

CORPORATE SOCIAL RESPONSIBILITY

Pilkington seeks to manage relationships with all stakeholders in a professional, fair and responsible manner. Central to this process is the Pilkington Code of Conduct.

The Code of Conduct, introduced in 2002, sets out the standards of behaviour expected of the Group and its people in relationships with fellow employees, customers, suppliers, business partners, the community, government and other stakeholders in the business.

The key features of the code are:

- Working safely
- Responsibilities towards the environment
- Operating within the law
- Cultural and ethical responsibilities
- Human rights and employment standards
- Avoiding conflicts of interest
- Issues involving gifts, favours and payments
- Relationships with customers, suppliers, business partners and competitors
- Relationships with the community
- Keeping accurate and complete records
- Protection of personal and confidential information
- Responsibilities of individuals.

The code is underpinned by individual Group policies providing more detailed guidance to the businesses and employees worldwide. Local policies supplement these where necessary to meet local requirements and conditions.

During 2003, the code has been communicated widely both internally and externally. It is available on the Group intranet and website and has been featured in the in-house magazine, Pilkington Focus.

A leaflet 'The Way we do Business', produced in the 15 major languages spoken in the Group, summarises the key features of the code. It has been circulated to every employee, as part of a Group-wide briefing to ensure everyone understands the code's purpose and content. It forms part of the induction for new employees.

Responsibility for compliance with the code is placed upon all individuals working for the Group, ranging from the board to managers and employees. Two procedures exist to ensure these responsibilities are fulfilled:

- The code is incorporated in the statements of effective business control to which businesses must adhere and also into the annual letter of representation which business heads must sign to indicate their businesses comply with these statements. The results of this process confirm a high level of compliance. Minor exceptions identified are reviewed and appropriate action taken.
- The code is also incorporated into the regular schedule of on-site business audits carried out by the Group's internal audit function.

As a significant international manufacturing business, Pilkington seeks to combine successful financial performance with a responsibility to its many stakeholders. Building effective two-way relationships with stakeholders is seen as a means not only to achieve both these aims, but also to minimise the risks to which the business and stakeholders are exposed. In this way corporate social responsibility is a mutually beneficial activity.

The centre of the Group provides the policy and direction, but it is only with the support and initiative of individual businesses and employees that real progress is made 'on the ground'. This is highlighted in this review by the inclusion of examples from across the Group of the many successes during the year.

HEALTH AND SAFETY

The health, safety and well-being of all employees, contractors, visitors, neighbours and customers remain at the forefront of all business activity. While all individuals have a responsibility for their own health and safety and that of their colleagues, ultimate responsibility for health, safety and the environment rests with the group chief executive.

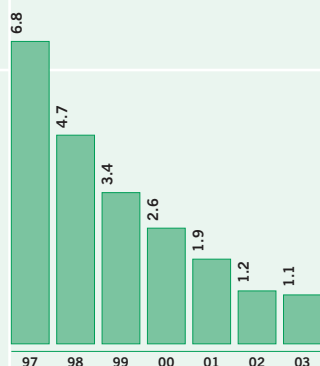
Safety programmes continue to emphasise the importance of improving behaviour and of individuals taking personal responsibility. Changing the culture in this way builds on the safety management systems already in place, giving everyone a greater degree of safety, not just at work but also beyond.

All injuries at work are regarded as unnecessary and avoidable. No matter how minor, each one must be reported and investigated. Only by investigating and learning from such incidents will the desired levels of safety performance be achieved.

Safety performance is now measured using two key performance indicators, the lost time accident rate (LTAR) and the significant injury rate (SIR).

Lost Time Accident Rate (LTAR)

Number of lost time accidents per 200,000 hours worked by Pilkington employees and long-term contractors.



Lost time accident rate

A lost time accident is a work-related accident or illness of sufficient severity to prevent the individual involved being able to report for work on the following day or shift. The LTAR expresses these accidents as a rate per 200,000 hours which is approximately the time worked by 100 people in one year.

In 2003 there were 267 lost time accidents across the Group, a 12 per cent reduction from the number reported last year. The resulting LTAR for the Group was 1.1. This represents the seventh consecutive year of improvement, although as the overall accident rate has improved, the percentage improvement has slowed. Efforts to bring about further significant reductions in the LTAR will continue. The measured LTAR safety performance is shown in the chart above.

Significant injury rate

As the LTAR improves, it becomes less useful as an indicator of performance, especially at site level. Consequently, last year a second measure, the significant injury rate (SIR) was introduced. Pilkington defines this as an injury sufficiently severe to require medical treatment or the reallocation of duties to allow an individual to continue working. In 2003 the Group's SIR was 2.59 per 200,000 hours.

Safety performance analysis indicates that businesses where significant quantities of raw glass have to be moved by hand face the greatest challenge to further improvement. These are principally the European Building Products processing and merchanting business and its equivalent in Australia. LTAR and SIR comparisons confirm that incidents in these businesses tend to be more severe, leading to a higher proportion of lost time accidents.

Evaluation systems such as the Safety Health Improvement Programme or SHIP, exist in all facilities, ensuring that all activities are subjected to risk assessment with proper procedures in place to protect individuals. In Europe the Building Products and Automotive Products businesses have made significant measurable improvements in their safety performance using the SHIP process, with Automotive achieving a reduction of two-thirds in its accidents over the last two years.

Building Products primary glass manufacturing in the UK has developed and implemented the 'Key Safe Behaviours' and the 'Stop and Think' safety guides as part of its behavioural safety programmes. These initiatives are being replicated elsewhere in the Group. Based on simple clear messages, they can be used at any time and remove some of the mystique surrounding terms like 'risk assessment'.

Examples of notable safety performances this year from individual businesses include:

- The Polish processing and merchanting business became Pilkington's first countrywide business to be certified to a combined ISO 14001, ISO 9000, OHSAS 18001 standard covering Environment, Quality and Health and Safety.
- In Chile, the Pilkington operations at both Santiago and Lirquen became the first company in the country to be certified to OHSAS 18001 for safety.
- In Venice, the float line became jointly certified to ISO 14001, OHSAS 18001 and ISO 9000 standards.
- Wesel, Aken, Eccleston and Columbus automotive sites exceeded three years without a lost time accident.
- The float plant at Sandomierz in Poland achieved five years without a lost time accident.
- In Mexico, the Mexicali automotive aftermarket branch achieved over six years without a lost time accident.
- The merchanting and distribution branch at Dunedin in New Zealand achieved ten years without a lost time accident.

Working with contractors on existing plants and new construction sites presents major safety challenges. Pilkington Group engineering, working closely with principal and sub-contractors, has introduced a new contractor safety training programme for the float plant construction site in Brazil, aimed at raising safety awareness and encouraging safe working.

The Group also collaborates with other parts of the glass industry to improve safety performance. In the UK, Pilkington has supported and promoted the GLASS Charter (Glass, Less Accidents, Safer Sites), with British Glass and the Glass and Glazing Federation trade organisation, as part of the Health and Safety Executive's 'Revitalising Health and Safety' initiative.

There were no safety related prosecutions during the year. The Clinton, Michigan automotive plant paid \$10,500 (£6,774) as a result of citations applied by MIOSHA in relation to machine guarding issues.

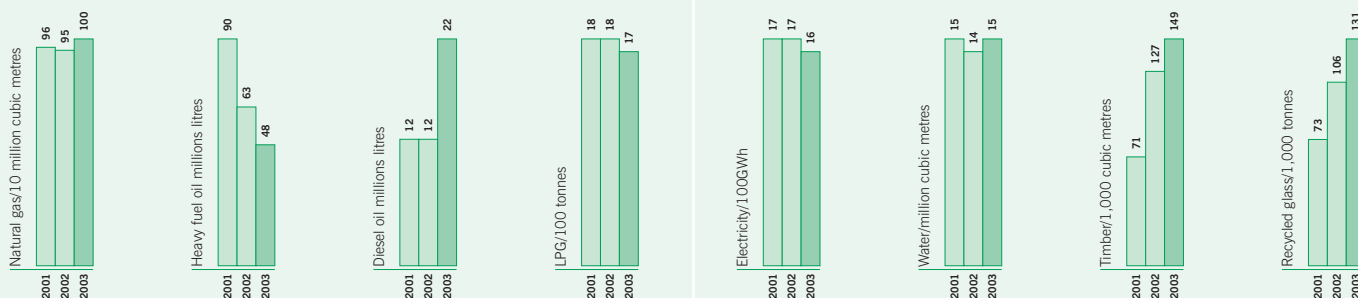
ENVIRONMENTAL PERFORMANCE

Significant effort continues to be directed towards improving environmental performance and ensuring that quality products are manufactured for our customers, which have a positive impact on the environment.

