



leadership in formulation science

**Fourth Quarter
and
Full Year 2006
Results Presentation**

8 February 2007



Agenda

- Opening remarks
- Full year highlights
- Q4 review and outlook
- Strategic update
- Q&A

Peter Ellwood

John McAdam

Alan Brown

John McAdam



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Opening remarks

Peter Ellwood



Chairman's Comments

- Good progress in mixed market conditions
- Major strategic developments
 - divestment of Uniqema and Quest
- Good reduction in net debt, increased financial flexibility
- 2006 share price growth of 36%, outperformed FTSE
- Dividend (full year declared) up 1.2p to 8.9p
- Maximising shareholder value remains at the heart of our strategy



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Full Year Highlights

John McAdam



Highlights – Full Year

- Comparable Group sales up 6%
- Comparable Group trading profit 5% ahead
- Continuing Group adjusted profit before tax £407m, up 8%
- Adjusted earnings per share 31.6p up 17%
- Uniqema divestment completed, gross consideration £410m
- Announced sale of Quest for £1.2bn
- Net debt reduced from £763m end 2005 to £329m end 2006
- Group pension net deficit on IAS 19 basis down £0.4bn to £1.3bn

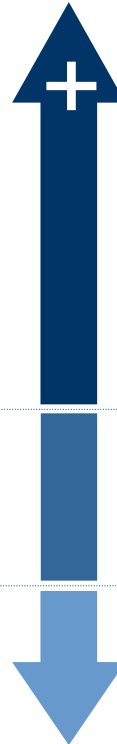
Including Quest proceeds, proforma net debt and pension deficit around £0.5bn, down by £2.0bn



Business Review

Relative performance

Specialty Starches
Adhesives
Specialty Polymers
Electronic Materials



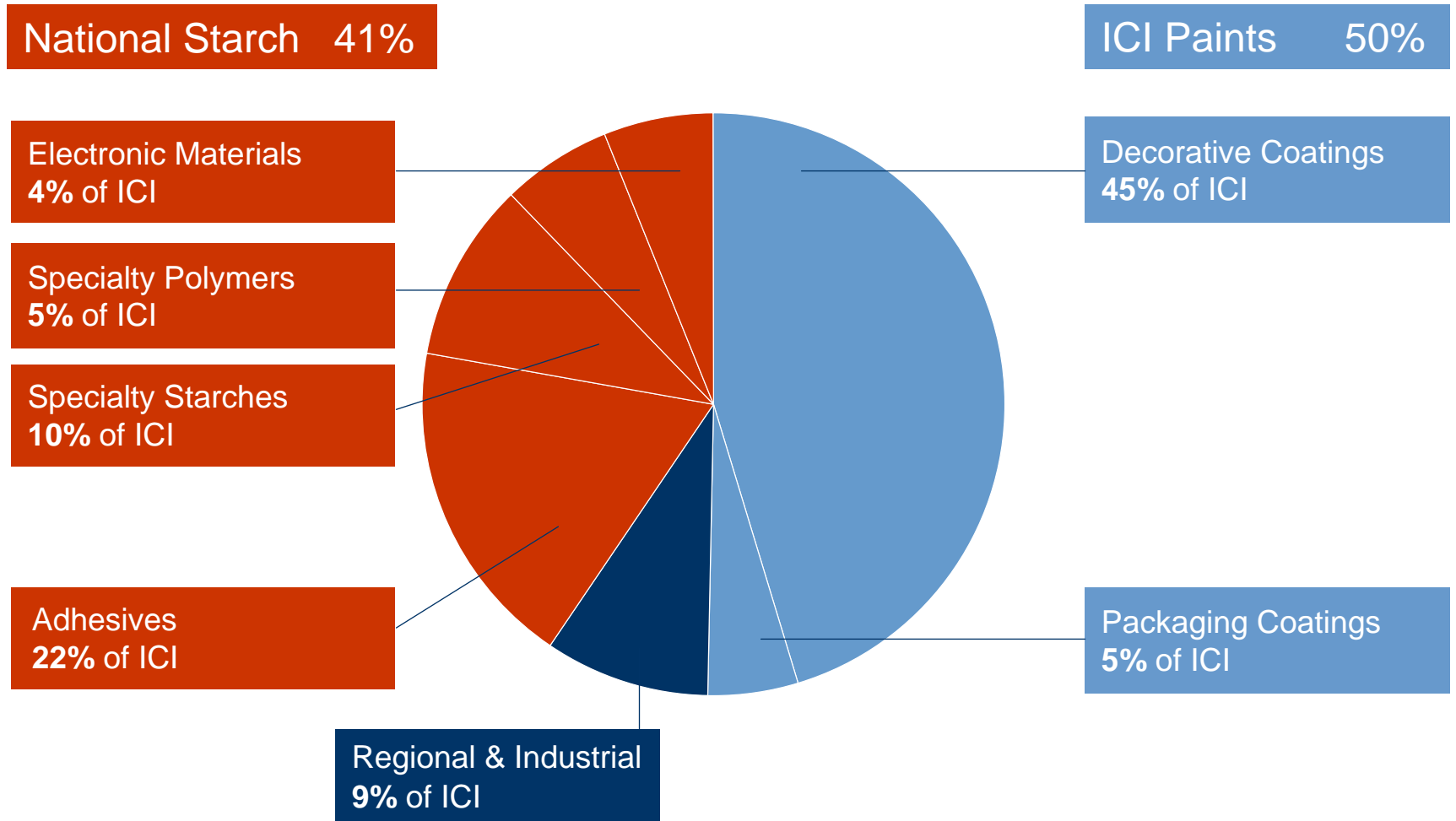
Decorative Asia
Decorative Latin America
Packaging Coatings
Decorative UK and Ireland
Decorative Continental Europe
Decorative North America

Regional & Industrial



Sales by business

Continuing operations



Percentages relate to proportion of 2006 reported sales for continuing operations



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Q4 Operating and Financial Review

Alan J Brown



Group Results: Sales

Comparable¹ Group Sales²

Foreign exchange translation effects

Business acquisitions and divestments

Reported Sales²

Q4 2006 Growth % FY 2006 Growth %

6%

6%

(6)%

-

(1)%

(1)%

£1.2bn

(1)%

£4.8bn

5%

£/\$	Q1	Q3	Q3	Q4	Average
2006	1.75	1.83	1.87	1.92	1.84
2005	1.89	1.86	1.78	1.75	1.82
Change	7.3%	1.7%	(5.0)%	(9.6)%	(1.2)%

£/€	Q1	Q3	Q3	Q4	Average
2006	1.46	1.45	1.47	1.49	1.47
2005	1.44	1.47	1.46	1.47	1.46
Change	(1.1)%	1.4%	(0.5)%	(1.0)%	(0.3)%

1 "Comparable" excludes the effects of currency translation and the impact of acquisitions and divestments

