INTERIM REPORT

Half year to 30th September 2005

PILKINGTON

CONTENTS

1 Financial highlights
2 Chairman's statement
5 Consolidated income statement
5 Consolidated statement of recognised income and expense
6 Consolidated balance sheet
7 Consolidated cash flow statement
8 Notes to the financial information
Note 1 Accounting policies
Note 2 Segmental information
Note 3 Finance income and expenses
Note 4 Taxation
Note 5 Earnings per share
Note 6 Exchange rates
Note 7 Dividend
Note 8 Retirement benefit obligations
Note 9 Cash flows generated from operations
Note 10 Net debt
Note 11 Reconciliations of net assets and profit from UK GAAP to IFRS
Note 12 Unaudited half year results
30 Independent review report to Pilkington plc
31 Shareholder information
IBC Shareholder contacts

Pilkington plc is one of the world's largest manufacturers of glass and glazing products for the building and automotive markets. Employing 24,400 people, we have manufacturing operations in 24 countries and sales in over 130.

With our joint ventures and our associates, we have the widest geographical reach of any glassmaker, enabling us to respond to customers whose operations are increasingly global.

Our operations centre on two worldwide business lines: Building Products, supplying original equipment and refurbishment glass for the world's buildings; and Automotive Products, supplying glass and glazing systems to the original equipment (OE) and automotive glass replacement (AGR) markets.

Geographically, 14 per cent of our sales are to customers based in the UK, approximately 47 per cent to elsewhere in Europe, 22 per cent to North and Central America, seven per cent to Australia and New Zealand, six per cent to South America, and four per cent to Asia.

William Jefferson Clinton Presidential Center and Library, Little Rock, Arkansas, USA. The entire east wall of the building is formed of Pilkington Planar™ panels.

© Timothy Hursley for the Clinton Foundation.

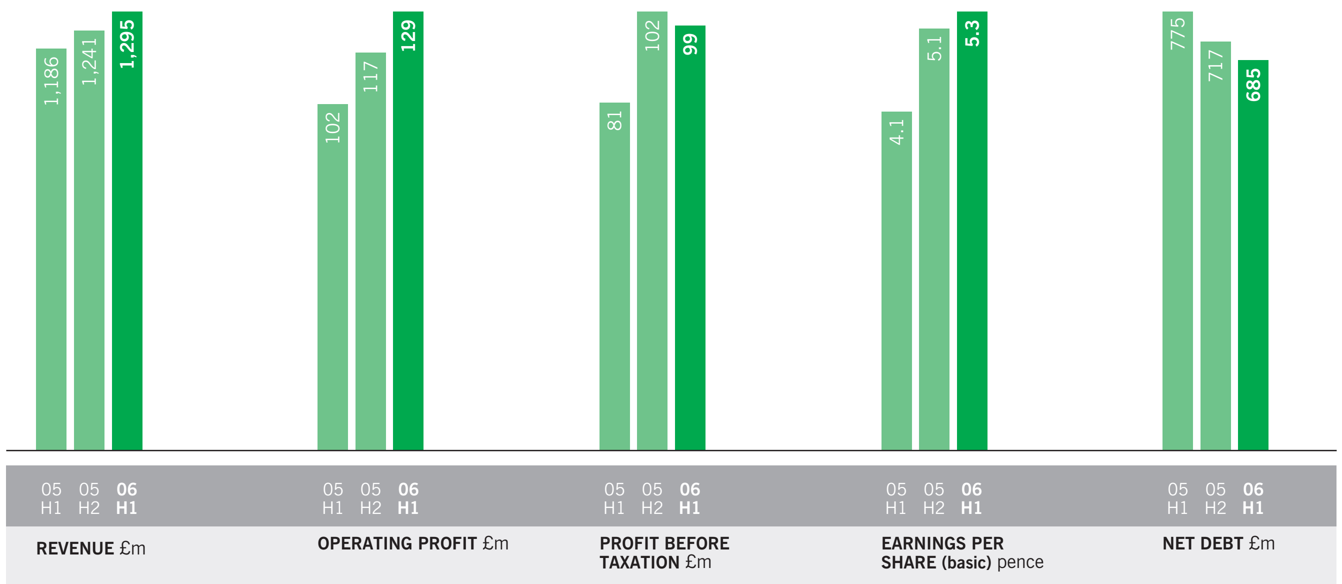
BMW 1 Series. Pilkington produces 100 per cent of the glazing for the newly-launched BMW 1 series.

