# quarterly results

# Q1 2007

(announced 3 May 2007)

Summary information only. For full statutory reporting of ICI's results please visit www.ici.com or contact ICI's Investor Relations Department (details overleaf). This fact sheet may include forward-looking statements. The risk factors section of the Annual Report describes important factors that could cause actual results to differ materially from those forward-looking statements. You can get copies of ICI's most recent Annual Report from ICI's website or from ICI's Investor Relations department.

## Highlights

**First Quarter 2007**

- 6% comparable growth in Group sales for continuing operations
- 14% comparable growth in trading profit for continuing operations
- 12% growth in Group adjusted profit before tax to £101m
- 15% growth in Group adjusted net profit
- Quest divestment completed on 2 March; gross consideration £1,200m
- Net cash £246m (2006: net debt £1,014m) reflecting disposal proceeds partially offset by pension top-up payments
- Net profit after special items attributable to ICI equity holders £955m (2006: £65m) including £905m profit on sale of Quest

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

"This is a pleasing set of results, representing strong underlying trading across the majority of our businesses. Europe was particularly buoyant and our developing market businesses in Asia and Eastern Europe and the Middle East continued to perform well. North America was mixed, with weak construction markets, though we have made good progress in reducing cost in our North American paints business.

The combination of good sales growth and further benefits from our Transformation Programme contributed to improved trading margins, though in absolute terms trading profit for continuing businesses was reduced by a £7m adverse impact from exchange rates and £1m from disposals.

The outlook for the second quarter remains positive. Although visibility of trading conditions beyond the current quarter is always limited, our expectations for the year as a whole remain unchanged."

## Headline financials (top line only)

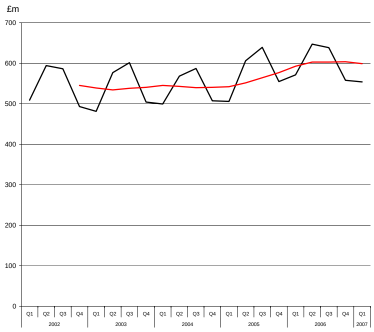
| | Q1 07 | Q1 06 |
|---|---|---|
| Sales (£m)# | 1,147 | 1,171 |
| Trading Profit (£m)# | 101 | 97 |
| Trading Margin# | 8.9% | 8.3% |
| Trading Profit - Discontinued operations (£m) | 12 | 20 |
| Income from associates (£m) | 1 | 1 |
| Total net finance expense (£m) | (13) | (27) |
| *- Net interest cost (£m)* | *(12)* | *(21)* |
| *- Net post-retirement benefit finance (£m)* | *(1)* | *(6)* |
| Total Group Adjusted profit before tax (£m) | 101 | 91 |
| Taxation (before special items) (£m) | (17) | (18) |
| Net profit after special items (£m) *(attributable to equity holders of the parent)* | 955 | 65 |
| Adjusted net profit (£m) | 78 | 68 |
| Adjusted EPS (undiluted) | 6.6p | 5.7p |
| Dividend per ordinary share | - | - |
| Net cash / (debt) (£m) | 246 | (1,014) |
| Group interest cover (times) | 9.9 | 5.3 |
| Group adjusted tax rate | 17% | 20% |

## Paints

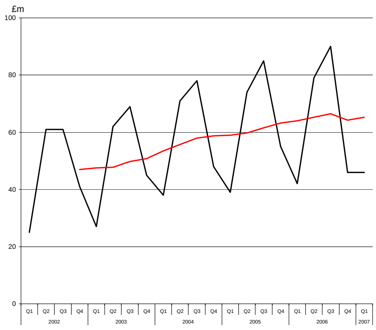
**% of Sales**: 48%**
**% of Trading Profit**: 42%**

**Leading international paints business, concentrating on decorative paint (90% of sales) and packaging coatings for food and beverage cans (10% of sales). Broad geographic coverage with 17% of sales in Asia, 9% in Latin America, 38% in North America and 36% in Europe.**