2 Continuing operations only



Group Results: Sales by Region

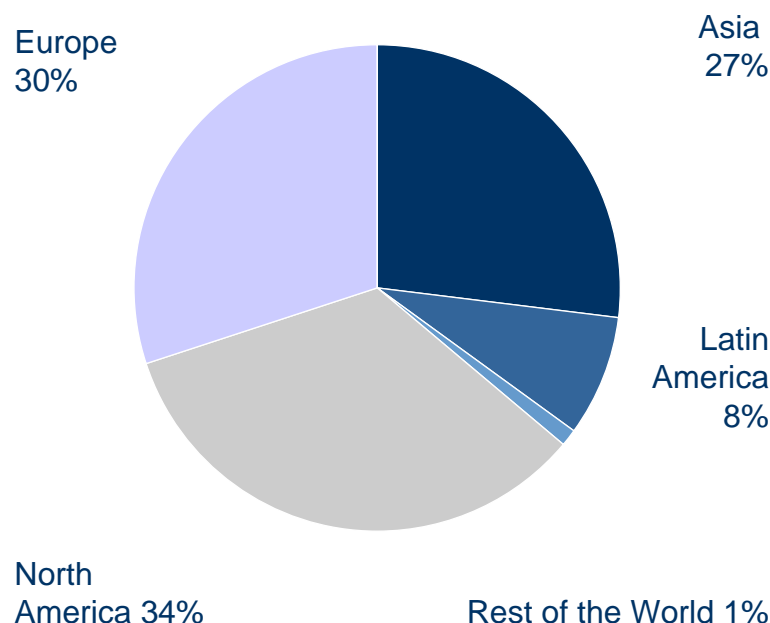
Continuing Group

Comparable growth¹

	Q4	FY
Asia	9%	10%
- Decorative Paint	19%	16%
- National Starch ²	11%	13%
Latin America	11%	8%
North America	1%	4%
- Decorative Paint	(4)%	1%
- National Starch	5%	8%
Europe	8%	5%

Continuing Group Sales by Region

FY Sales



1 "Comparable" excludes the effects of currency translation and the impact of acquisitions and divestments

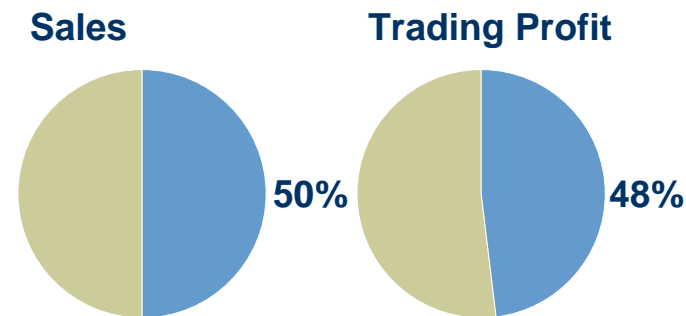
2 Excludes Japan and Australasia



Paints

	Q4 2006	FY 2006	Comparable %	
			Q4	FY
Sales	£558m	£2,414m	6%	5%
Trading Profit ¹	£46m	£257m	(14)%	2%
Trading Margin	8.2%	10.6%		

% of FY 2006
continuing reporting segments



Q4 Performance

- **Decorative UK & Republic of Ireland:** Sales grew 7% led by good volumes in retail. Despite lower gross margin percentages, including higher raw material costs, trading profit was ahead.
- **Decorative Continental Europe:** Sales up 18% with all territories benefiting from milder weather. France and Poland grew well, reflecting promotional activity. Trading profit well ahead compared to weak Q4 in 2005.
- **Decorative North America:** Sales 4% lower due to ongoing weakness in the US housing market impacting volumes particularly in Retail. With higher raw material costs and weaker product mix, trading profit was sharply down.

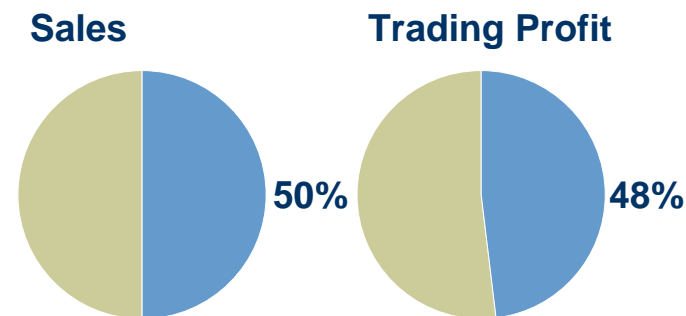
¹ Before special items



Paints

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Trading Margin	8.2%	10.6%		

% of FY 2006
continuing reporting segments



Q4 Performance

- **Decorative Asia:** Sales up 19% with strong volume growth, particularly in China due to expansion into tier 2 and tier 3 cities, and India, with investment in brand awareness and sales-channel development. Despite higher promotional costs, trading profit was strongly ahead.
- **Decorative Latin America:** Sales up 13% with strong volume demand in all countries and higher selling prices in Argentina and Uruguay. Trading profit slightly lower due to high level of promotional spend.
- **Packaging Coatings:** Sales ahead 9% as a result of both volume and selling price increases. Higher raw material costs led to lower margins, but trading profit was ahead.

1 Before special items

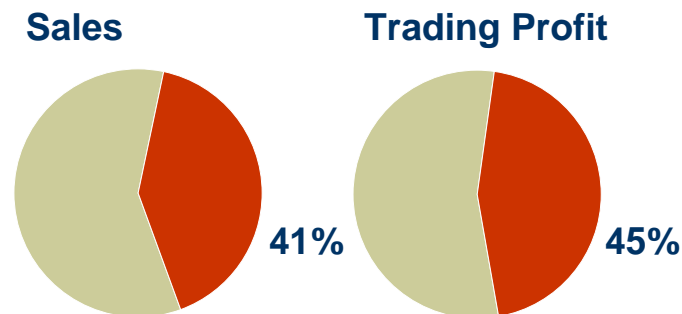


National Starch

	Q4 2006	FY 2006	Comparable %	
			Q4	FY
Sales	£497m	£2,011m	8%	8%
Trading Profit ¹	£61m	£242m	10%	13%
Trading Margin	12.4%	12.0%		

% of FY 2006

continuing reporting segments



Q4 Performance

- Adhesives:** Sales up 6% with all regions ahead. Double digit sales growth achieved in Latin America, and in North America sales were ahead despite the impact in construction related products. With higher raw material costs, and weakening margins for engineering materials², trading profit was lower.
- Specialty Starches:** Sales ahead 8% with good growth in all regions, notably in Latin America and Asia. Food starch sales were strong in Europe and Latin America, benefiting from product innovation. Industrial starches achieved double digit growth driven by North America and Asia. Trading profit markedly higher.