© BMW AG.

FINANCIAL HIGHLIGHTS

Key features of the half year results to 30th September 2005, drawn up for the first time in accordance with International Financial Reporting Standards (IFRS).

- Good results, despite challenging markets and higher energy costs
- Increased revenue and operating profits from both core businesses – Building Products and Automotive
- Profit before taxation up 22 per cent at £99 million (2004 £81 million)
- Basic earnings per share increased 29 per cent from 4.1 pence to 5.3 pence
- Interim dividend increased to 1.8 pence per share (2004 1.75 pence)
- Continued strong free cash flow at £69 million (2004 £94 million)
- Net debt reduced again to £685 million (2004 £775 million)



HALF YEAR RESULTS TO 30TH SEPTEMBER 2004, 31ST MARCH 2005 AND 30TH SEPTEMBER 2005.

H1 refers to first half of the year to 30th September/H2 refers to second half of the year to 31st March

CHAIRMAN'S STATEMENT

Sir Nigel Rudd Chairman

Market conditions remain challenging and energy costs have risen worldwide. Despite this, Pilkington can report a good set of results, with increases in revenue and operating profits across both Building Products and Automotive Products.

Operating profit from the Group's continuing operations increased by 26 per cent from £102 million to £129 million in the half year to 30th September 2005. Profit before taxation increased to £99 million in the half year, up 22 per cent on the same period last year. Pilkington continues to focus on cash generation and the achievement of strong free cash flow of £69 million in the half year has enabled the Group to reduce net debt by 12 per cent since September 2004.

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Pilkington, along with all EU listed companies, is now required to produce its results under IFRS. Earlier this year, Pilkington published IFRS information relating to its consolidated balance sheet at 1st April 2004, its half year results to 30th September 2004 and the full year results to 31st March 2005. Details of these results, together with reconciliations between previously published UK GAAP reported results and those reported under IFRS, are available on the Pilkington website, www.pilkington.com.

All references in this statement and in the attached financial statements reflect results prepared on the basis of IFRS.

RESULTS

Revenue in the first half was £1.3 billion, nine per cent up on the first half of last year. Operating profit from the Group's continuing operations was £129 million, an increase of 26 per cent on the £102 million achieved in the first half of last year.

Finance expenses, net of finance income, were broadly in line with last year and reflect higher interest rates applied to a reduced level of borrowings, together with the inclusion of a finance cost charge in respect of retirement benefit obligations and fair value adjustments on financial derivative assets and liabilities, introduced under IFRS.

The tax charge in the income statement of £24 million (2004 £22 million) reflects a tax rate of 24 per cent (2004 – 27 per cent) on the Group's reported profit before taxation of £99 million (2004 £81 million). This rate appears lower than under UK GAAP and arises partly from the changed disclosure of the tax applicable to joint ventures and associates, which is now charged before striking the Group's profit before tax.

EARNINGS AND DIVIDEND

The profit attributable to equity shareholders has increased 31 per cent from £52 million in 2004 to £68 million in this half year. Basic earnings per share have increased by 29 per cent from 4.1 pence per share in 2004 to 5.3 pence per share in the half year to 30th September 2005.

The interim dividend has been increased to 1.8 pence per share from 1.75 pence per share, consistent with our progressive dividend policy introduced at the preliminary results in May 2005. The dividend will be paid on 16th December 2005 to shareholders on the register on 2nd December 2005.

CASH FLOW AND BORROWINGS

Free cash flow (defined as cash flow before expenditure on acquisitions, net of divestments and disposal of property, plant and equipment and investments) amounted to £69 million (2004 £94 million). This reflects Pilkington's continuing emphasis on generating cash from its businesses. As a result, the Group's net debt has fallen by £90 million in the last 12 months.