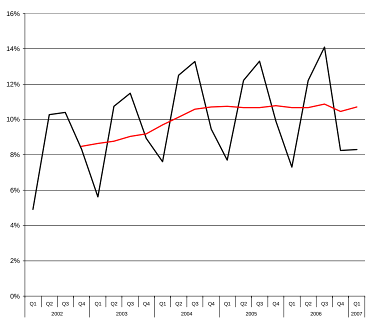
**Quarterly Sales**
(as reported)




**Quarterly Trading Profit**
(as reported)




**Quarterly Trading Margin**
(as reported)




| | Q107 | Q106 |
|---|---|---|
| Sales (£m) | 554 | 571 |
| *Comparable* change* | *4%* | |
| Trading profit (£m) | 46 | 42 |
| *Comparable* change* | *17%* | |
| Trading margin | 8.3% | 7.3% |

- **Decorative UK & Republic of Ireland** (23%[1]): Sales up 3% with increased volumes in UK Trade. UK Retail sales slightly ahead. Trading profit was in line.
- **Decorative Continental Europe** (10%[1]): Sales up 14% due to favourable weather in all territories. Growth in France helped by new product launches and Eastern Europe sales grew due to promotional activities. Trading profit was strongly ahead compared to a weak Q1 2006.
- **Decorative North America** (34%[1]): Sales 4% lower. Volumes lower in US Retail and US Trade due to housing weakness partially offset by improved product mix in US Retail. With good control of costs below gross margin, trading profit was broadly unchanged.
- **Decorative Asia** (14%[1]): Sales up 20% with good volume growth in China, India, Pakistan and Vietnam. China sales up over 30% due to strong markets, new product launches and regional expansion. Asian gross margin percentages lower but trading profit strongly ahead.
- **Decorative Latin America** (9%[1]): Sales up 9%, volume demand up in all counties, higher selling prices in Argentina and Uruguay partly offset by weaker product mix. Although gross margin percentages were lower, trading profit was strongly ahead.
- **Packaging Coatings** (10%[1]): Sales up 4% mainly due to higher prices,volumes were slightly lower. With lower costs below gross margin, trading profit was ahead.

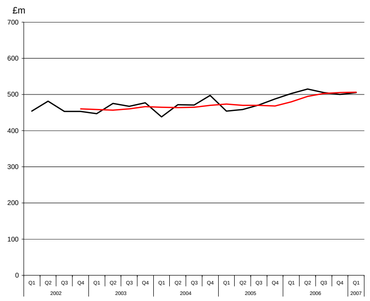
1 % of Q107 sales of ICI Paints

## National Starch

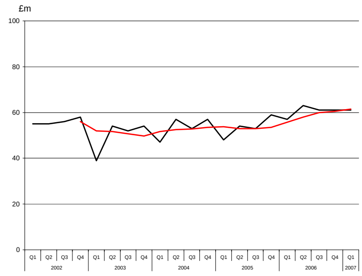
**% of Sales**: 44%**
**% of Trading Profit**: 55%**

**One of the global leaders in high performance adhesives for consumer goods, packaging, electronics and construction materials. In addition, a leading manufacturer of specialty food starches, industrial starches and specialty polymers.**

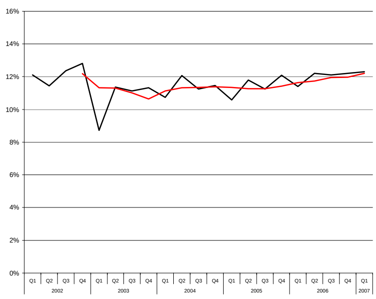
**Quarterly Sales**
(as reported)




**Quarterly Trading Profit**
(as reported)




**Quarterly Trading Margin**
(as reported)




| | Q107 | Q106 |
|---|---|---|
| Sales (£m) | 505 | 503 |
| *Comparable* change* | *9%* | |
| Trading profit (£m) | 61 | 57 |
| *Comparable* change* | *16%* | |
| Trading margin | 12.3% | 11.4% |

**National Starch**

National Starch delivered 9% comparable sales growth for the quarter, with all businesses ahead of last year. Double digit growth was delivered in Europe and Latin America, with good growth across the other regions. Gross margin percentages were ahead of last year and trading profit was 16% ahead due to strong performances in Specialty Starches and Specialty Polymers. Trading margins were 12.3% (2006 11.4%).