¹ Before special items

² Engineering materials now included in Adhesives



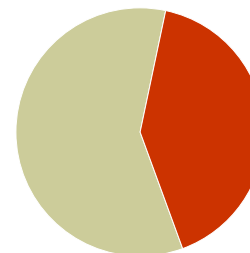
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% of FY 2006

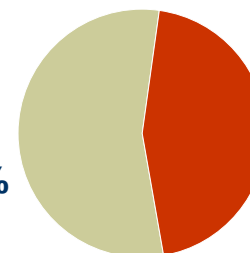
continuing reporting segments

Sales



41%

Trading Profit



45%

Q4 Performance

- **Specialty Polymers:** Sales ahead 16% led by double digit growth in Asia and Europe and good growth in North America. Strong growth in China for Elotex. Personal Care sales strongly ahead whilst Alco grew modestly. Improved gross margins contributed to trading profit significantly ahead.
- **Electronic Materials:** Sales up 8% led by demand for Ablestik's semiconductor products and Emerson & Cuming's conductive adhesives. Trading profit lower due to higher raw material costs and additional R&D expenditure and other investments to support growth.

1 Before special items



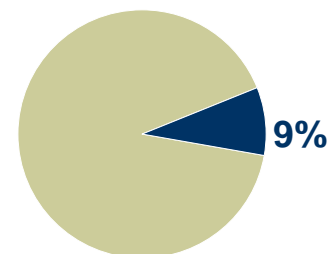
Regional and Industrial

	Q4 2006	FY 2006	Comparable %	
			Q4	FY
Sales	£107m	£431m	(1)%	5%
Trading Profit¹	£8m	£37m	(34)%	(26)%
Trading Margin	7.3%	8.5%		

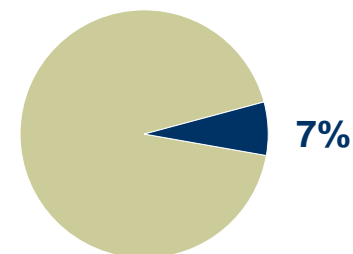
% of FY 2006

continuing reporting segments

Sales



Trading Profit



Q4 Performance

- Comparable sales broadly in line with last year with sales growth for ICI Pakistan partially offset mainly by lower sales for Pakistan PTA.
- Gross margin percentages were markedly lower, reflecting higher paraxylene costs which were not fully recovered in selling prices
- Trading profit lower than last year.



Quest

Discontinued operation

	Q4 2006	FY 2006	Comparable %	
			Q4	FY
Sales	£143m	£588m	8%	5%
Trading Profit ¹	£15m	£61m	45%	19%
Trading Margin	10.4%	10.4%		

Q4 Performance

- Sales grew 8%. Both fragrance and flavours delivered good growth and sales were ahead in all regions, notably Latin America and Asia.
- Fragrance sales up 8% with growth in all regions and strong performance in fine fragrances. As a result, trading profit strongly ahead.
- Flavour sales 9% ahead with growth in all regions, notably Latin America and Asia. Trading profit substantially higher.



Group Results

Group trading profit to adjusted profit before tax

	Q4 2006	FY 2006	As reported growth	
			Q4 2006	FY 2006
Continuing reporting segments	£115m	£536m		
Corporate and other	£(6)m	£(34)m		
Group trading profit¹	£109m	£502m	(2)%	5%
Income from associates²	-	£2m		
Net finance expense¹	£(19)m	£(97)m		
Interest cover³ (times)	8.2x	7.1x		
Adjusted profit before tax¹	£90m	£407m	1%	8%

1 Continuing operations before special items

2 Net of interest and tax

3 Total Group



Group Results

Adjusted profit before tax to net profit

	Q4 2006	FY 2006	As reported growth	
			Q4 2006	FY 2006
Adjusted profit before tax¹	£90m	£407m	1%	8%
Tax	£(4)m	£(70)m		
Effective tax rate		17%		
Discontinued operations²	£14m	£62m		
Special items – Continuing³	£(20)m	£(38)m		
Special items – Discontinued³	£(9)m	£(32)m		
Net profit after special items³	£71m	£329m		

1 Continuing operations before special items

2 Profit after taxation, before special items

3 After taxation, before minorities



Net Cash from Operating Activities

	FY 2006 £m	FY 2005 £m
EBITDA	730	724
Working capital movements	(5)	60
Post-retirement benefit charges in EBITDA	46	41
Post retirement benefit payments	(238)	(153)
Cash flows from special items	(68)	(53)
Interest and tax	(160)	(153)
Dividends	(117)	(106)
Other	3	(1)
Net cash flow from operating activities¹	191	359

¹ Includes net cash flows from discontinued operations



Net Cash from Investing Activities

	FY 2006 £m	FY 2005 £m
Sale of fixed assets	26	17
Purchase of fixed assets	(150)	(159)
Net disposal proceeds	324	108
Tax paid in relation to disposals	(1)	(2)
Payments in respect of disposals prior to 2004	(41)	(47)
Acquisitions	(31)	(23)
Movement in current asset investments	(17)	(6)
Net cash flow from investing activities¹	110	(112)
Capital expenditure² as % of depreciation	107%	95%

¹ Includes net cash flows from discontinued operations

² Includes leased assets as per balance sheet, continuing Group only



Movement in Net Debt

	FY 2006 £m	FY 2005 £m
Net debt (opening, restated)	(763)	(1,006)
Net cash flow from operating activities	191	359
Net cash flow from investing activities	110	(112)
Cash flow before financing	301	247
ESOP share purchase redemption	(6)	-
Non-cash impact	139	(4)
Net debt	(329)	(763)

Moody's Baa3 / P-3 ratings under review for possible upgrade



Impact on Post-retirement benefits

Adjustments to Balance Sheet Deficit

	£m	
31 December 2005 post-retirement benefit liabilities	(1,688)	
Top-up contributions in 2006	134	1
Net actuarial and foreign exchange gains/(losses)	122	2
Uniqema deficits disposed	95	
Other contributions net of income statement charges	32	3
31 December 2006 post-retirement benefit liabilities	(1,305)	

Quest held for sale adjustment

On completion, this will be reflected part in cash (~£40m), part valuation

80

Net post retirement benefit assets and liabilities **(1,225)**

Post retirement benefit asset	12
Post retirement benefit liability	(1,237)

Notes

- 1 Top-up contributions to the ICI UK Pension Fund (£122m) and UK Specialty Chemicals fund (£12m)
- 2 Actuarial gain of £62m and foreign exchange gain of £60m
- 3 Other contributions to the Group's pension funds and charges to the income statement



Proforma Pension Deficit and Net Debt

	£m
Year end net pension deficit	(1,225)
■ Quest completion adjustments	190
■ Uniqema adjustments	45
Proforma year end net pension deficit	(990)
Year end net debt	(329)
■ Quest net proceeds	900
■ Uniqema adjustments	(90)
Proforma year end net cash	481
Proforma combined net cash and pension deficit	(509)

An improvement to the balance sheet of nearly £2bn

National Starch

Enhanced segmental disclosure



2006 Full Year	Sales £m	Trading Profit £m	Trading Margin
Adhesives	1,052	83	7.9%
Specialty Starches	502	60	11.9%
Specialty Polymers	266	48	18.3%
Electronic Materials	203	51	25.1%
Intra National Starch Revenue	(12)		
National Starch	2,011	242	12.0%