BUILDING PRODUCTS

Although competition remains intense in most major Building Products markets, revenues nevertheless improved by one per cent on the same period last year, rising to £616 million. The drive for improved efficiencies further lifted profits for the Building Products business to £69 million, an increase year-on-year of ten per cent.

Building Products Europe, representing around two-thirds of total Building Products sales, has seen signs of recovery in some

'The Group's results in the first six months of the year are in line with our previous indications, with Group profit before taxation up 22 per cent, despite challenging market conditions and increases in energy costs. Our continued drive for manufacturing efficiencies and cost reductions, together with our emphasis on generating cash from our businesses, combined to produce another improved performance. The Group is well positioned to move forward with its transition to the third phase of its strategy over the course of this financial year, and has already begun to target investments into profitable growth opportunities.'

continental markets, but overall market conditions remain difficult. Prices of standard float continue to fall across the region and the UK market in particular is currently experiencing low demand and high levels of competition.

Despite this, operating efficiencies and an overhaul of the management and administrative structure helped to increase profits in the region. Last year's restructuring improved the overall European result, helped by continuing strong sales of Pilkington Pyrostop™ Fire Protection glass. The European energy surcharge continues to mitigate the impact of rising energy costs.

Building Products North America, representing 13 per cent of total Building Products sales, is concentrated on the commercial construction market, which remains depressed. Although improvement is still expected in the medium term, recovery is unlikely in the current financial year.

In South America, the Group's Building Products business continues to perform well, with demand for float glass continuing to grow strongly in Argentina, Brazil and Chile. Although there has been some slowdown in the residential construction sector in Australia, the economy generally remains strong, and the business has turned in another good performance.

AUTOMOTIVE PRODUCTS

Pilkington Automotive Original Equipment (OE) volumes were robust, due in part to several successful launches of vehicles in which Pilkington products are fitted. The North American Automotive Glass Replacement (AGR) market has stabilised and AGR sales in Europe have improved. As a result, Pilkington Automotive sales increased 15 per cent to £630 million and operating profits of £61 million were £13 million or 27 per cent up on the first half of last year.

More than 55 per cent of Pilkington Automotive's sales are in Europe. The market for light vehicles has been flat but, once again, due to success with the introduction of new models, the Group's sales volumes continue to grow. The European AGR market has been stable. Sustained emphasis on efficiency improvements and cost reductions has helped counter continuing price pressure and rising energy-related costs. As a result, profits in Automotive Europe exceeded the same period last year by 40 per cent.

Over 30 per cent of Pilkington's Automotive business is in North America, where light vehicle build is expected to be around one per cent up on last year. The Group's sales to OE manufacturers are higher than last year. In AGR North America, the acquisition of the Autostock Distribution branches has started to flow through into increased sales. North America continues to experience significant price pressure and higher energy costs, but the benefits of increased volumes, operational efficiency improvements and cost reductions resulted in profits 20 per cent above those of the first half of last year.

In South America, light vehicle demand has risen ten per cent. Strong sales volumes and ongoing manufacturing efficiencies have helped increase operating profits over the same period last year. Results from operations in Australasia have also improved, partly as a result of stronger market volumes, though overall profits were affected by the costs of restructuring the business to face increased import competition. In China, the market continues to expand rapidly and increased emphasis is being placed on developing the cost and operational efficiency of our profitable businesses there.

JOINT VENTURES AND ASSOCIATES

Under IFRS the results from joint ventures and associates are disclosed differently from those previously shown under UK GAAP. Pilkington now reports its share of the post-tax profits of joint ventures and associates as a one-line item, prior to disclosing the Group's profit before tax. Overall, the share of profits after tax from joint ventures and associates has declined from £11 million in the half year to September 2004 to £2 million in the half year to September 2005.

Trading difficulties in Mexico have led to a deterioration in Pilkington's share of the result from Vitro Plan SA de CV and subsidiaries (VVP). Additionally, as expected, start-up costs have been incurred at the Group's new Russian joint venture float line with Emerging Markets Partnerships, which is due to be commissioned shortly.