CORPORATE AND SOCIAL RESPONSIBILITY CONTINUED

Resource usage

The charts below show the energy and other resource usage of the Group. Environmental performance data from the newly constructed float lines in Spain and France and the automotive plant in Kentucky, USA, where the organisational reporting structure has changed, is included for the first time. For presentational reasons the units vary according to resource.



Despite these efforts there remain areas for improvement. The Cowley Hill float plant in the UK received a formal caution from the UK Environment Agency for allowing surface water of too high a pH level to enter an adjacent watercourse. Pilkington paid a civil penalty of \$500,000 (£322,581) to the San Joaquin Valley Unified Air Pollution Control District to settle alleged air quality violations at the Lathrop, California plant. The allegations encompassed various emission sources at the facility during the period 1997 to 2001. The major emissions involved nitrogen oxide from the glass melting furnace. Remedial action has been taken at both plants to ensure the problems do not recur.

Meeting obligations whilst retaining a competitive position will remain a challenge. Pilkington is evaluating the UK Emissions Trading Scheme and the other UK climate change initiatives to determine how the Group can operate effectively within such mechanisms. This UK experience will prove invaluable in the next few years as manufacturing industry in general, and the European glass industry in particular, learns how to operate under the constraints set out in the proposed mandatory EU Emissions Trading Scheme.

Energy and resource usage

For glass manufacture, energy usage is a significant issue. Float and rolled glass manufacturing sites in the UK now operate under a voluntary energy restriction (Glass Sector Climate Change Agreement) with the UK government. This year was classed as a milestone year, and the UK glass sector met its agreed reduction target allowing the agreement to continue for a further two years.

The increase in diesel oil usage shown in the above chart largely relates to the inclusion for the first time of data from the newly constructed float lines in Spain and France and the automotive plant in Kentucky, USA.

Usage of recycled glass in production processes has increased by some 20 per cent. This has the dual environmental benefit of reducing both primary raw materials usage and carbon dioxide release. It also reduces the quantity of glass sent for disposal which is classified as an emission product. However, the quality of glass available worldwide for recycling remains a concern and is a factor limiting increased usage. The environmental impact of preparing poor quality glass for re-use in the float process could exceed the potential benefit of using it.

Timber usage figures have increased, partly as a result of the development of markets where customers are less able to handle bulk glass supplies. This trend is expected to continue. Pilkington is seeking to ensure

that more sustainable timber resources are used by working closely with its direct suppliers to define their sources.

Emissions

The reporting of carbon dioxide emissions has become more complex owing to differences between the policy followed by the UK Climate Change initiatives and the proposed mandatory EU Emissions Trading Scheme. In the former, the carbon dioxide emissions resulting from the use of electricity are Pilkington's responsibility, whereas in the latter, they are the responsibility of the electricity generators. For the sake of completeness, carbon dioxide release is reported in both ways.

Overall, carbon dioxide releases have fallen by some three per cent as a result of improved efficiency and better operational control. Releases from both energy usage and product emissions were 3.7 million tonnes, as shown in the chart on page 27. Excluding the carbon dioxide emissions associated with the generation of electricity by power suppliers, this figure reduces to 2.8 million tonnes.

For clarification, waste has been classified as hazardous or non-hazardous. The latter is significantly greater in quantity but fluctuates year to year with the furnace repair programme.

Efforts have continued to encourage recycling in preference to the disposal of materials.

International environmental quality standards

The Group has continued to certify its manufacturing facilities to the internationally recognised ISO 14001 environmental standard and now has 67 certified sites around the world, which represent 70 per cent of business by turnover. During the year, the automotive business in Europe achieved corporate certification to this standard covering 18 sites in eight countries. In Spain the Glapilk float glass plant received certification.

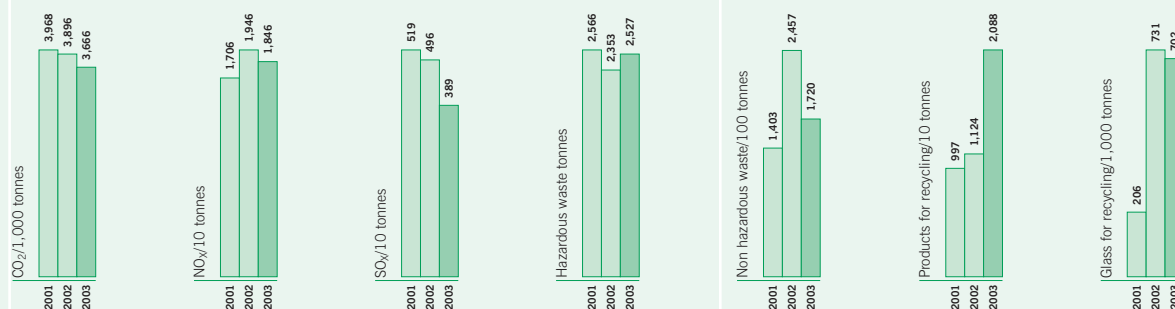
In line with the process of continuous improvement, environmental data is kept under review and improved information is incorporated when this becomes available.

Partnership with government

Pilkington continues to work, both directly and through trade associations representing the glass industry, with governments and the European Commission on key environmental issues such as the End of Life Vehicles Directive, Climate Change and the proposed directive on carbon trading. Discussions within European member states on the introduction of a

Emissions

The charts below indicate the trend in the emissions of carbon dioxide and other key emission products. For presentational reasons the units vary according to emission product.



voluntary approach to carbon trading, as a precursor to a compulsory scheme, and on the allocation of allowances, are being monitored.

The Group supports the principle that allocation of allowances should be free and that existing voluntary agreements should continue for as long as practicable. Pilkington supports the idea of carbon trading in principle, and, in addition, would like to see clear mechanisms to promote the use of energy saving products and to allocate allowances that benefit the production of such products.

Working with suppliers

The Group uses a life cycle analysis of the float glass process as the basis for collaboration with suppliers, with the aim of jointly reducing adverse effects on the environment. This collaboration has focused on the factors influencing climate change and on the supply of timber and timber packaging products to achieve higher usage of sustainable resources. Pilkington continues to work closely with sand and mineral suppliers to achieve a range of environmental protection objectives.

Legacy issues

Pilkington continues to work with regulatory authorities worldwide on issues relating to historic industrial activity on and around Group premises.

In the USA, the identification of the nature and extent of contamination from past industrial activity and from naturally occurring materials used in agriculture, has continued at the Ottawa float glass plant in Illinois. The agreed sampling in neighbouring properties has inevitably created some public concerns. This investigative work is important in ensuring that, in conjunction with the authorities and the community, appropriate remedial plans can be developed.

The safety of neighbours and employees and the protection of the environment remains of paramount concern.

RELATIONSHIPS WITH STAKEHOLDERS IN THE BUSINESS

EMPLOYEES

The Code of Conduct acknowledges internationally proclaimed human rights and the impact these have on employment. The Group takes seriously its responsibility to provide terms and conditions of employment for all employees worldwide that are fair, reasonable and provide the treatment they have a right to expect.

The Group's overall employment policy contains minimum employment standards which guide employment policy and practice in individual

businesses. They are derived from external international human rights employment guidelines and the business requirements of Pilkington and cover important issues relating to:

- Health and safety
- Employee consultation and communications
- Recruitment of employees
- Remuneration and working hours
- Abuse, harassment and intimidation
- Equal opportunities
- Personal development.

The standards set the behaviour expected of all operations and employees. For instance, it is made clear that abuse, harassment and intimidation will not be tolerated under any circumstances, nor will discrimination on the basis of race, colour, creed, religion, age, gender, sexual orientation, national origin, disability, union membership or political affiliation.

The standards, as a whole, ensure that as a minimum the Group complies with the employment laws, regulations, industry standards and local customs within the countries in which the Group operates and with relevant internationally agreed guidelines. In practice, the Group frequently exceeds these external local and international requirements.

While the standards provide employees with reassurance as to how they will be treated, it is believed they will also lead to a more successful business through a committed, motivated and effective workforce.

A number of elements of the overall employment policy are reported upon here.

Representation of women in the organisation

In 2003 women represented 15 per cent of the total workforce and 12 per cent of managers are women. In the UK, 40 per cent of graduate recruits over the last three years have been female. While these patterns of female employment are not atypical of heavy industry in general, the Group will continue to provide women with every equal opportunity to join the organisation and to develop their careers to their full potential, thereby encouraging greater representation of women at all levels in the workforce.

Employment of young people

The Group employs no young people under the age of 15. It is also uncommon for individuals under the age of 18 to be employed except on a temporary basis as part of an integrated part of their education studies.

Consultation and communication

Throughout the Group arrangements exist for communication and consultation with employees at site level. The nature of these arrangements varies according to the scale and circumstances at each site.

In Europe, in addition to site based procedures for communication and consultation, a region wide European Forum meets annually to discuss overall Group and business line strategy, business performance, the business outlook and the implications for employees. In addition to employee representatives, the group chief executive, the heads of the business lines and key senior management attend these meetings. There are separate six-monthly meetings of sub-groups for Building Products and Automotive Products to enable more detailed topics to be covered.