Outlook

- Outlook remains positive
- Little sign of improvement in North American decorative paints market
- Businesses in developing markets look set to deliver solid performance
- Restructuring initiatives are progressing satisfactorily
- ICI expects to make further progress in 2007



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Strategic Review: Towards Transformation

John McAdam



2003 turnaround strategy

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

Strategic Progress 2006

2003-2007



Objectives

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

Strategic Progress 2006

2003-2007



Objectives

Results so far

- Sales growth at or slightly above GDP growth

Up 6% on average per annum



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

Up 0.5% on average per annum



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

Up 1.8% on average per annum



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

Positive cash flows from 2004





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



Strategic Objectives

Accelerating Profitable Growth

Improved Operational Effectiveness

Culture of Sustainable Improvement



Accelerating Profitable Growth

Stronger market leadership positions

+

Focus on higher growth developing markets

+

Innovation through formulation science

+

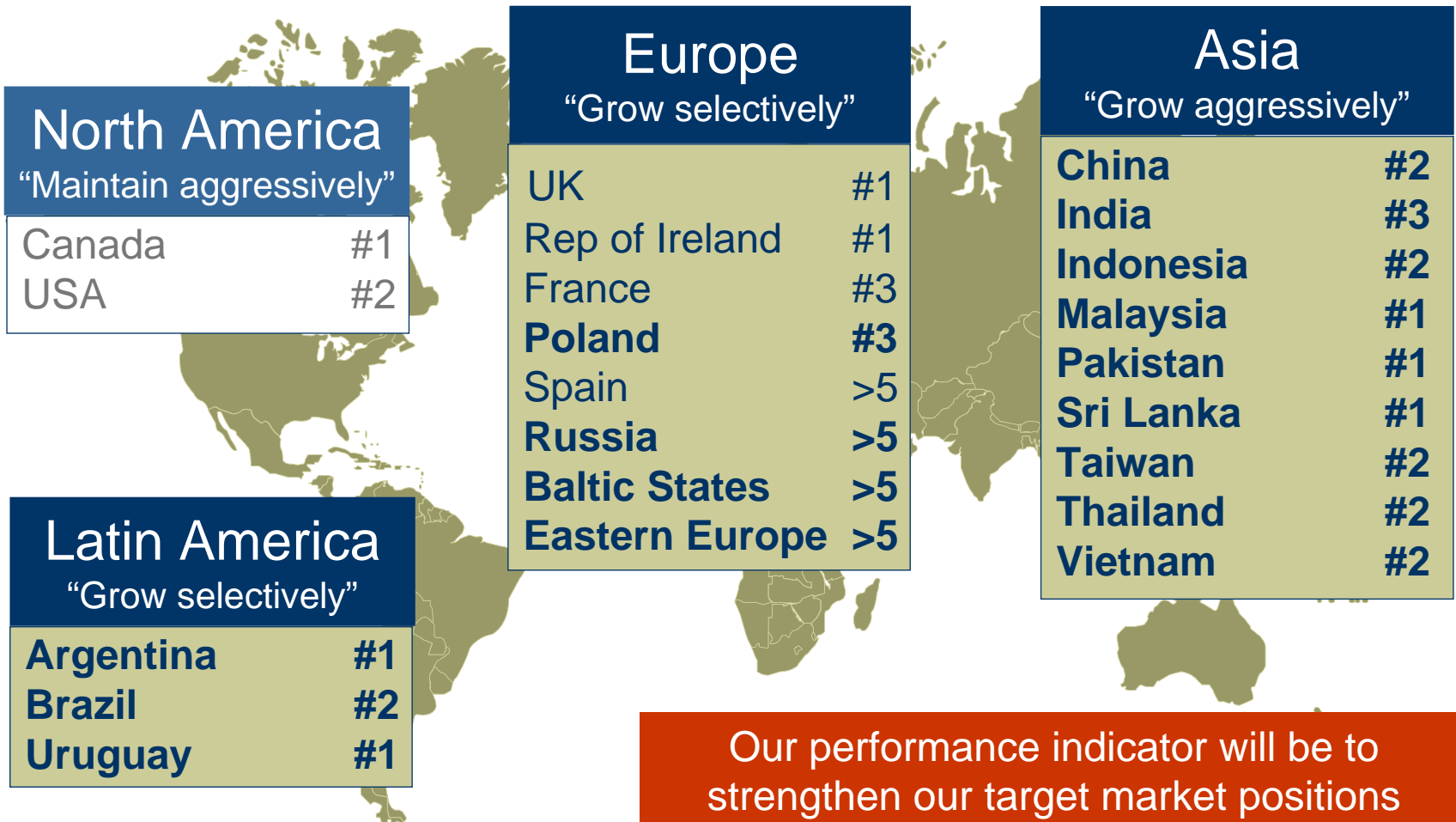
Strategic acquisitions

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Accelerating Profitable Growth



Accelerating Profitable Growth: Decorative Paints Market Positions*



Our performance indicator will be to strengthen our target market positions

* Company estimates



Accelerating Profitable Growth: National Starch Market Positions*

National Starch

Adhesives

Asia #1

North America =#1

Europe #2

Leading positions in industrial adhesives

52%

Specialty Starch

Specialty starch #1

Number 1 in specialty food starches
Good position in industrial starch

25%

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%

Electronic Materials

Ablestik #1

Number 1 in chosen fields:
- semi conductor packaging
- microelectronic assemblies