The Group's other principal joint ventures, Cebrace in Brazil and Pilkington Glass France, continue to trade at similar levels to last year.

ENERGY COSTS

The primary energy source for the Group's float plants is gas, and occasionally oil. In addition, electricity accounts for approximately 35 per cent of Group energy costs. Direct energy costs represent approximately ten per cent of Pilkington's total costs, though this varies between businesses. Following the sharp increase in the cost of gas in North America, in 2000 Pilkington introduced a surcharge on glass delivered to Building Products' customers there. A similar energy surcharge on deliveries of glass to Building Products' customers in Europe was introduced in November 2004, and these measures have helped offset the impact of increased energy costs during the period.

STATEMENT RE POSSIBLE OFFER FOR THE COMPANY

A separate announcement was made contemporaneously with this statement on 3rd November 2005.

OUTLOOK

Pilkington continues to follow a clear three-stage 'Cash for Growth' strategy. Over the course of this financial year our priorities are to maintain momentum on the cost reduction programme started in Stage 1, to complete the rebuilding of our financial strength begun in Stage 2, and to begin the transition into Stage 3 with targeted, disciplined investments into profitable growth opportunities.

The Pilkington-constructed fourth float line in Brazil for our South American joint venture is now in full production, following an excellent start-up. A sound base has been established in China as a platform for future growth, with the three Automotive plants now fully integrated into the global Pilkington Automotive business. The commissioning of the joint venture float line in Russia is due to be completed soon.

Although conditions in most of our markets remain challenging, Pilkington is sustaining its internal programmes to maintain the Group's competitiveness and we have continued confidence for the full financial year.

CONSOLIDATED INCOME STATEMENT

	Note	Half year to 30th Sept 2005 £m	Half year to 30th Sept 2004 £m (Unaudited)	Year to 31st March 2005 £m
Continuing operations				
Revenue	2	**1,295**	1,186	2,427
Cost of sales		**(844)**	(764)	(1,598)
Gross profit		**451**	422	829
Other income		**17**	10	27
Distribution costs		**(132)**	(124)	(233)
Administrative expenses		**(173)**	(167)	(336)
Other expenses		**(34)**	(39)	(68)
Operating profit	2	**129**	102	219
Finance income	3	**11**	6	18
Finance expenses	3	**(43)**	(38)	(76)
Share of post-tax profit of joint ventures and associates accounted for using the equity method	2	**2**	11	22
Profit before taxation		**99**	81	183
Taxation	4	**(24)**	(22)	(52)
Profit after taxation		**75**	59	131
Profit attributable to minority interests		**7**	7	14
Profit attributable to equity shareholders		**68**	52	117
		75	59	131
Earnings per share		**pence**	pence	pence
Continuing operations				
Basic	5	**5.3**	4.1	9.2
Diluted	5	**5.2**	4.1	9.1
Dividend per share	7	**1.8**	1.75	5.1

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Half year to 30th Sept 2005 £m	Half year to 30th Sept 2004 £m (Unaudited)	Year to 31st March 2005 £m
Profit attributable to shareholders of Pilkington plc	**68**	52	117
Net exchange adjustments offset in reserves	**40**	4	12
Retirement benefit obligations, net of taxation	**5**	37	(1)
Cash flow hedges			
– fair value gains/(losses), net of taxation	**27**	7	7
Net gains not recognised in the income statement	**72**	48	18
Total recognised income for the period	**140**	100	135