A formal system of regular communication ensures all employees receive updates on Group objectives, targets and best practice. Every employee receives a copy of Pilkington Focus every eight weeks in their own language. The Pilkington intranet is available to every employee on the Group network, with plans to widen access to those who do not normally use personal computers in the course of their work.

Earnings

There are no parts of the Group where earnings are less than the legal minimum or the minimum set by the local industry.

Working hours

The Group policy calls for no employee to work excessive standard or overtime hours in a week. In 2003 no employee in the Group was contracted to work a standard week in excess of the international guideline of 48 hours. There was a small number of employees, totalling three per cent of the workforce who, at some stage in the year, voluntarily worked more than the international guideline of 12 hours overtime in a week. This was not on a regular or contractual basis.

Training and development

The pursuit of ever higher standards of performance, the on-going introduction of new technology and work practices and the demanding roles created by flat organisation structures, mean that continuous development of new skills and competencies has greater significance for everyone.

The Group, therefore, recognises the importance of training, retraining and continuous development for all employees. A combination of the short

and long-term needs of the business and the personal development needs of individuals drive the actual mix of training and development.

In 2003, the company spent £5 million on formal training and development across the Group, ranging from initiatives within local business units to meet the specific local needs, to Group programmes aimed at the longer-term development of international managers. A critical element of training for everyone relates to health and safety which underpins the progress described earlier in this review.

This formal training and development complements the significant level of on-the-job training which enables employees to learn and enhance their skills through planned initiatives in the work-place.

In response to changing personal and business training needs, the Group continues to introduce new initiatives, of which examples from the last year are:

- An online assessment system to help individuals determine their personal development needs. Initially in English, the facility will be made available in the other key languages of the Group. Based on defined key skills, it enables individuals to determine more precisely their personal development needs, ensuring they receive appropriate, focused training.
- E-learning is being introduced in stages across the Group to provide a cost effective means of enabling training to take place at a time and place to suit the individual and the business.
- A new development programme for those in or approaching supervisory or junior management roles is aimed at ensuring a consistent and high level of abilities in key aspects of management. Initiated and first run in the UK, this is now being run in the USA and will be extended to other parts of the Group. This programme complements existing initiatives aimed at the development of middle and senior management across the Group.

Other parts of the code provide additional guidance to employees on the avoidance of conflicts of interest, on political activity, on ethical behaviour in dealing with competitors, suppliers, business partners and customers and on the standards to be adopted in internal communications and in handling confidential personal or Group information.

CUSTOMERS AND SUPPLIERS

Quality through design, development, production, delivery, assembly, customer support, to in-service use, is a key feature in building successful relationships with our industry customers and end consumers.

Group chief executive Stuart Chambers presents the prizes to the two winners of the 2002 'Glasshouse' Students and Young Architects competition, Tomás García Piriz and Javier Moreno Del Ojo, at an event in Düsseldorf. The internet-based competition, organised by Pilkington in association with Architecture Today magazine, attracted over 750 entries from every country in Europe.



Pilkington supports the Family Service Units in the UK. The charity's 'Out of School' support services assist with the emotional, behavioural and recreational needs of children in deprived areas and offers a much needed respite element for parents.



The achievement of high quality is underpinned by the implementation of rigorous internal quality management systems. All the Group's major automotive manufacturing plants are certified to an appropriate external international quality standard and work is in hand to harmonise on a corporate certification to the ISO/TS16949:2002 standard. In Building Products, all primary glass manufacturing plants are covered by external international quality standards and a programme is in place to upgrade certification to the ISO9001:2000 standard.

In Automotive Products, close working relationships are developed from the early stages of new model vehicle design, with members of the Pilkington Automotive team working as an integral part of the customer's design team. This leads to final products which in terms of design, quality, cost and performance are of mutual benefit to the vehicle manufacturer, Pilkington and the end customer. This collaboration embraces efforts to minimise waste by recycling material. In Europe, the End of Life Vehicles Directive has already led to changes in vehicle design, the specification of products supplied by the Group and has had impacts in other markets outside the region.

In Building Products, help and guidance is given to customers to ensure they are able to handle products safely and effectively. In Europe, relationships between the business and its customers are being further reinforced by the introduction of a key account management system which has already been successfully employed in Automotive.

As part of the overall management of the supply chain the Group also works closely with its suppliers. This ensures that their products and services not only meet the necessary design, cost, quality and performance requirements but are also backed by recognised quality standards and appropriate environmental practices. Advice and support is given, where needed, to help suppliers achieve appropriate quality and environmental standards.

PILKINGTON IN THE COMMUNITY

Pilkington aims to ensure that its worldwide operations play a responsible and responsive role in the local communities in which it operates.

Local business units have a responsibility for engaging in consultation and dialogue with their local communities as a means to ensure the Group coexists harmoniously with its community partners to the benefit of all parties involved.

The Group and its employees also work closely with non-profit organisations through a wide range of voluntary work programmes and

charitable contributions covering education, arts, medicine, welfare and young people and programmes that help create jobs and promote urban renewal. In total, the Group's direct charitable and non-charitable contributions around the world amounted to £638,000, complementing the significant inputs of the time and skills of employees. Examples of this charitable work are:

- More than 1,600 visitors attended the first quality, environment, health and safety week at the Group's Brazilian operations in Caçapava and São Paulo. Visitors included employees' families, customers, suppliers and students.
- In the wake of the devastating floods in Germany, Pilkington in Germany donated glass to the relief effort and contributed funds towards the rebuilding of a bridge in Altenberg which had been swept away by the torrent, cutting the residents off from local shops and services.
- In Columbus, Ohio employees from the automotive aftermarket distribution centre participated in a Community Care Day. As part of this, volunteers from the site took part in a day of cleaning and painting at a local middle school within the Columbus public school system. The city school system tends to have lower funds for routine maintenance and upkeep.
- Pilkington matches contributions made by the United Way charity of Greater Toledo, Ohio, which helps build a strong community by developing resources to help children, families and individuals build better lives for themselves.
- Pilkington sponsors the Pilkington Window to the World Award which is presented at the annual Women of the Year Lunch. This year the award was presented to Irene Khan, secretary general of Amnesty International.
- Pilkington has sponsored the Royal College of Arts Vehicle Design Awards for 15 years. This year's winners were Ayline Koning from France, for best overall design and Ted Mannerfelt from Sweden, for the most innovative use of glazing.
- Financial support is also being given to the Family Service Units charity in the UK which funds assistance to families and individuals in the form of counselling, play therapy, social care, community groups and child care initiatives in deprived urban areas.
- Around 60 UK employees and retirees regularly give their time and skills to a variety of educational projects, including helping children with their reading, the twinning of managers with headteachers and employment and career advice.

BOARD OF DIRECTORS



1 SIR NIGEL RUDD AGE 56

CHAIRMAN

Appointed a non-executive director in 1994 and non-executive chairman in 1995. He is non-executive chairman of Kidde plc and Pendragon PLC, deputy chairman of Boots Group PLC and a non-executive director of Barclays PLC. Sir Nigel's wide range of experience, including his executive leadership of Williams Holdings PLC, has been invaluable in giving strategic direction to the Group. He is a member of the Remuneration Committee and chairman of the Nomination Committee. At 31st March 2003 he was interested in 1,461,375 shares in the company.

2 STUART CHAMBERS AGE 47

GROUP CHIEF EXECUTIVE

Appointed an executive director in January 2001 and group chief executive in May 2002. He joined Pilkington in 1996, as group vice president, Marketing and Business Development, Building Products. In 1998 he was promoted to the post of managing director, Primary Products Europe, and subsequently became president, Building Products Worldwide. He is a non-executive director of Associated British Ports Holdings plc. He is a member of the Nomination Committee. At 31st March 2003 he was interested in 358,089 shares in the company.

3 ANDREW ROBB AGE 60

Appointed an executive director in 1989. He is responsible for relations with the Group's major partners and affiliates worldwide and supports the group chief executive in the Group's growth initiatives. He is also responsible for the legal, secretarial, corporate affairs and information systems functions. At 31st March 2003 he was interested in 222,401 shares in the company.

4 IAIN LOUGH AGE 56

Appointed an executive director in January 2002. He joined Pilkington in 1993 as group financial controller. In 1995 he was appointed head of group finance and in 1998 he was appointed chief financial officer for Building Products Worldwide. He is group finance director. At 31st March 2003 he was interested in 170,888 shares in the company.

5 PAT ZITO AGE 54

Appointed an executive director in May 2002. He joined Pilkington in 1985 as finance director of the Group's Australian operations. He was appointed president, Automotive OE Europe in 1997 and president, Automotive OE Europe and North America in October 2001. He is responsible for the Automotive business worldwide. At 31st March 2003 he was interested in 216,887 shares in the company.