Emerson & Cuming #1

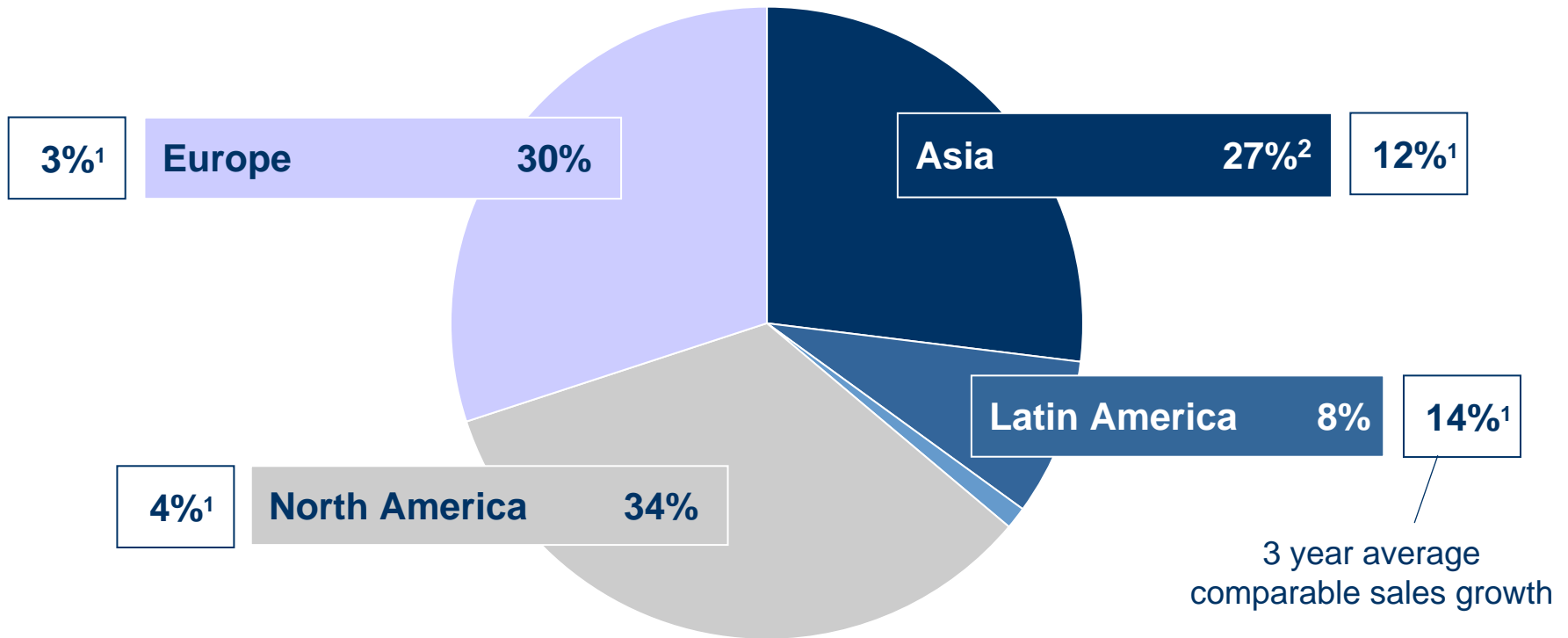
Leader in chosen fields:
- encapsulants for circuit assembly
- electromechanical components

10%

Our performance indicator will be to strengthen our target market positions

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

Accelerating Profitable Growth: Focus on growth in developing markets



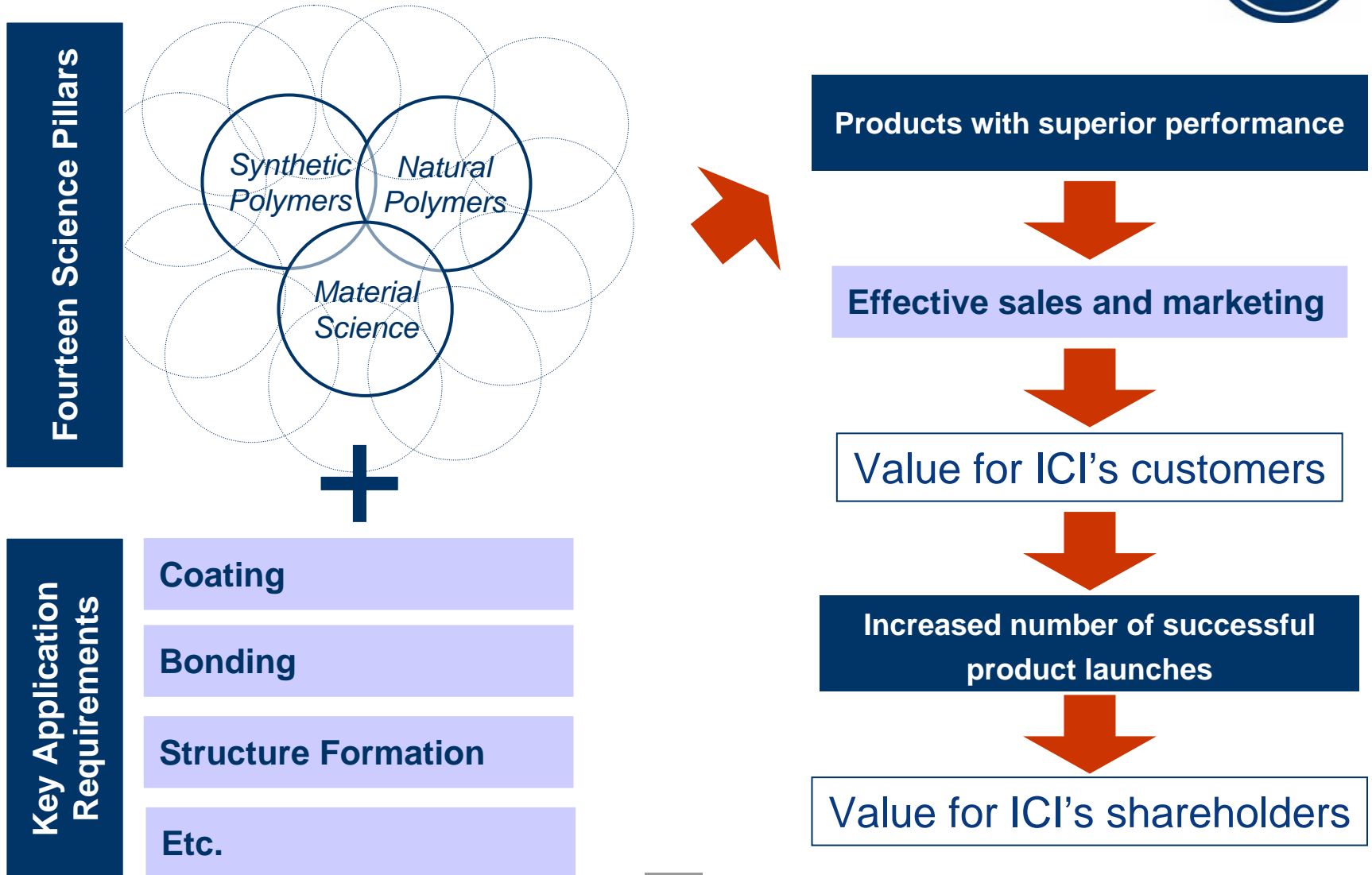
Our performance indicator will be to deliver sales growth in developing markets at on average three times global GDP

1 Figures show refer to average comparable growth over the last three years excluding R&I. "Comparable" excludes the effects of currency translation and the impact of acquisitions and divestments