CONSOLIDATED BALANCE SHEET

	30th Sept 2005 £m	Unaudited 30th Sept 2004 £m	31st March 2005 £m
ASSETS			
Non-current assets			
Goodwill	**141**	141	140
Intangible assets	**59**	41	58
Property, plant and equipment	**1,350**	1,370	1,339
Investment property	**1**	1	1
Investments accounted for using the equity method	**236**	182	194
Trade and other receivables	**17**	25	7
Financial assets – Available-for-sale investments	**29**	20	21
– Derivative financial instruments	**34**	9	12
Deferred tax assets	**104**	80	111
Tax receivables	**2**	–	8
	1,973	1,869	1,891
Current assets			
Inventories	**363**	344	347
Construction work-in-progress	**13**	21	10
Trade and other receivables	**464**	403	455
Financial assets – Available-for-sale investments	**–**	2	–
– Derivative financial instruments	**43**	19	16
Deferred tax assets	**21**	3	16
Current tax receivables	**19**	17	11
Cash and cash equivalents	**319**	275	328
	1,242	1,084	1,183
LIABILITIES AND EQUITY			
Current liabilities			
Financial liabilities – Borrowings	**323**	372	387
– Derivative financial instruments	**13**	17	17
Trade and other payables	**429**	420	440
Current tax liabilities	**71**	64	72
Retirement benefit obligations	**48**	31	50
Provisions for other liabilities and charges	**50**	39	49
Deferred income	**10**	9	9
	944	952	1,024
Net current assets	**298**	132	159
Non-current liabilities			
Financial liabilities – Borrowings	**722**	667	648
– Derivative financial instruments	**23**	22	21
Trade and other payables	**5**	6	6
Deferred tax liabilities	**162**	112	153
Taxation liabilities	**17**	–	13
Retirement benefit obligations	**387**	384	382
Provisions for other liabilities and charges	**39**	40	36
Deferred income	**39**	36	38
	1,394	1,267	1,297
Net assets	**877**	734	753
Equity			
Capital and reserves attributable to the Company's equity shareholders			
Called-up share capital	**657**	643	647
Share premium	**98**	84	87
Retained earnings and other reserves	**52**	(57)	(45)
Total shareholders' equity	**807**	670	689
Minority interest in equity	**70**	64	64
Total equity	**877**	734	753

CONSOLIDATED CASH FLOW STATEMENT

	Half year to 30th Sept 2005 £m	Unaudited Half year to 30th Sept 2004 £m	Year to 31st March 2005 £m
Cash flows from operating activities			
Cash flows generated from operations (note 9)	**177**	193	376
Interest paid	**(25)**	(30)	(68)
Interest received	**7**	4	12
Tax paid	**(22)**	(16)	(29)
Net cash flows generated from operating activities	**137**	151	291
Cash flows from investing activities			
Dividends received from joint ventures	**–**	–	6
Dividends received from associates	**2**	2	2
Proceeds on disposal of property, plant and equipment	**6**	8	11
Proceeds on disposal of joint ventures and associates	**–**	5	5
Proceeds on disposal of available-for-sale investments	**–**	–	3
Proceeds of disposal of assets held for sale	**–**	–	1
Purchases of property, plant and equipment	**(65)**	(58)	(122)
Expenditure on intangible assets	**(1)**	–	(5)
Expenditure on capitalised product development	**(4)**	(1)	(8)
Purchase of joint ventures and associates	**(17)**	(4)	(10)
Purchase of available-for-sale investments	**(8)**	(1)	(2)
Purchase of subsidiaries (net of cash acquired)	**(10)**	–	(5)
Net cash flows used in investing activities	**(97)**	(49)	(124)
Cash flows from financing activities			
Dividends paid to minority interests	**(8)**	(4)	(7)
Dividends paid to the Company's shareholders	**(31)**	(31)	(51)
Proceeds from issue of ordinary shares	**9**	–	6
Repayment of minority shares in subsidiary	**–**	(3)	(3)
Purchase of treasury shares	**–**	(2)	(3)
Repayment of borrowings	**(14)**	(22)	(35)
Repayment of finance leases	**(2)**	–	(12)
Proceeds from borrowings	**106**	5	3
Net cash flows from/(used in) financing activities	**60**	(57)	(102)
Increase in cash and cash equivalents (net of bank overdrafts)	**100**	45	65
Cash and cash equivalents (net of bank overdrafts) at beginning of period	**7**	(59)	(59)
Effect of foreign exchange rate changes	**3**	4	1
Cash and cash equivalents (net of bank overdrafts) at end of period	**110**	(10)	7
Note:			
Free cash flow			
(cash flows before expenditure on acquisitions, net of divestments and disposal of property, plant and equipment and investments)	**69**	94	168

NOTES TO THE FINANCIAL INFORMATION

1 ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

BASIS OF PREPARATION

The consolidated financial statements of Pilkington plc have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations and with the Listing Rules of the Financial Services Authority. The interim results have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, the fair valuing of available-for-sale investments and financial assets and financial liabilities (including derivative instruments) held for trading.