### Adhesives

| | Q107 | Q106 |
|---|---|---|
| Sales (£m) | 259 | 263 |
| *Comparable* change* | *7%* | |
| Trading profit (£m) | 19 | 20 |
| *Comparable* change* | *6%* | |
| Trading margin | 7.5% | 7.6% |

Sales up 7% with good growth in all regions. Good progress made developing key new accounts and innovative products gaining further traction. Sales of non woven and pressure sensitive adhesives were strong, partially offset by reduced demand in NA construction markets, Acheson's automotive markets and operational challenges in the Dongsung shoe adhesives business. Gross margin percentages in line with last year, trading profit up 6%

### Specialty Starches

| | Q107 | Q106 |
|---|---|---|
| Sales (£m) | 131 | 125 |
| *Comparable* change* | *12%* | |
| Trading profit (£m) | 16 | 12 |
| *Comparable* change* | *41%* | |
| Trading margin | 12.6% | 10.0% |

Sales up 12% with strong growth in all regions. Food & Industrial starches both grew by double digits. Novation® range, focusing on nutrition and clean food labelling, continues to grow strongly in Europe. NA made good progress across all product ranges. Trading profit up 41%. Price increases implemented to recover corn inflation, however, year on year improvement will slow significantly as low corn futures abate in second half 2007.

### Specialty Polymers

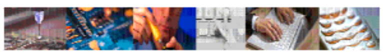
| | Q107 | Q106 |
|---|---|---|
| Sales (£m) | 67 | 64 |
| *Comparable* change* | *14%* | |
| Trading profit (£m) | 14 | 12 |
| *Comparable* change* | *26%* | |
| Trading margin | 20.1% | 18.1% |

Sales up 14% with double digit growth in Europe, Asia and Latin America. Elotex achieved exceptional sales growth in Asia and Europe for its construction materials polymers. Personal Care sales were also ahead due to new product innovation and solid growth in Europe. Alco sales declined marginally. Gross margin percentages were ahead and trading profit was up 26%.

### Electronic Materials

| | Q107 | Q106 |
|---|---|---|
| Sales (£m) | 48 | 51 |
| *Comparable* change* | *4%* | |
| Trading profit (£m) | 12 | 13 |
| *Comparable* change* | *2%* | |
| Trading margin | 25.3% | 25.5% |

Sales up 4%; semiconductor demand grew only 2% in value during first quarter. Ablestik sales up, driven primarily by demand for D-RAMs. Emerson & Cuming sales also ahead due to demand in game console, communicaton and printer markets. Gross margin percentages were lower due to higher silver and nickel costs, but with good cost control, trading profit was 2% ahead of last year.



## Regional & Industrial

**% of Sales**: 8%**
**% of Trading Profit**: 3%**

**Consists principally of four regional businesses local in scope, the most significant of which are located in Pakistan, India and Argentina. Main activities include manufacture of polyester fibres, soda ash, PTA, wine additives and sulphur related products.**

Comparable sales for the Regional and Industrial business for the quarter were 2% ahead of last year, with sales growth for PTA Pakistan and ICI Pakistan partially offset by lower sales in Argentina. Gross margin percentages were markedly lower, reflecting lower gross margins for Pakistan PTA, only partially offset by lower conversion costs. As a result, trading profit for the quarter was 54% below Q1 2006, despite trading profit improvements from the remaining activities in Pakistan and Argentina. As part of the expansion of ICI Pakistan's soda ash business, an additional 50,000 tonnes per annum of production capacity was commissioned in the quarter and the Group announced plans for a further expansion of 65,000 tonnes per annum to meet strong growth in local demand. With low gross margins for PTA likely to continue for some time, 2007 trading profit for the Regional and Industrial businesses as a whole is expected to be somewhat lower than that achieved in 2006.