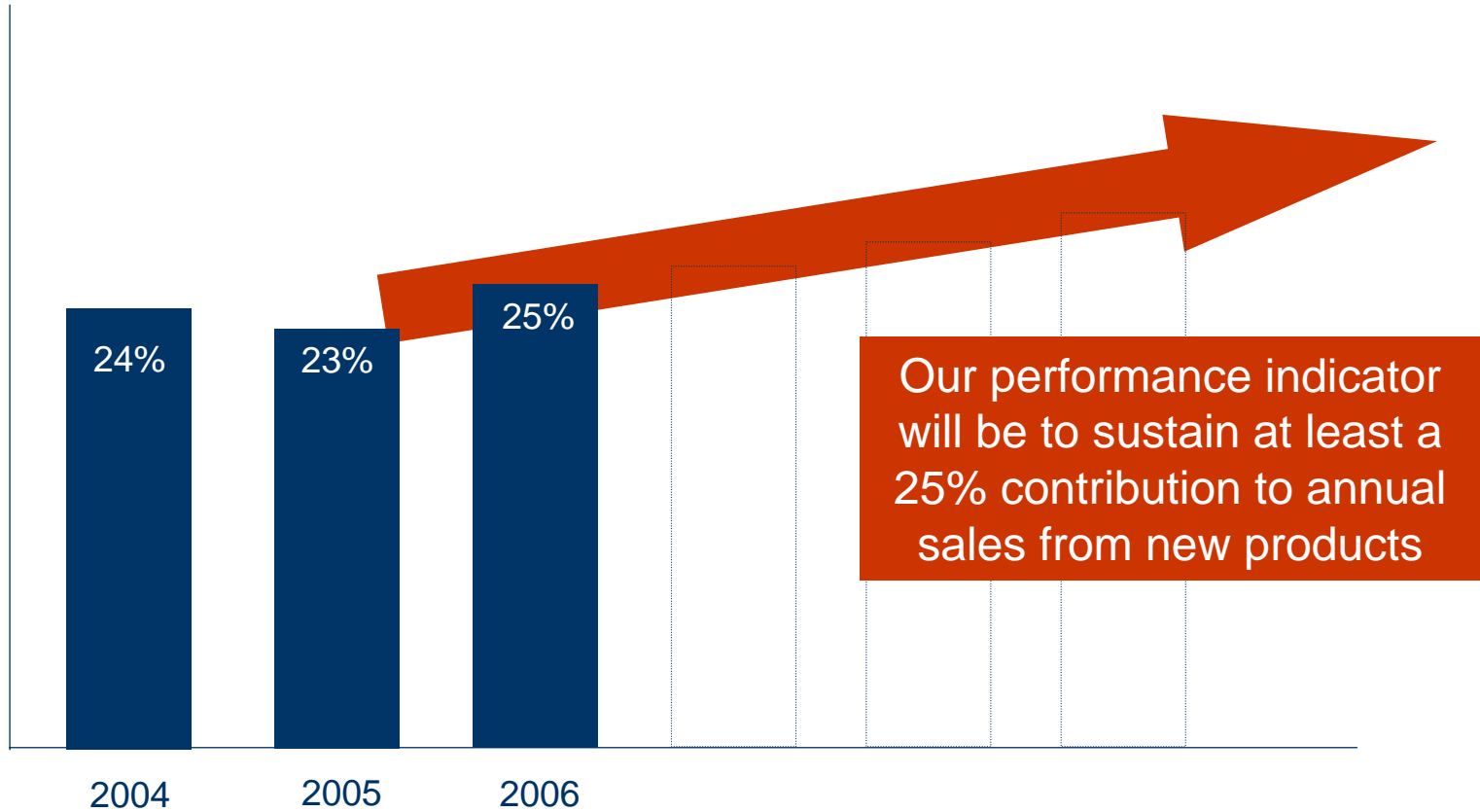
2 Asia includes R&I activities in Pakistan – not included in average comparable growth, reflecting "maintain selectively" stance



ICI's science pillars & applications knowledge



Accelerating Profitable Growth: Growth from new product development



Sales from products less than 3 years ~ 25% sales

Accelerating Profitable Growth: Paints Innovation



ICI **Dulux**
多乐士
强效抗划木器清漆

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




ICI **Dulux**
Velvet Touch
PREMIUM EMULSION FINISH

India: Pearl Glow Finish



ICI **Dulux**
Lau chùi hiệu quả

Vietnam: Easy clean to remove stains from walls



ALBA **Dulux**
ALBALATEX
TOQUE SUBLIME
LATEX PARA INTERIORES

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



Pentalite
Classic
ICI **Dulux**

Pakistan: Superior coverage and better flow, first in market

Poland: Targeting professional painter to provide perfect opacity



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

Accelerating Profitable Growth: National Starch Innovation



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

Specialty Food Starches
Critical focus on clean labelling



Adhesives
EasyPac, low temperature “cool melt” system



Specialty Food Starches
Natural carbohydrate
fibre replacement

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



Improved Operational Effectiveness

Operations cost reduction

+

Cost-to-serve improvements

+

Efficient cross-business functions

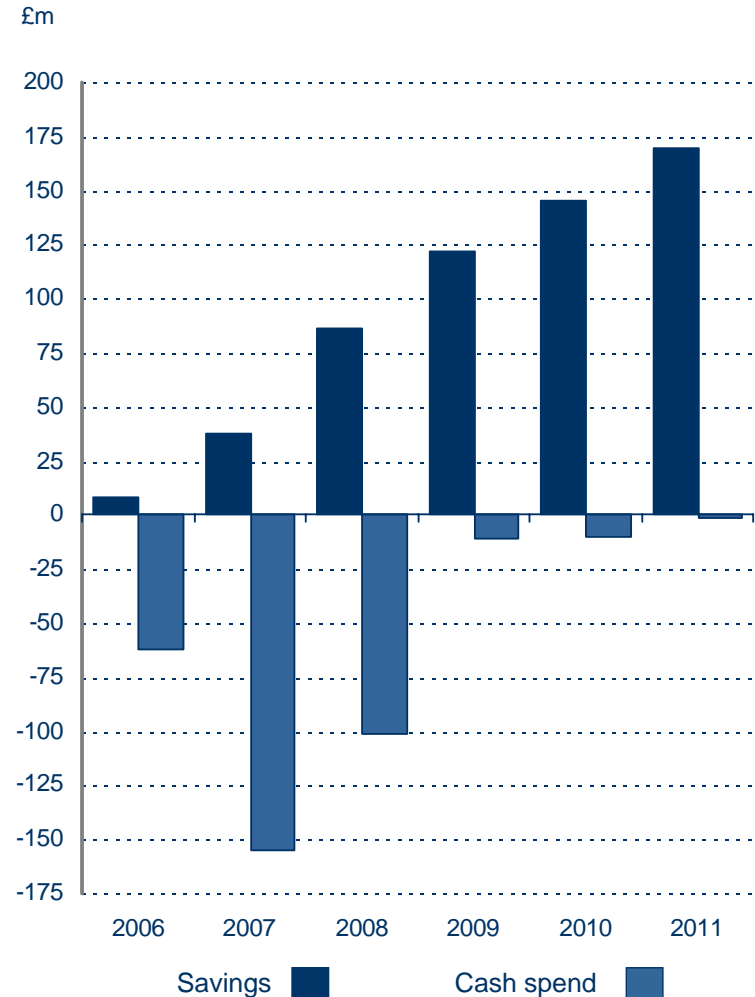
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Improved operational effectiveness