The accounting policies are based on the IFRS and IFRIC interpretations adopted by the European Union (EU) and those which the Group anticipates will be applicable for the full year to 31st March 2006. If any changes are made to IFRS or IFRIC interpretations, as adopted by the EU, the Group may determine that changes are necessary when preparing the full financial statements for the year to 31st March 2006. The Group, as permitted, has early adopted the amendments to IAS 19 'Employee Benefits', which is expected to be endorsed by the Group's balance sheet date.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

CONSOLIDATION

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are consolidated until the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired, and liabilities and contingent liabilities assumed, in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (see Intangible Assets – Goodwill).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of any impairment of the asset transferred. All subsidiary companies apply the Group's accounting policies to ensure consistency throughout the Group.

(b) Joint ventures and associates

Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is then subject to joint control. In the Pilkington Group all such jointly controlled activities are undertaken through jointly controlled entities. The Group accounts for its interest in these jointly controlled entities by the equity method of accounting, as described in relation to associates below. Pilkington does not proportionately consolidate its interest in its joint ventures.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 and 49 per cent of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (see Intangible Assets – Goodwill).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated, unless the transaction provides evidence of any impairment of the asset transferred. Where necessary, accounting policies of associates have been changed to ensure consistency with the policies adopted by the Group.

Accounting for joint ventures and associates

Joint ventures and associates are accounted for on the basis of audited accounts, or where these are not available, on the basis of unaudited management accounts prepared up to the Group's accounting date. Where it is not practicable to obtain such accounts, audited accounts or unaudited management accounts prepared to an accounting date not more than three months prior to the Group's accounting date are used. Where appropriate, the financial statements of joint ventures and associates are adjusted to conform with the Group's accounting policies.

SEGMENTAL REPORTING

A business segment is a group of assets and operations engaged in providing products or services, subject to risks and returns that are different from those of other business segments.

A geographical segment is one that is engaged in providing products or services within a particular economic environment, subject to risks and returns that are different from those of segments operating in other economic environments.

Costs are allocated to business segments on two bases. Firstly, each subsidiary entity, consolidated in the Group's financial statements, reports under a specific business segment and its costs are automatically captured within that segment when reported. Secondly, certain costs arising at Group level are re-allocated to business segments principally on the basis of the split of turnover between the relevant business segments.

FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in sterling, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(c) Group companies

The results and financial position of all Group entities with a functional currency different from the Group's presentation currency, (none of which has the currency of a hyperinflationary economy), are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in the exchange translation reserve, a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to the exchange translation reserve within shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale. In accordance with IFRS 1, cumulative translation differences relating to net investments in overseas companies that arose prior to 1st April 2004 have been set to zero and will not be included in any subsequent calculation of profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

PROPERTY, PLANT AND EQUIPMENT

Land and buildings comprise mainly the Group's manufacturing facilities. Land is shown at historical cost. All property (excluding land) and plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives, as follows:

- Freehold buildings — 20–50 years
- Long leasehold buildings — 20–50 years
- Improvements to short leasehold buildings — over the life of the lease
- Float glass tanks — 10–15 years
- Glass making plant — 25 years
- Glass processing plant — 15 years
- Other plant and equipment — 5–20 years
- Vehicles — 5 years

The assets' residual values and useful lives are reviewed to take account of technological changes, intensity of use over their lives and market requirements, and adjusted, if appropriate, at each balance sheet date.

In the event of an impairment, an asset's carrying amount is written down immediately to its recoverable amount (see Impairment of Assets).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

INVESTMENT PROPERTY

Investment property principally comprises office buildings, small industrial units and those parts of other properties not occupied by

1 ACCOUNTING POLICIES CONTINUED

the Group which are held for long-term rental yields. Investment property is carried at fair value, representing open-market value determined annually by external valuers. Changes in fair value are recorded in the income statement as part of Other Income.