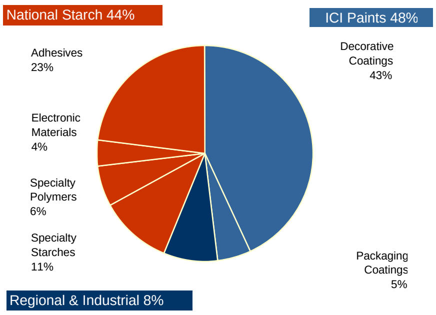
Note: red line on charts represents a rolling four quarter moving average
* Comparable performance - excluding the effects of currency translation differences and the impact of acquisitions and divestments

** Continuing reporting segments.
# Continuing operations only (ie excluding Uniqema and Quest)

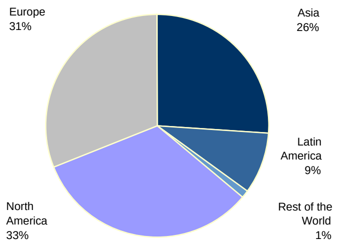
leadership in formulation science

# company data

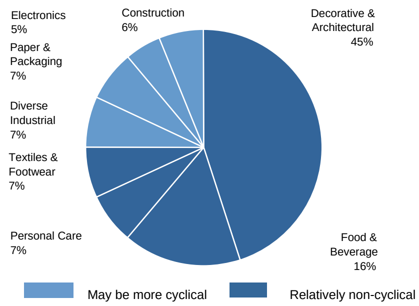
## 2007 YTD Sales by business
Continuing Reporting Segments




## 2007 YTD Sales by region
Continuing Reporting Segments




## 2006 Sales by end market
Continuing Reporting Segments




## Key dates and newsflow

**December 2006:**
- Construction of $20m second emulsion polymerisation facility in China commenced

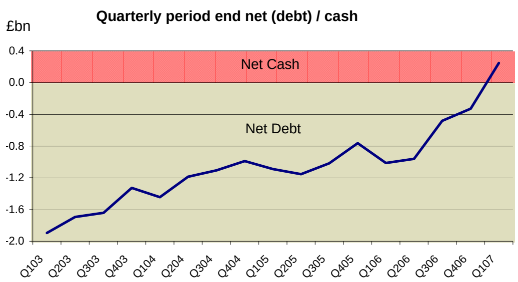
**February 2007:**
- ICI India sells Advanced Refinish business to PPG Industries

**March 2007:**
- 2 March: Sale of Quest to Givaudan completed, gross consideration £1.2bn.
- Moody's upgrades ICI rating to Baa2 / P-2, outlook stable

**April 2007:**
- Standard & Poor's revises ICI's outlook to positive from stable
- Ablestik (Electronic Materials) earns Intel's Preferred Quality Supplier Award

**Forthcoming events:**
- 23 May 2007: Annual General Meeting
- 20 June 2007: Investor seminar
- 2 August 2007: Second quarter 2007 results

## Net (debt) / cash




**ICI Group Credit ratings**

| Agency | Short term | Long term |
|---|---|---|
| Moody's | P-2 | Baa2 |
| Standard & Poor's[1] | A-2 | BBB |

[1] Apr 2007 - Outlook revised to positive from stable

## Key Performance Indicators

### Accelerate 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
- £170m annualised savings from planned £340m investment by 2011

### Culture of Sustainable Improvement
- Safe working environment
- Environmental Impact

## ICI's Businesses

### Paints

**Overview:** With some of the world's top paint and decorative product brands, ICI Paints aims to inspire consumers to transform their surroundings with performance products and colour. It makes products to prepare and care for many building materials, and also provides coatings for cans and packaging. Headquartered in the UK, with manufacturing in 24 countries.