Improved Operational Effectiveness: 2006 Transformation Programme



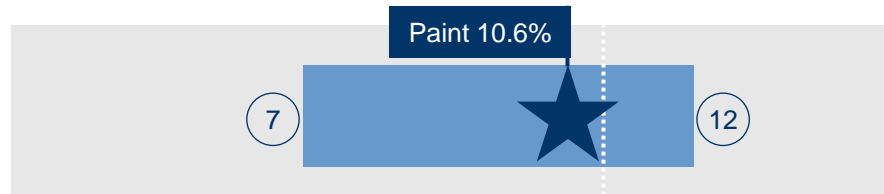
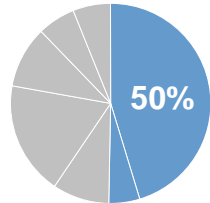
- Maintain our target of £170m annualised savings from a five year investment of £340m
- 2007 savings objective of £38m re-confirmed
- Further projects being developed to replace Quest opportunity



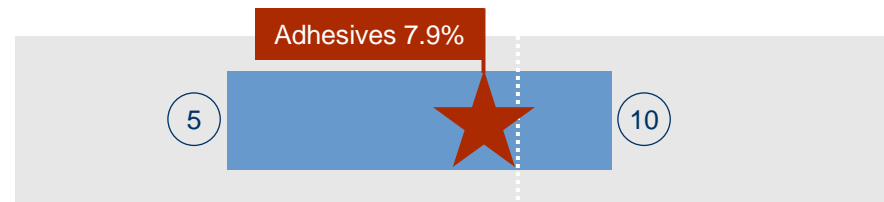
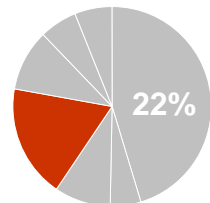


Improved Operational Effectiveness: Top Quartile Trading Margins

Paints



Adhesives



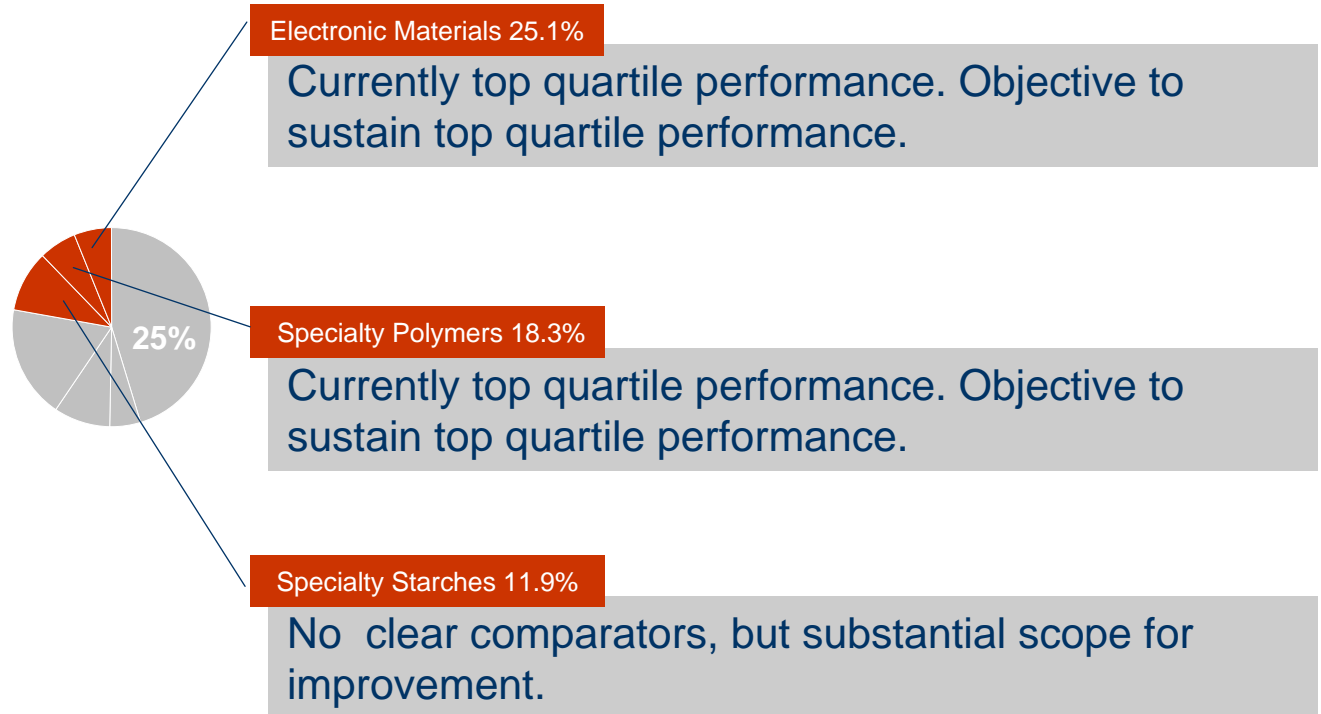
Our performance indicator is to achieve consistent top quartile performance against our international industry peers

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



Improved Operational Effectiveness: Top Quartile Trading Margins

Other Specialties



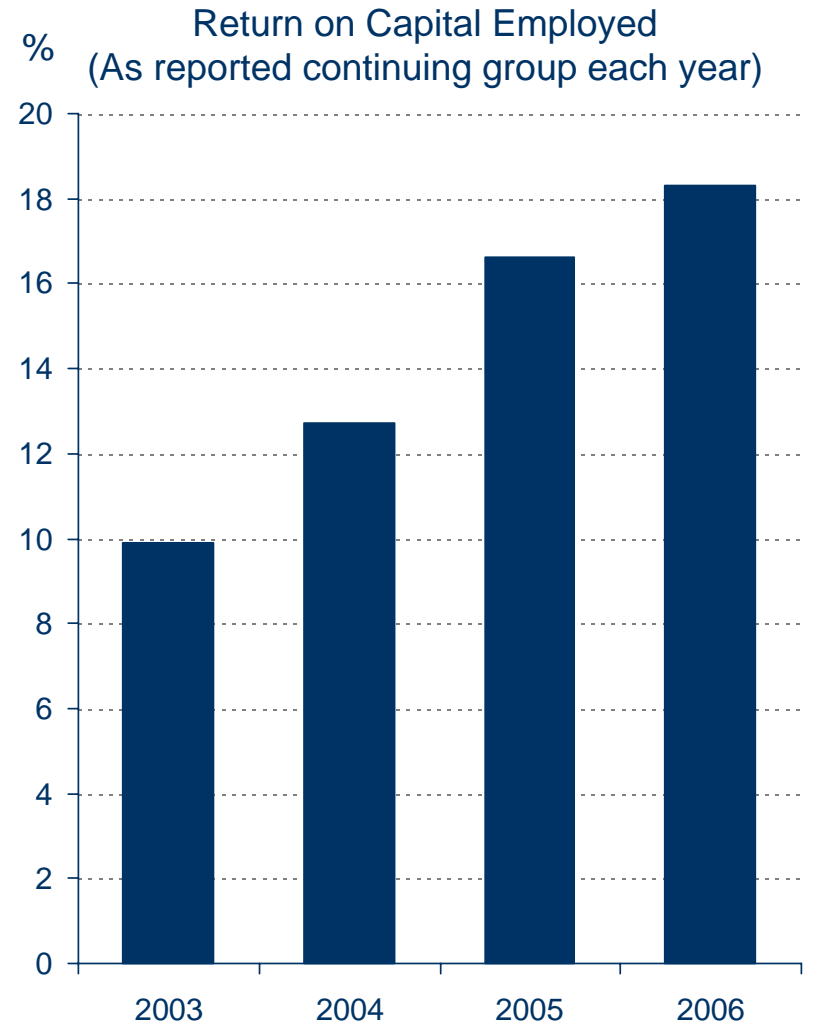
Our performance indicator is to sustain consistent top quartile performance against our international industry peers