6 DR. HANS-PETER KEITEL AGE 55

Appointed a non-executive director in 1995. He is chairman and CEO of Hochtief AG, the leading German construction company. He is a non-executive director of Leighton Holdings (Sydney) and The Turner Corporation (Dallas), as well as a member of supervisory boards in Germany and the Netherlands. The board has benefited greatly from his experience particularly in matters relating to the German market, emerging markets, capital expenditure projects and the construction industry. He is a member of the Audit, Remuneration and Nomination Committees. At 31st March 2003 he was interested in 80,854 shares in the company.

7 WILLIAM HARRISON AGE 54

Appointed a non-executive director in 1998. Formerly Head of Investment Banking at Deutsche Bank AG, he is now a director of Compass Advisers Limited, an external member of the Practice Development Committee of Herbert Smith and a member of the advisory board of Moore Clayton LLC. His experience in investment banking has enabled him to give the board valuable advice on transactions and financing arrangements. He is a member of the Audit, Remuneration and Nomination Committees. At 31st March 2003 he was interested in 129,323 shares in the company.

8 JAMES LENG AGE 57

Appointed a non-executive director in 1998. He is non-executive deputy chairman of Corus Group plc and will become non-executive chairman of Corus Group plc on 1st June 2003. He is also a non-executive director of IMI plc and JPMorgan Fleming Mid Cap Investment Trust plc. The experience he has obtained in executive and non-executive roles in other capital intensive industries has been particularly helpful to the board. He is chairman of the Remuneration Committee and is a member of the Audit and Nomination Committees. At 31st March 2003 he was interested in 133,465 shares in the company.

9 OLIVER STOCKEN AGE 61

Appointed a non-executive director in 1998. He is non-executive chairman of Rutland Trust plc and Stanhope PLC, non-executive deputy chairman of 3i Group plc and a non-executive director of Rank Group plc, The Great Universal Stores P.L.C. and Novar plc. The board has benefited greatly from his general and strategic advice based on his substantial boardroom and commercial experience. He is the senior independent director, chairman of the Audit Committee and a member of the Remuneration and Nomination Committees. At 31st March 2003 he was interested in 244,730 shares in the company.

PAOLO SCARONI resigned as an executive director on 30th June 2002 and as a non-executive director and as non-executive deputy chairman on 10th December 2002.

WARREN KNOWLTON resigned as an executive director on 30th July 2002.

There have been no changes in directors' interests in the share capital of the company between 31st March 2003 and the announcement of the Group's results on 29th May 2003.

SUMMARY DIRECTORS' REPORT

The following pages are a summary of the information contained in the Directors' Report and Accounts for the year ended 31st March 2003. The summary financial statement does not contain sufficient information to allow as full an understanding of the results and state of affairs of the company and of the Group as would be provided by the full annual report and accounts.

BUSINESS ACTIVITIES AND DEVELOPMENT

Pilkington is a leading worldwide producer of flat and safety glass and a successful innovator of products and processes in the glass industry. The Group serves the building and automotive markets.

The Chairman's Statement, comment on recent events and likely future developments, and a summarised business review appear in other parts of this document.

DIRECTORS

The names, biographical details and photographs of the directors are on page 30.

In accordance with the company's Articles of Association Sir Nigel Rudd, Dr. Hans-Peter Keitel and William Harrison will retire by rotation at the annual general meeting. Sir Nigel Rudd and William Harrison, being eligible, will offer themselves for re-election.

SUMMARY REMUNERATION REPORT

INTRODUCTION

This report to shareholders outlines the membership and workings of the Remuneration Committee and provides an explanation of the various elements of the remuneration policy. The report also outlines how the executive and non-executive directors were remunerated during the year.

The full report on directors' remuneration, contained in the Annual Report and Accounts for the year ended 31st March 2003, will be put to shareholders for approval at the annual general meeting of the company to be held on 28th July 2003.

Remuneration Committee

The Remuneration Committee determines the overall remuneration policy for executive directors and has delegated responsibility from the board for setting the remuneration packages of individual executive directors. In addition, the committee determines and approves annual and long-term incentive plans including setting appropriate performance targets, and is responsible for the granting of options under the Group's senior executives' share option schemes.

The Remuneration Committee consists of the non-executive directors, specifically James Leng (Chairman), Sir Nigel Rudd, Dr. Hans-Peter Keitel, William Harrison and Oliver Stocken. None has any personal financial interest (other than as shareholder). The committee met six times during the year to 31st March 2003 and, at its request, the group chief executive was invited to attend committee meetings except when matters relating to his own remuneration and service agreement were under discussion. The group human resources director was also invited to attend and acted as secretary to the committee.

The committee is authorised by the board to obtain any outside professional advice about remuneration matters and has selected Deloitte & Touche to advise it on remuneration practice.

The following people provided advice and services to the Committee during the year:

- David Vernon-Smith – Group human resources director

Andrew Robb will retire as a director at the conclusion of the annual general meeting.

CORPORATE GOVERNANCE

The board's policy is to manage the affairs of the company in accordance with the Combined Code on Corporate Governance, which is annexed to the Financial Services Authority Listing Rules. A more detailed report on corporate governance is contained in the Directors' Report and Accounts.

The company has complied with the provisions of Section 1 of the Code of Best Practice throughout the year, except for the formal appointment of a senior independent director and the introduction of one year notice periods in the service agreements for Paolo Scaroni and Warren Knowlton, who were in office prior to June 1998 and who both resigned as executive directors during the year. After the year end, the board reviewed its position on appointing a senior independent director and decided to appoint Oliver Stocken to such position.

AUDITORS

The auditors' report on the full annual accounts of the Group for the year ended 31st March 2003 is unqualified and does not contain any statement concerning accounting records or failure to obtain necessary information or explanations.

The statutory financial statements will be delivered to the Registrar of Companies in due course.

- Tim Izzett – Group compensation and benefits manager until 31st December 2002
- Annette Kelleher – Group compensation and benefits manager from 1st January 2003
- Herbert Smith – Solicitors
- Deloitte & Touche – Remuneration advisers.

During the year, Deloitte & Touche also provided other services, including advice to the board on non-executive directors' remuneration, the deputy chairman's remuneration and other business advisory services.

The principal matters considered by the Committee during the year were:

- Annual review of salaries for executive directors
- Targets and results for annual incentive plans for executive directors
- Performance targets for long-term incentive plans
- Review of executive directors' service agreements
- Remuneration arrangements for a new executive director including pension arrangements
- Contractual termination arrangements for departing executive directors
- Grant of executive share options and awards under the Leadership Equity Award Plan and the Deferred Bonus Plan
- Share ownership and retention targets.

REMUNERATION POLICY

Objectives of the remuneration policy

The objectives of the remuneration policy are to ensure that remuneration packages offered are competitive and designed in such a way as to attract, retain and motivate executive directors and senior executives of the highest calibre on a worldwide basis. The policy aims to ensure that individual rewards and incentives are aligned with the performance of the Group and the interests of the shareholders and reflect the contribution of the individuals concerned. The individual elements of the executive package will vary depending on the market conditions in the countries in which they operate.

SUMMARY REMUNERATION REPORT CONTINUED

The committee aims to align its remuneration policy with the medium to long-term strategy of the Group. Salary and benefit packages are set at market competitive levels, and annual performance-related payments are assessed against the achievement of key financial targets. Share based long-term incentives are used to align the interests of the senior executive group with those of shareholders. This is achieved by linking executive awards to the creation of shareholder value, and currently focusing on the growth in earnings per share.

The remuneration policy also encourages investment in company shares, and the current long-term share based incentives require such an investment by participants. This policy is expected to continue in future years.

The remuneration arrangements meet with the provisions of the Combined Code.

The main components of executive directors' remuneration

This section summarises the main components of the remuneration. An analysis of the remuneration for the year is shown in the section entitled Executive Directors' Remuneration.

The normal remuneration arrangements for executive directors consist of salary, annual financial performance-related bonus, a long-term incentive programme (the Leadership Equity Award Plan) and benefits which include car, medical insurance and pension entitlement. The executive directors are not eligible to participate in the Deferred Bonus Plan or the senior executives' share option schemes, whilst participating in the Leadership Equity Award Plan.

Salary

The policy is to broadly align salaries with market medians. The salary for each executive director is reviewed in April each year against market information provided by the committee's independent adviser and taking into account the individual's performance and experience in the role. The committee considers data drawn from a sample of comparator companies chosen on the basis of industrial sector, size, complexity and international dimension. This comparator group is recommended by Deloitte & Touche, the committee's remuneration advisers.