**Major product groups:**
Decorative & Architectural coatings: interior and exterior paints; wood treatment products; architectural metal coatings; decorative fillers and bonding materials.
Packaging and coatings: can coatings (inside and outside); plastic bottle coatings

**Growth opportunities:**
Leverage leading technologies to improve product offering and constantly focus on cost management.
Growth in **Asia** : building on strong market presence and good Dulux brand positions in major developing economies (ICI Paints is not in Japan).
Growth in **Latin America** and **Eastern Europe**: investing selectively in developing markets.
~ 30% of global Paint sales come from products launched within the last three years.

**Consumer Brands:**

UK / Ireland


Asia


North America


Latin America

Coral

Continental Europe

Dulux Valentine

### National Starch

**Overview:** National Starch markets an extensive product range to sectors as diverse as food, healthcare, construction. Four main divisions: adhesives, specialty starches, specialty synthetic polymers and electronic materials. Headquartered in the US with manufacturing and customer service centres in 39 countries.

**Major product groups:**
**Electronic Materials:** semi conductor packages, circuit board assemblies, electronic assemblies, coatings, and specialty lubricants.
**Adhesives:** consumer related: packaging, nappies/diapers, industrial related:furniture, construction
**Specialty Synthetic Polymers:** personal care products including hair fixatives, water treatment and construction polymers.
**Specialty Starches:** specialty food starches to enhance texture and focus on nutrition, and industrial starches to add strength and printable quality to paper.

**Growth opportunities:**
Focus on high growth products and sectors driven by technology and innovation in electronic materials, high performance adhesives, polymers for personal care and construction, and specialty food starches.
High growth regions include Asia and Latin America.

**Latest innovation and technology:**
For National as a whole, ~22% of sales are generated by products developed in the last three years.


Adhesives: 'Easy-Pac': Combines adhesive and application technology to improve customer productivity. Lowest temperature melt available in the market.

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

Natural Hi-maize

Specialty Starches: Hi-Maize: Carbohydrate that acts as a fibre when digested to maintain healthy blood sugar levels.

## Other useful information

**Senior management**
Chairman: Peter Ellwood
Chief Executive: John McAdam
Chief Financial Officer: Alan Brown

**Registered Office**
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United Kingdom
ISIN: GB0004594973

**Investor Contacts**
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Telephone : +44 (0)20 7009 5000

**Share information**

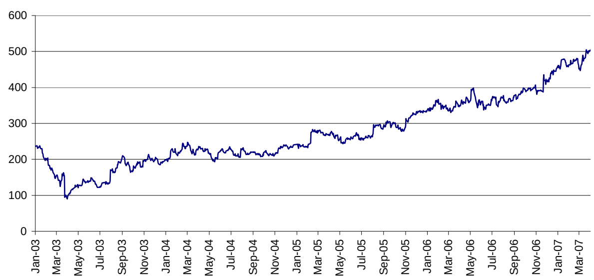
**UK Listing**
London Stock Exchange
Member of the FTSE 100 Index
Bloomberg: ICI LN
Reuters: ICI.L

**US Listing**
New York Stock Exchange
Specialist: Spear Leeds & Kellogg
Bloomberg: ICI US

| **3M 07 Share price perf.** | |
|---|---|
| Avg share price | 473p |
| 3M 07 high | 505p |
| 3M 07 low | 447p |
| Price return | 11% |
| FTSE 100 return | 1% |
| Market Cap. 31/03/07 | £6.0bn |

| **2006 Share price perf.** | |
|---|---|
| Avg share price | 372p |
| 52 week high | 452p |
| 52 week low | 330p |
| Price return | 36% |
| FTSE 100 return | 11% |
| Market Cap. 31/12/06 | £5.4bn |

**Historic closing share price (p) Jan 03 - Mar 07**




Further information is available at www.ici.com

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