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



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

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



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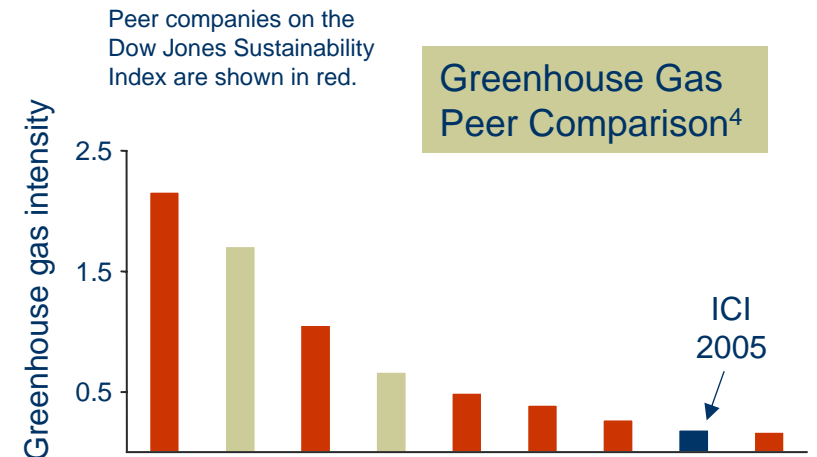
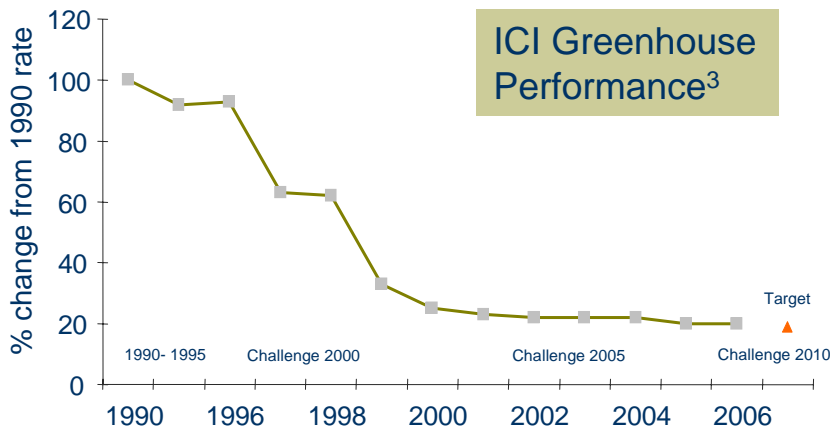
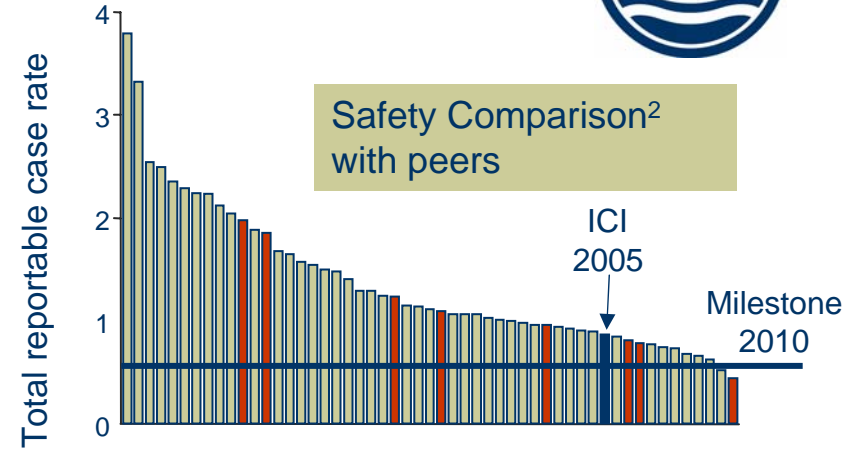
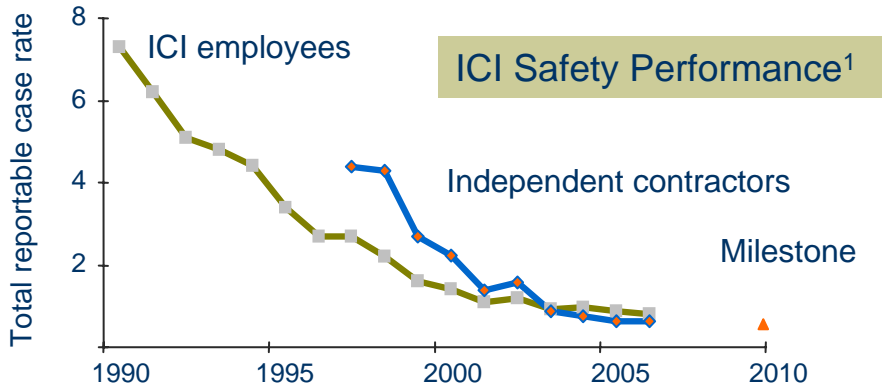


Culture of Sustainable Improvement



Internally, we have a programme to embed “the ICI Way” and Guiding Principles across ICI

Sustainability



Our performance indicator will be to meet these Challenge 2010 targets

1 Data prior to 2003 based on the ICI Classified Injury Rate adjusted to estimate OSHA rates
 2 Source: American Chemicals Council 2005, US employees only, ICI includes all employees
 3 Greenhouse gases as CO₂(e) per tonne of production
 4 Tonnes of greenhouse gases per \$m sales. Source: Carbon Disclosure Project 2005



Conclusions

Strategic Objectives

Accelerating Profitable Growth

Improved Operational Effectiveness

Culture of Sustainable Improvement

Performance Indicators

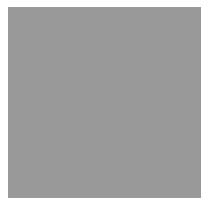
- Strengthen target market positions
- Deliver higher growth from developing markets (3 times GDP)
- Innovation driving growth (at least 25% of sales)

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

- Safe working environment
- Environmental Impact



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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.