Annual performance-related bonus

Each executive director participates in an annual performance-related incentive scheme based on the Group's yearly performance against budget or other targets. The bonus plan for one operational director is also aligned to his business line responsibilities in addition to the performance of the Group as a whole. Challenging performance targets are set each year by the Remuneration Committee based on the budget approved by the board and annual bonuses are only payable if these performance targets are met. For executive directors the maximum bonus opportunity is 60 per cent of salary. Annual bonuses are not pensionable. For the year under review targets were based on operating profit against budget and cash generation.

For 2003 the bonus payable to executive directors amounts to £494,000 which is 58 per cent of the maximum of £854,000. In 2002 the bonus paid was £612,000, which represented 48 per cent of the maximum of £1,272,000.

Long-term incentive plan

The company has a long-term incentive plan which operates internationally. This is known as the Leadership Equity Award Plan (LEAP), which was approved by the shareholders at the annual general meeting in July 2000 and was introduced in 2001. The plan has been designed to provide geared levels of reward in the form of company shares for the achievement of exceptional company performance.

Executive directors and selected senior executives are invited by the committee to participate in LEAP. Participants are invited to invest all or a proportion of their annual after tax bonus in the company's shares.

If the participants remain in employment and the purchased shares are retained for three years, the company will match their investment with additional shares. The matching by the company is made up of a 'core award' and a 'performance award'.

The 'core award' consists of shares to the value of one times the participant's gross annual bonus deferred using the same share price which was applied at the time of purchase. The extent of the 'performance award' will depend upon the achievement of stretching performance targets for the Group over the three year period (currently measured as aggregate earnings per share) set by the Remuneration Committee. The committee considers earnings per share before exceptional items to be one of the key fundamental financial measures on which the financial value of the company is assessed over the medium to long-term. The use of aggregate earnings per share before exceptional items targets is considered a suitably challenging criterion in the current economic environment, and is understood by all international participants. A minimum level of earnings per share must be achieved for any performance award to vest, and if these demanding targets are met in full, the 'performance award' will be two and a half times the gross annual bonus deferred. The participants in this plan are not eligible to participate in the Deferred Bonus Plan or the senior executives' share option schemes. Core awards vest after three years. Performance awards only vest after the Remuneration Committee has reviewed and confirmed that performance against the conditions set has been met.

The performance targets for the LEAP performance awards issued in 2001 and 2002 are currently based on aggregate earnings per share before exceptional items over a three year period, as set out in the following table:

Award level	Aggregate EPS over 3 years		Core and performance awards
	2001 – 2004	2002 – 2005	
	2001 Plan	2002 Plan	
Core award	–	–	1.0 x gross bonus invested
Performance awards			
– Entry	24.9p	22.6p	0.5 x gross bonus invested
– Maximum	29.7p or above	26.9p or above	2.5 x gross bonus invested

Awards vest between entry level and maximum on a linear basis subject to achieving the stretching aggregate EPS targets.

The maximum potential award which can vest under the plan is 210 per cent of salary, assuming the maximum bonus of 60 per cent is earned in any year, and wholly invested in LEAP and the maximum three years EPS target is achieved.

The company also operated a long-term incentive plan in the North American business, 'The Pilkington North America Long-Term Incentive Plan', during the period from October 1999 to September 2002. Certain shares awarded under this plan remain in trust and will vest in November 2003. This plan is now closed to executive directors.

The Deferred Bonus Plan

Since the introduction of LEAP in 2001 the executive directors are not entitled to participate in the Deferred Bonus Plan. None of the executive directors will be eligible to participate in this plan in respect of bonuses earned for 2003.

Senior executives, who do not participate in LEAP, are eligible to participate in the Deferred Bonus Plan. This plan has been designed to encourage senior executives to align themselves with the interests of shareholders by purchasing and retaining company shares. Eligible participants are invited to invest a proportion of their annual bonus in company shares. In return, the company grants the individuals a nil cost award to acquire the company's shares, the value of these shares being

equivalent to 1.2 times the gross value of the annual bonus deferred. If the individual disposes of the purchased shares before the end of the three year period, the award will lapse. The plan is normally offered on an annual basis. If the individual chooses to leave the company, the award will lapse.

Share option schemes

The Group operates executive share option schemes for senior executives in the UK and overseas.

Since the introduction of LEAP in 2001 the executive directors have not been entitled to participate in the senior executives' share option schemes.

The senior executives' share option schemes provide a potential reward in shares for improvement in company performance reflected in the share price. Invitations to participate are made each year to senior executives worldwide, except those participating in LEAP. The option entitles the executive to buy company shares at a fixed exercise price. The ability to exercise this option is dependent upon the achievement of predetermined performance targets based on growth in earnings per share over changes in the retail price index (RPI). The current target set by the committee is RPI plus three per cent per annum. Providing the earnings per share targets are met for the prescribed three year performance period the share options will become exercisable after three years and up to ten years from the date of grant. Should the performance target not be met after three years the committee has the discretion to allow re-testing from a fixed base over four years and over five years. After five years, if the performance target has not been met, the options lapse. The Remuneration Committee has decided that, for options granted in or after June 2003, the performance targets will not be subject to re-testing and accordingly, if the performance targets are not satisfied after three years, the options will lapse. Options are exercisable after the Remuneration Committee has reviewed and confirmed that performance against the conditions set has been met.

The Group also operates a savings-related scheme for all UK employees, which includes the executive directors. The savings-related scheme was established in 1984 and was last renewed for ten years at the annual general meeting in 2002. This scheme has a value to the company by aligning UK employee interests with those of shareholders and provides a long-term vehicle to enable employees to benefit from growth in the company's share price. The invitation to participate in this scheme made in June 2002 offered a three, five, or seven-year contract with an exercise price set at a discount of ten per cent on the applicable market price.

An all employee share ownership plan (now known as a share incentive plan) was approved by shareholders at the annual general meeting in July 2000. No invitations or awards have yet been made under this plan.

Pensions

The company operates pension schemes for selected executives on a worldwide basis. Pension schemes operate under various national legislation. In the UK, the company operates both defined benefit and defined contribution schemes.

All executive directors are entitled to a pension on retirement and, with the exception of Andrew Robb, such pension is calculated in a similar way to pensions provided under the Pilkington Superannuation Scheme. The pension arrangements for the executive directors are affected by the Inland Revenue cap on approved pension benefits. Their arrangements are determined on an individual basis and are part funded through the Pilkington Superannuation Scheme or personal pension plans with the unapproved balance being provided through the Pilkington Unfunded Top-Up Scheme.

Service agreements

It is the policy of the Remuneration Committee that executive directors should have contracts terminable by no more than one year's notice. From 2001, the notice period in the standard service agreement offered to any new executive director has been one year. The board's policy on executive contracts has now been fully implemented and all existing executive directors have a contract with a notice period of no more than one year.

The service agreements for Stuart Chambers, Andrew Robb, Iain Lough and Pat Zito are terminable by the company on giving one year's notice. Details of the terms of the contracts of each of the executive directors are shown in the table set out below.

In the event of termination by the company, other than for misconduct, each director's service agreement provides for a maximum payment of 12 months' pay and benefits.

In the case of Stuart Chambers, Iain Lough and Pat Zito those benefits which are specifically covered by this arrangement include pension arrangements, private healthcare and the provision of a company car.

Details of the directors retiring by rotation and seeking re-election are referred to on page 31. Sir Nigel Rudd and William Harrison do not have service agreements but do have letters of appointment for a term, which expire in the case of Sir Nigel Rudd on 31st July 2006 and in the case of William Harrison on 10th September 2004.

Share ownership

The board strongly believes in the value of employee share ownership in order to align the interests of employees with those of shareholders. The long-term incentive arrangements have been specifically designed to encourage and facilitate share ownership and many of the Group's senior managers and employees have interests in the company's shares.

The executive directors and approximately 100 senior executives were given share ownership targets to achieve by 2002 or within four years of appointment. The executive directors have all achieved their targets and as at September 2002 approximately 80 per cent of all executives exceeded their targets. During the year the share ownership targets were reviewed for the executive directors and other senior executives. As a result, the target for the group chief executive has been increased to 500,000 shares and for other executive directors to 300,000 with a target achievement date of June 2004. Increases have also been agreed for senior executives.

Policy on external appointments

The committee believes that the company can benefit from its executive directors holding non-executive appointments and also believes that this represents a valuable opportunity in terms of personal and professional development. Such appointments are subject to the approval of the board and it is the company's practice that each executive director may only accept one such appointment, and that fees from that appointment may be retained by the executive director concerned.

Policy on remuneration of non-executive directors

The remuneration of the non-executive directors is determined by the board within limits set out in the Articles of Association. They are not eligible for performance-related bonuses or awards under long-term incentive plans, and no pension contributions are made on their behalf. Since June 2000 the annual fees for the non-executive directors have been paid exclusively in shares.

