarter are translated using the average of the daily exchange rates in 2006). At Group level, "comparable" performances refer to continuing operations only.

Reconciliations between "as reported" and "comparable" performance are shown in Appendix VI.

**IMPERIAL CHEMICAL INDUSTRIES PLC****NOTES (continued)****5. Basis of Presentation - non-Generally Accepted Accounting Principles financial measures**

Investors should consider non-GAAP financial measures in addition to, and not as a substitute for or as superior to, measures of financial performance reported in accordance with IFRS. The IFRS results reflect all items that affect reported performance and therefore it is important to consider the IFRS measures alongside the non-GAAP measures.

Guidance from the UK Auditing Practices Board, the UK Listing Authority and the US Securities and Exchange Commission, states that where non-GAAP figures are discussed, the most directly comparable GAAP figures must also be presented and reconciled to the non-GAAP figures. Reconciliation tables have been included in Appendix VI, which include reconciliations of key non-GAAP data provided in this statement to the directly comparable GAAP segmental information.

**6. Forward-looking statements**

This document contains forward-looking 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.

The Company cautions that any forward-looking statements in this document may and often do vary from actual results and the differences between these statements and actual results can be material. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements, which speak only at their respective dates. The Company undertakes no obligation to release publicly the result of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date of this document, including, without limitation, changes in the Group's business or acquisition or divestment strategy or planned capital expenditures, or to reflect the occurrence of unanticipated events.

By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, among other things: the impact of competitive products and pricing; changes in the price of raw materials; the occurrence of major operational problems; the loss of major customers; limitations imposed by the Group's indebtedness and leverage; a credit rating downgrade by the rating agencies; undertakings and guarantees relating to pension funds; contingent liabilities, including those arising in connection with disposed businesses; risks associated with the Group's international operations and risks of litigation.

**7. Relationship to Statutory Accounts and Audit Status**

The financial information included in this document is unaudited and does not comprise statutory accounts within the meaning of section 240 of the Companies Act 1985. The auditors have reported on the statutory accounts for the year ended 31 December 2006. Their report was unqualified and did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report or contain a statement under Section 237 (2) or (3) of the Companies Act 1985. The accounts have been delivered to the Registrar of Companies.

## IMPERIAL CHEMICAL INDUSTRIES PLC

### DEFINITIONS

<b>Adjusted net profit</b>	Net profit before special items attributable to equity holders of the parent.
<b>Adjusted profit before taxation</b>	Profit of continuing and discontinued operations before taxation and special items.
<b>Adjusted tax rate</b>	Taxation (excluding tax on special items) divided by adjusted profit before tax.
<b>As reported performance</b>	Performance including the effects of currency translation differences and the impact of acquisitions and divestments.
<b>Basic adjusted earnings per share</b>	Net profit before special items attributable to equity holders of the parent divided by the weighted average number of shares in issue (less weighted average number of shares held by the Group's employee share plans) during the period.
<b>Basic earnings per share</b>	Net profit after special items attributable to equity holders of the parent divided by the weighted average number of shares in issue (less weighted average number of shares held by the Group's employee share plans) during the period.
<b>Comparable</b> *	Results excluding the effects of currency translation differences and the impact of acquisitions and divestments. At a Group level, this refers to continuing operations only. Comparable profits and losses are quoted before accounting for special items.
<b>Continuing operations</b>	ICI's continuing operations comprise the Paints, Adhesives, Specialty Starches, Specialty Polymers, Electronic Materials and Regional and Industrial Businesses, Corporate and other.
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b> *	Profit before interest, taxation, depreciation, amortisation of intangibles and special items.
<b>Gross margin</b> *	Sales value less the variable and fixed costs directly associated with the manufacture and distribution of the goods sold.
<b>Interest cover</b> *	Calculations of interest cover are based on the sum of the Group's operating profit before special items from continuing and discontinued operations, post-retirement benefit finance charges, and the Group's share of net associated company income (associates' trading profit less taxation and net finance expense of associates) divided by the net of interest expense and income of the Group (excluding share of net finance expense of associates and post-retirement benefit finance expense).

\* Management believes these measures are an important financial indicator, however they should not be considered in isolation, or as an alternative to operating profit or net profit or cash flow from operating activities, in each case, determined in accordance with IFRS.

## IMPERIAL CHEMICAL INDUSTRIES PLC

## DEFINITIONS (continued)

<b>Net cash</b>	Cash (including overdrafts), cash equivalents and current asset investments less the borrowings of ICI (comprising loans and short-term borrowings other than overdrafts together with related derivatives and obligations under finance leases).
<b>Net debt</b>	The borrowings of ICI (comprising loans and short-term borrowings other than overdrafts together with related derivatives, obligations under finance leases and the liabilities associated with the forward contracts for the acquisition of own shares (to the extent that the contracts are 'out of the money')) less cash (including overdrafts), cash equivalents and current asset investments.
<b>Reporting segments</b>	The continuing reporting segments comprise the Group's Paints, Adhesives, Specialty Starches, Specialty Polymers, Electronic Materials and Regional and Industrial businesses.
<b>Special items</b>	Special items are those items of financial performance that should be separately disclosed to assist in the understanding of the financial performance achieved by the Group and in making projections of future results, as explained in IAS 1 <i>Presentation of Financial Statements</i> . Special items includes items relating to both continuing and discontinued businesses.
<b>Trading margin *</b>	Trading profit expressed as a percentage of sales.
<b>Trading profit</b>	Operating profit before special items. At Group level this refers to continuing operations only unless otherwise stated.