INTANGIBLE ASSETS

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investments in each country of operation by each primary reporting segment (see Impairment of Assets).

(b) Trademarks and licences

Trademarks and licences are shown at historical cost. Trademarks and licences have a definite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives (over a maximum of 20 years).

(c) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, which are seen to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding three years).

(d) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products or processes which will be used internally within the Group) are recognised as intangible assets when it is probable that the project will be commercially successful and technologically feasible or will give rise to internally improved processes, and costs can be measured reliably.

Other development expenditure is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs with a finite useful life, that have been capitalised, are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit, not exceeding five years.

IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised when the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

A number of significant assumptions and estimates are involved in forecasting future cash flows, including market growth rates, revenue volumes and market prices. Forecasts of future cash flows are based on best estimates of future revenues and operating expenses using historical trends, market conditions and industry trends. These assumptions are subject to review by management and the board of directors.

The future forecasts are adjusted by an appropriate discount rate derived from the cost of capital plus a risk premium at the date of the evaluation. The discount rate based on the pre-tax weighted average cost of capital used in calculating the recoverable value was set at 8.2 per cent for 2005.

INVESTMENTS

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date and these are

classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet (see Trade Receivables).

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. The Group does not currently hold any investments in this category.

(d) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. They are initially recognised at fair value plus transaction costs and thereafter at fair value.

Purchases and sales of investments are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale investments and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in the fair value reserve within equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost would be considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work-in-progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials.

Inventories carried in the balance sheet are reviewed on a regular basis and, in the case of any inventories which are slow moving or where the Group considers that it is unlikely to recover the cost of such inventory through subsequent sale, appropriate provisions are made to impair the inventory to its estimated net realisable value.

CONSTRUCTION WORK-IN-PROGRESS

Construction work-in-progress is represented by engineering construction contracts for the building, construction and delivery of float glass lines for third-party customers. Profits are recognised where revenue and contract costs can be reliably estimated and are based on the stage of completion of the contract. Where the outcome cannot be estimated reliably, revenue is only recognised to the extent that it is probable that the contract costs incurred will be recoverable. Where it is probable that the total contract costs will exceed the total contract revenue, the expected loss is recognised as an expense immediately in the income statement.

TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of trade. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The movement in the provision is recognised in the income statement.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

SHARE CAPITAL

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new

1 ACCOUNTING POLICIES CONTINUED

shares or options, or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

Where Pilkington plc or one of its subsidiaries provides funds to the trustees of the employee benefit trusts for the purchase of Pilkington's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the equity shareholders.

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Non-equity preference shares are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowings are shown at fair value where there is an interest rate swap associated with the borrowing and where hedge accounting conditions apply. Where the interest rate swap applies to only a portion of the borrowing, this portion only is fair valued.

LEASES

Assets held under finance leases are included in property, plant and equipment at cost and are depreciated over the shorter of the lease term or their useful economic life. Obligations under finance leases, net of finance charges in respect of future periods, are included, as appropriate, under borrowings due within or after one year. Finance charges are allocated to accounting periods over the lease term to reflect a constant rate of interest on the remaining balance of the obligations.

Where leases are identified as operating leases (in which a significant portion of the risks and rewards of ownership are retained by the lessor), any payments made thereunder (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

DEFERRED INCOME TAX

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

EMPLOYEE BENEFITS

(a) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are taken through the statement of recognised income and expense to equity in accordance with IAS 19. The Group anticipates that this amendment to IAS 19 will be approved by the EU by the Group's balance sheet date.

Past service costs are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Other post-employment obligations

Group companies in the USA and the UK provide post-retirement healthcare benefits to certain employees and retirees. The entitlement

to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are charged or credited to the statement of recognised income and expense in accordance with IAS 19. These obligations are valued annually by independent qualified actuaries.

(c) Share based compensation

The Group operates equity-settled, share based compensation plans (Deferred Bonus Plan, Leadership Equity Award Plan, Senior Executives' Share Option Schemes and Savings-Related Share Option Scheme). The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement.