	Date of service agreement	Notice period from company	Unexpired term to normal retirement date
Stuart Chambers	3rd December 2002	12 months	13 years
Andrew Robb	1st July 1996	12 months	Retiring on 31st December 2003
Iain Lough	7th February 2003	12 months	3 years 8 months
Pat Zito	3rd December 2002	12 months	5 years 8 months

SUMMARY REMUNERATION REPORT CONTINUED

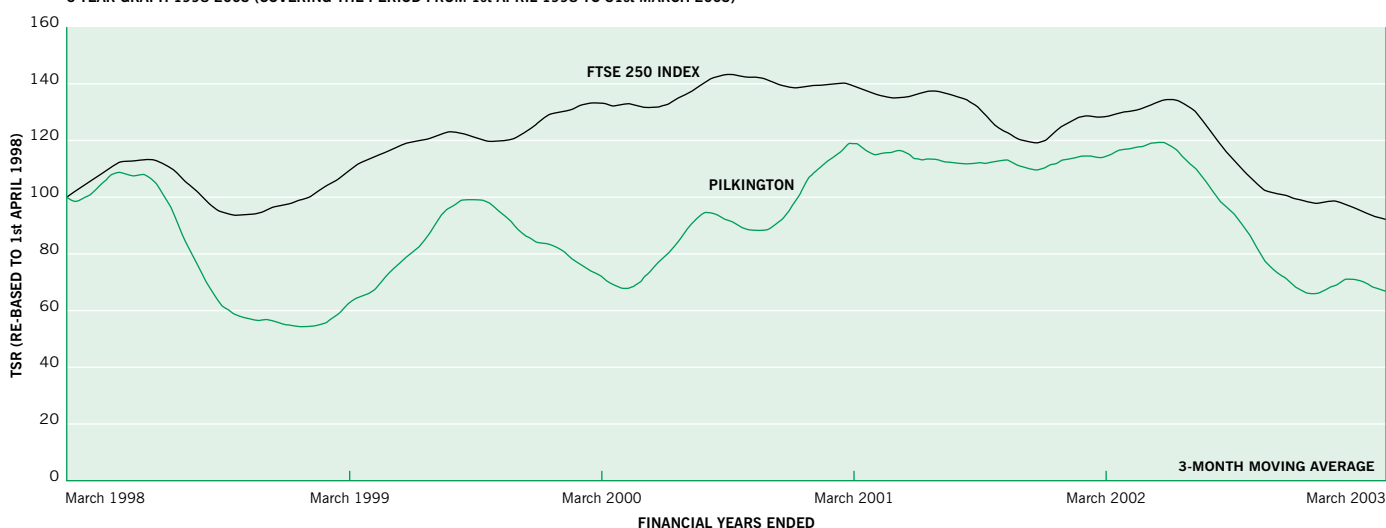
PERFORMANCE GRAPH

In accordance with the requirements of the Companies (Summary Financial Statement) Amendment Regulations 2002, below is a line graph comparing the total shareholder return of the company over the last five years with the

total shareholder return of the FTSE 250 index of companies, of which the company is one of the constituent companies. In this context shareholder return reflects share price movements and assumes all dividends are re-invested in the company's shares at the relevant ex-dividend date.

TOTAL SHAREHOLDER RETURN (TSR)

5-YEAR GRAPH 1998-2003 (COVERING THE PERIOD FROM 1st APRIL 1998 TO 31st MARCH 2003)



EXECUTIVE DIRECTORS' REMUNERATION

The remuneration of the executive directors, excluding pension contributions, is summarised in the table below:

	2003					2002				
	Salary £000	Other benefits £000	Annual bonus ⁽⁷⁾ £000	Loss of office £000	Total £000	Salary £000	Other benefits £000	Annual bonus £000	Long-term incentive £000	Total £000
Stuart Chambers ⁽¹⁾	521	26	182	–	729	280	18	93	–	391
Andrew Robb	340	22	112	–	474	325	22	108	–	455
Iain Lough ⁽²⁾	280	19	93	–	392	66	4	22	–	92
Pat Zito ⁽³⁾	253	85	107	–	445	–	–	–	–	–
Paolo Scaroni ⁽⁴⁾	173 ⁽⁶⁾	–	–	–	173	750	14	248	–	1,012
Warren Knowlton ⁽⁵⁾	147	47	–	1,800	1,994	466	112	141	1,204	1,923
	1,714	199	494	1,800	4,207	1,887	170	612	1,204	3,873

⁽¹⁾ Appointed as group chief executive on 28th May 2002.

⁽²⁾ Appointed to the board on 1st January 2002.

⁽³⁾ Appointed to the board on 28th May 2002.

⁽⁴⁾ Resigned as an executive director on 30th June 2002.

⁽⁵⁾ Resigned on 30th July 2002. Denominated in US dollars and translated into sterling at an average exchange rate of 1.55 (2002 – 1.43).

⁽⁶⁾ Salary includes £36,000 in respect of earned but untaken holidays at the date of resignation.

⁽⁷⁾ Other than Andrew Robb, who is retiring, the executive directors will use these bonuses to purchase shares for their participation in LEAP.

Other benefits in the above table incorporate all tax assessable benefits arising from employment by the company. The major benefits are the provision of a company car and private healthcare for Paolo Scaroni, Stuart Chambers, Iain Lough and Pat Zito. In addition, because Pat Zito is an

expatriate based in the United Kingdom, he receives further benefits in accordance with group policy including £70,000 for the provision of accommodation. The benefits for Andrew Robb include private healthcare and a cash allowance of £16,000 in lieu of the provision of a company car.

NON-EXECUTIVE DIRECTORS' REMUNERATION

All non-executive directors are paid exclusively in shares, which they are required to hold for four years, other than to the extent necessary to fund their tax liability on receipt of the shares. The details of the remuneration paid and due to the non-executive directors for 2003 are shown below.

The disclosure under the heading aggregate value of shares allotted and to be allotted at the reference price of 117.53p includes the shares allotted in June 2002 and December 2002 at such reference price and the shares to be allotted in June 2003 at such reference price in respect of the period from 1st December 2002 to 31st March 2003.

	2003				2002	
	Aggregate number of shares allotted in June 2002 and December 2002	Market value of allotted shares on dates of allotment ⁽¹⁾ £000	Number of shares to be allotted in June 2003	Aggregate value of shares allotted and to be allotted at the reference price of 117.53p £000	Aggregate value of shares allotted at the reference price of 110.05p £000	Number of shares allotted in respect of year ended 31st March 2002 ⁽²⁾
Sir Nigel Rudd	142,944	107	71,472	252	240	218,088
Dr. Hans-Peter Keitel	21,784	16	10,892	39	38	34,896
William Harrison	21,784	16	10,892	39	38	34,896
James Leng	26,034	19	14,292	47	44	40,344
Oliver Stocken	26,034	19	14,292	47	44	40,344
Paolo Scaroni	35,735	24	–	42	–	–
	274,315	201	121,840	466	404	368,568

It should be noted that:

- (1) The share prices at close of business on 6th June 2002 and 2nd December 2002, the dates of allotment, as shown by the Daily Official List of the London Stock Exchange, were 101p and 65.75p respectively.
- (2) The share prices at close of business on 5th June 2001, 4th December 2001 and 6th June 2002, the dates of allotment, as shown by the Daily Official List of the London Stock Exchange, were 116p, 108.5p and 101p respectively.
- (3) During the year ended 31st March 2003 the highest and lowest share prices at close of business, as shown by the Daily Official List of the London Stock Exchange, were 118.5p and 43.25p respectively.
- (4) The share price at close of business on 31st March 2003, as shown by the Daily Official List of the London Stock Exchange, was 49.25p.

DIRECTORS' EMOLUMENTS AND OTHER BENEFITS

The aggregate emoluments and other benefits of the directors of the company set out below are disclosed in accordance with Part 1 of Schedule 6 to the Companies Act 1985.

	2003 £	2002 £
Aggregate emoluments	2,873,000	3,073,000
Gains made on exercise of share options	1,048,870	25,982
Amounts paid under long-term incentive schemes	–	1,204,000
Compensation for loss of office	1,800,000	–
Pension contributions to money purchase schemes	–	–

Four executive directors are accruing retirement benefits under defined benefit schemes.

GROUP PROFIT AND LOSS ACCOUNT

For the year ended 31st March 2003

	Note	2003 £m	2002 £m
Turnover – continuing operations			
Group turnover	3	2,414	2,471
Share of joint ventures' and associates' turnover		340	334
Turnover including joint ventures and associates		2,754	2,805
Operating profit			
Group's continuing operations	3	175	189
Share of joint ventures and associates		42	49
Operating profit including joint ventures and associates		217	238
Exceptional items			
Loss on disposal/termination of continuing operations:			
Loss on disposal/termination		(3)	(11)
Previous provision utilised		1	2
Loss on disposal of fixed assets and investments in continuing operations		(2)	(9)
		(2)	(3)
		(4)	(12)
Profit before investment income and interest		213	226
Investment income		1	1
Net interest payable and similar charges		(74)	(66)
Profit on ordinary activities before taxation		140	161
Taxation		(49)	(61)
Profit on ordinary activities after taxation		91	100
Minority interests (including non-equity)		(23)	(26)
Profit attributable to shareholders		68	74
Dividends		(63)	(62)
Retained profit of the Group		5	12
Directors' emoluments		3	4
Earnings per share (basic)		5.4p	6.0p
Fully diluted earnings per share (basic)		5.4p	5.9p

The 2002 profit and loss account has been re-presented as described in note 1.

SUMMARY GROUP BALANCE SHEET

As at 31st March 2003

	2003 £m	2002 £m
Assets employed		
Fixed assets		
Intangible fixed assets	158	163
Tangible fixed assets	1,520	1,498
Investments – joint ventures, associates and trade investments	181	239
	1,859	1,900
Current assets		
Stocks	383	412
Debtors	464	457
Investments – marketable	33	13
Cash at bank and in hand	42	44
	922	926
Creditors – amounts falling due within one year	(670)	(652)
Net current assets	252	274
Total assets less current liabilities	2,111	2,174
Financed by		
Creditors – amounts falling due after more than one year	793	626
Provisions for liabilities and charges	516	520
	1,309	1,146
Deferred income	21	20
	1,330	1,166
Capital and reserves		
Called up share capital	630	627
Reserves	54	80
Total equity shareholders' funds	684	707
Minority interests (including non-equity)	97	301
	2,111	2,174

The financial statements on pages 36 to 41 were approved by the directors on 29th May 2003.

Directors

Sir Nigel Rudd, I.P. Lough.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31st March 2003

	2003 £m	2002 £m
Profit attributable to shareholders of Pilkington plc	68	74
Other recognised losses:		
Exchange rate movements on foreign currency net investments	(33)	(47)
Total recognised gains relating to the year	35	27

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

For the year ended 31st March 2003

	2003 £m	2002 £m
Profit attributable to shareholders of Pilkington plc	68	74
Dividends	(63)	(62)
Exchange rate movements on foreign currency net investments	(33)	(47)
Shares issued	3	10
Premium on shares issued	2	10
Net decrease in shareholders' funds for the year	(23)	(15)
Shareholders' funds at beginning of the year	707	722
Shareholders' funds at end of the year	684	707

SUMMARY GROUP CASH FLOW STATEMENT

For the year ended 31st March 2003

	2003 £m	2002 £m
Net cash inflow from operating activities (note 6)	367	262
Dividends received from joint ventures and associates	24	9
Net cash outflow from returns on investments and servicing of finance	(73)	(73)
Taxation paid	(22)	(44)
Net cash outflow from capital expenditure	(161)	(154)
Net cash inflow/(outflow) from acquisitions and disposals	3	(5)
Net cash inflow/(outflow) before dividends, management of liquid resources and financing	138	(5)
Equity dividends paid by parent company	(58)	(45)
Net cash inflow/(outflow) before use of liquid resources and financing	80	(50)
Management of liquid resources	(20)	21
Net cash (outflow)/inflow from financing	(74)	45
(Decrease)/increase in cash	(14)	16

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

For the year ended 31st March 2003

	2003 £m	2002 £m
Net debt at beginning of the year	(704)	(656)
(Decrease)/increase in cash in the year	(14)	16
Cash outflow/(inflow) from management of liquid resources	20	(21)
Net increase in loans	(144)	(42)
Net decrease/(increase) in obligations under finance leases	19	(1)
Exchange rate adjustments	(38)	–
Net debt at end of the year (note 7)	(861)	(704)

NOTES ON THE SUMMARY FINANCIAL STATEMENT

1 ACCOUNTING POLICIES AND RE-PRESENTATION OF COMPARATIVE AMOUNTS

The comparative results have been re-presented in 2003 to simplify the exceptional cost disclosures. These results have been prepared on the basis of the accounting policies, which have been consistently applied.

In the financial statements to 31st March 2002 and in preceding periods, the Group treated all redundancy and restructuring costs, including those incurred in the ordinary course of business, as exceptional items charged against operating profit in the profit and loss account.

The directors have reviewed this disclosure and have decided to simplify it and provide a more representative presentation of the results of the business. Accordingly, redundancy and restructuring costs incurred in the ordinary course of business are charged directly against operating profit without separate disclosure as exceptional items because such costs will continue to be incurred in future years. This change does not preclude the Group from disclosing material items, as exceptional charges or credits, against operating profit in future years.

As a result of the above change, certain comparative figures have been re-presented as follows:

- (a) The Group's operating profit on the profit and loss account was disclosed as £231 million before exceptional items of £42 million. It has been re-presented as £189 million. The share of joint ventures' and associates' operating profit is now shown as £49 million. In the prior year it was disclosed as £52 million before exceptional items of £3 million. The £45 million exceptional items continue to be disclosed in note 5.
- (b) The Group tax charge was disclosed as £75 million before the impact of exceptional items of £14 million. It is re-presented as £61 million.
- (c) The reconciliation of operating profit to net cash inflow from operating activities in note 6 has been re-presented. In prior years exceptional items included both redundancy and restructuring items and those relating to the disposal and termination of operations. The former items have been adjusted over the normal cash flow headings (as set out in note 6) and the latter remain treated as exceptional items.

Depreciation and amortisation was disclosed as £175 million before exceptional depreciation of £11 million. It has been re-presented as £186 million. Provisions were disclosed as £36 million before exceptional provisions of £16 million. They have been re-presented as £52 million.

Exceptional cash spent was disclosed as £54 million, which included £47 million relating to redundancy and restructuring spend. This has been re-presented as £7 million and now relates exclusively to the termination of operations.

2 RECONCILIATION TO NON-STATUTORY DISCLOSURES

	2003 £m	2002 £m
(a) Profit before goodwill amortisation, exceptional items and taxation		
Profit before taxation	140	161
Goodwill amortisation	9	10
Exceptional items	4	12
	153	183
(b) Earnings per share excluding exceptional items		
Profit for the year attributable to shareholders	68	74
Exceptional items after tax and minority interest	4	10
	72	84
	millions	millions
Average number of shares for basic earnings per share calculation	1,248	1,234
Average number of shares for fully diluted earnings per share calculation	1,250	1,251
	pence	pence
Adjusted earnings per share excluding exceptional items	5.8	6.8
Adjusted fully diluted earnings per share excluding exceptional items	5.8	6.7

NOTES ON THE SUMMARY FINANCIAL STATEMENT CONTINUED

	2003		2002	
	Turnover £m	Operating profit/(loss) £m	Turnover £m	Operating profit/(loss) £m
3 CONTINUING OPERATIONS				
Building products	1,216	137	1,236	178
Automotive products	1,183	67	1,169	40
Group operations and technology management	15	(20)	66	(19)
Goodwill amortisation	–	(9)	–	(10)
	2,414	175	2,471	189
Segmental analysis with goodwill amortisation analysed to business lines:				
Building products	1,216	132	1,236	172
Automotive products	1,183	63	1,169	36
Group operations and technology management	15	(20)	66	(19)
	2,414	175	2,471	189
Europe	1,458	134	1,414	162
North America	651	25	695	16
Rest of the world	290	36	296	30
Group operations and technology management	15	(20)	66	(19)
	2,414	175	2,471	189

Operating profit/(loss) for 2002 has been re-presented, as described in note 1, as follows:

	Pre-exceptional operating profit/(loss) previously reported £m	Re-representation of redundancy and restructuring costs £m	Operating profit/(loss) as re-presented £m
Building products	193	(15)	178
Automotive products	66	(26)	40
Group operations and technology management	(18)	(1)	(19)
Goodwill	(10)	–	(10)
	231	(42)	189
Europe	194	(32)	162
North America	21	(5)	16
Rest of the world	34	(4)	30
Group operations and technology management	(18)	(1)	(19)
	231	(42)	189
Segmental analysis with goodwill analysed to business lines:			
Building products	187	(15)	172
Automotive products	62	(26)	36
Group operations and technology management	(18)	(1)	(19)
	231	(42)	189

4 NET OPERATING ASSETS/(LIABILITIES) OF CONTINUING OPERATIONS	2003 £m	2002 £m
Building products	822	805
Automotive products	638	625
Group operations and technology management	(2)	(3)
Goodwill	158	163
	1,616	1,590
Segmental analysis with goodwill analysed to business lines:		
Building products	920	910
Automotive products	698	683
Group operations and technology management	(2)	(3)
	1,616	1,590
Europe	1,065	1,001
North America	286	331
Rest of the world	267	261
Group operations and technology management	(2)	(3)
	1,616	1,590

5 EXCEPTIONAL ITEMS

These comprise losses on the sale and termination of operations of £2 million (2002 £9 million) and losses on the disposal of fixed assets and investments of £2 million (2002 £3 million).

There are no operating exceptional items in 2003, as described in note 1. The operating exceptional items in Group subsidiaries reported in the year to 31st March 2002 comprised redundancy and restructuring costs amounting to £42 million and additionally there were restructuring costs in an associate of £3 million.

6 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2003 £m	2002 £m
Operating profit	175	189
Depreciation and amortisation	188	186
Movements in working capital:		
– Stocks and work in progress	32	(29)
– Debtors	7	12
– Creditors	(20)	(38)
Provisions	(14)	(52)
Other items	1	1
Net cash inflow from operating activities before exceptional items	369	269
Exceptional items – termination of operations	(2)	(7)
Net cash inflow from operating activities	367	262

The 2002 reconciliation of operating profit to net cash inflow from operating activities has been re-presented as described in note 1.

7 NET DEBT	2003 £m	2002 £m
Loans and overdrafts	907	714
Finance leases	29	47
Gross borrowings	936	761
Less cash and marketable investments	(75)	(57)
Net debt	861	704

INDEPENDENT AUDITORS' STATEMENT to the shareholders of Pilkington plc

We have examined the summary financial statement of Pilkington plc.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the summarised annual review in accordance with applicable law. Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the summarised annual review with the annual financial statements, directors' report and the report on directors' remuneration and its compliance with the relevant requirements of section 251 of the United Kingdom Companies Act 1985 and the regulations made thereunder. We also read the other information contained in the summarised annual review and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

This statement, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 251 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

The maintenance and integrity of the Pilkington website is the responsibility of the directors. The work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility

for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Basis of opinion

We conducted our work in accordance with Bulletin 1999/6 'The auditors' statement on the summary financial statement' issued by the Auditing Practices Board for use in the United Kingdom.

Opinion

In our opinion the summary financial statement is consistent with the annual financial statements, the directors' report and the report on directors' remuneration of Pilkington plc for the year ended 31st March 2003 and complies with the applicable requirements of section 251 of the Companies Act 1985 and the regulations made thereunder.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London
29th May 2003

SHAREHOLDER INFORMATION

The summary financial statement does not contain sufficient information to allow as full an understanding of the results and state of affairs of the company and of the Group as would be provided by the full annual report and accounts. If you require more detailed information, you may obtain, free of charge, a copy of the full annual report and accounts from the company's Registrars, Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH.

Shareholders who receive only the summary financial statement will continue to do so. However, if you would like to receive the full annual report and accounts in future, please write to the company's Registrars.

ANNUAL GENERAL MEETING

The notice convening the company's annual general meeting at the Pilkington European Technical Centre, Hall Lane, Lathom, Nr Ormskirk, Lancashire on Monday 28th July 2003 at 11.30 am, is contained in a separate document issued to shareholders.

DIVIDEND

The directors recommend a final dividend for the year ended 31st March 2003 of 3.25p per share, with scrip alternative, payable on 1st August 2003 to shareholders on the Register on 13th June 2003.

Shareholders with an existing scrip dividend mandate will, subject as hereinafter provided, automatically receive new shares in lieu of a cash dividend. Scrip dividend mandates are available from the company's Registrars and on our website and should be completed and returned to them no later than 15th July 2003. Shareholders wishing to cancel an existing scrip mandate should also write to the Registrars before that date. The offer of a scrip dividend is subject to the terms of the Pilkington plc Scrip Dividend Scheme and to the shareholders approving the continued operation of the Pilkington plc Scrip Dividend Scheme at the annual general meeting on 28th July 2003.

The scrip dividend share value will be calculated on the basis of the average of the middle market quotations of Pilkington shares on the London Stock Exchange for the five dealing days commencing on 11th June 2003.

Announcement of results	29th May 2003
Ex-dividend date	11th June 2003
Record date	13th June 2003
Latest return date for scrip dividend mandates or cancellation of existing mandates	15th July 2003
Annual general meeting	28th July 2003
Dividend payment date and first date of dealing in scrip dividend shares	1st August 2003

For the year ending 31st March 2004	
Announcement of interim results	5th November 2003
Interim dividend payment date (to be confirmed)	December 2003

PAYMENT OF DIVIDEND DIRECTLY INTO BANK ACCOUNTS

If you currently receive dividends by cheque, you may wish to consider having future dividends paid directly into your bank account. You will benefit from no postal delay, no risk of the cheque being lost and avoid the inconvenience of having to go to the bank or building society. In addition, this will help the company to minimise costs in the future which will benefit all shareholders. You will be sent confirmation of the payment with your tax voucher. Simply complete a mandate form available from the company's Registrars or the form may be downloaded from their website.

ELECTRONIC COMMUNICATIONS

It is now possible for the company to make certain communications (such as the annual report and accounts) available to its shareholders electronically.

If you would like to receive future communications from the company by e-mail, then you will need to register online at www.computershare.com/register/uk and then select Pilkington plc.

You will also need to have your Shareholder Reference Number available when you first log in (located on the enclosed Form of Proxy, your share certificate or the tax voucher accompanying your most recent dividend). Alternatively you can go to www.pilkington.com, Corporate Information, Investor Relations.

The use of electronic communications is entirely voluntary. If you wish to continue receiving communications from the company by post in the traditional manner then you need take no action.

ONLINE VOTING ON AGM RESOLUTIONS

You can vote online at www.computershare.com/voting/uk from 9.00 am on 24th June 2003 until 11.30 am on 26th July 2003. You will need your Shareholder Reference Number and unique PIN number provided on your Form of Proxy for security verification.

CREATE A PORTFOLIO WITH INVESTOR CENTRE

Investor Centre is a free portfolio management system operated by the company's Registrars, which will enable you to view details of all your shareholdings that the Registrars administer. You are able to add other shareholdings to the portfolio. The portfolio shows the current market value of your shareholding (prices are normally only 20 minutes delayed).

In addition, you can view price histories and trading graphs for all companies listed on the London Stock Exchange, and keep up to date with market news.

If you wish to use this service, register free with Investor Centre at www.computershare.com/investorcentre/uk by clicking 'Register now'. You will need to have available your Shareholder Reference Number. Please telephone 0870 873 5805 for Investor Centre enquiries.

SHAREGIFT

The Orr Mackintosh Foundation operates a charity share donation scheme for shareholders with small parcels of shares whose value makes it uneconomical to sell them. Details of the scheme are available from the company secretary or on the ShareGift internet site, www.sharegift.org.

AMALGAMATING YOUR SHAREHOLDING

If you receive duplicate mailings, it may be because we have more than one shareholding in your name. To ensure that your shares are registered correctly and amalgamated into one account, please contact the Registrars on 0870 702 0000.

REGISTER FOR E-MAIL ALERT SERVICE

If you wish to register for E-mail Alert Service go to www.pilkington.com, and

- Select 'Corporate Information', then 'E-mail Alert Service'
- Enter your e-mail address
- Choose what you want to receive.

You can unsubscribe from this service at any time.

UNSOLICITED MAIL

The law obliges the company to make its register of members available to other organisations. Because of this, you may receive mail you have not asked for. If you wish to limit the amount of personally addressed unsolicited mail you receive, please write for information and an application form to the Mailing Preference Service, Freepost 22, London W1E 4EZ.

SHAREHOLDER CONTACTS

Contact	Address	Telephone	E-mail	Facsimile	
SHAREHOLDER ENQUIRIES					
Registrars: Computershare Investor Services PLC	PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH	0870 702 0000 *Textphone: 0870 702 0005	web.queries@ computershare. co.uk	0870 703 6116	www.computershare.com/investorcentre/uk (for information on shareholdings or downloadable forms)
SHARE DEALING SERVICE (Low cost postal dealing service)					
NatWest Stockbrokers Limited	Corporate and Employee Services 55 Mansell St London E1 8AN	Helpline: 0870 600 2050	contactces@ natwest.com Enquiries by e-mail should quote 'Pilkington Shareholder'	020 7895 5256	
PILKINGTON plc					
David Roycroft Head of Corporate Affairs and Investor Relations	Pilkington plc Prescot Road St Helens WA10 3TT	01744 692837 or 020 7747 6000	david.roycroft@ pilkington.com	01744 693738	www.pilkington.com
John McKenna Company Secretary		01744 692451	john.mckenna@ pilkington.com	01744 730577	
Sheila Lennon Assistant Company Secretary		01744 692451	sheila.lennon@ pilkington.com	01744 730577	
FINSBURY LIMITED (Financial PR advisers)					
Rupert Younger	52-58 Tabernacle St London EC2A 4NJ	020 7251 3801	youngerr@ finsbury.com	020 7251 4112	www.finsbury.com

* The Registrars can be contacted by Textphone which allows speech and hearing impaired people who have access to a Textphone to contact Computershare direct without the need for an intermediate operator. Specially trained operators are available during normal business hours.

www.pilkington.com



PILKINGTON

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St Helens WA10 3TT

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Company Number 41495