(d) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

(e) Profit-sharing, bonus and management incentive plans

The Group recognises a liability and an expense for bonus schemes which take into consideration the attainment of profit and cash flow targets. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

PROVISIONS

Provisions for environmental restoration, restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, when it is more likely than not that an outflow of resources will be required to settle the obligation and when the amount has been reliably estimated. Restructuring provisions include lease termination penalties and employee termination payments. Provisions are not recognised for future losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

All material provisions, usually those with a value in excess of £0.5 million and a settlement date exceeding 12 months, are discounted and carried at their discounted value. The discount is unwound through a charge to finance costs each year until the provision is settled. Discount rates are based on borrowing rates applicable in each relevant territory where the provision is carried.

REVENUE RECOGNITION

Revenue comprises the fair value for the sale of goods and services, net of value-added or similar sales based taxes, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Sales of goods

Sales of goods are recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

Where product is sold with a right of return, accumulated experience is used to estimate and provide for such returns at the time of sale.

(b) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(c) Engineering revenue

Engineering revenue is recognised on engineering construction contracts for the building, construction and supply of float glass lines for third-party customers.

Profits are recognised on such long-term contracts where revenue and contract costs can be reliably estimated and are based on the estimated stage of completion of the contract. Where the outcome of the contract cannot be estimated reliably, revenue is only recognised to the extent that it is probable that the contract costs incurred will be recoverable. In circumstances where it is probable that the total contract costs will exceed the total contract revenue, the expected loss is recognised as an expense immediately in the income statement.

(d) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount (i.e. the estimated future cash flow discounted at the original effective interest rate of the instrument), and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

(e) Royalty income

Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

(f) Dividend income

Dividend income is recognised when the right to receive payment is established.

1 ACCOUNTING POLICIES CONTINUED

DEFERRED INCOME

(a) Government grants

The Group recognises government grants at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to property, plant and equipment, the fair value is credited to deferred income and released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

(b) Other deferred income

The Group recognises other deferred income, including customers' contributions to automotive tooling costs, at fair value. The income is recognised in the income statement over the periods necessary to match the write off of the asset, to which the deferred income relates, over equal annual instalments.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of these assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are accounted for when paid.

DISCONTINUED OPERATIONS

Discontinued operations include components of the Group that have been disposed of (through sale or abandonment) or are classified as held for sale and represent a major line of the Group's business or geographical area of operations, or represent a part of a single co-ordinated plan to dispose of such a business line or geographical area. Additionally, a subsidiary acquired exclusively with a view to resale is a discontinued operation.

Discontinued operations are presented in the balance sheet in the same way as disposal groups classified as held for sale, the assets and liabilities are presented separately, adjacent to current assets and current liabilities. Comparative figures in the balance sheet are not represented.

FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's multinational operations and significant debt financing expose it to a variety of financial risks that include the effects of changes in debt market prices, foreign currency exchange rates, credit risks, energy prices, liquidity and interest rates. The Group has in place a risk management programme that seeks to limit the effects on the financial performance of the Group by using foreign currency financial instruments, including debt and other instruments, to fix interest rates.

Financial risk management is carried out by a central treasury department (Group Treasury) under policies approved by the board of directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, energy price risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity.

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, companies in the Group use forward contracts, transacted with Group Treasury. Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. Group Treasury is responsible for managing the net position in each foreign currency by using external forward currency contracts.

For segmental reporting purposes, each subsidiary designates contracts with Group Treasury as fair value hedges or cash flow hedges, as appropriate. External foreign exchange contracts are designated at Group level as hedges of foreign exchange risks on specific assets, liabilities or future transactions on a gross basis.

The Group's risk management policy is to hedge forecast transactions creating a foreign currency exposure provided these are reasonably certain. Approximately 92 per cent of projected sales in each major currency qualify as 'highly probable' forecast transactions for hedge accounting purposes.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

(b) Credit Risk

The Group has no significant concentrations of credit risk other than in relation to the receivables due from automotive original equipment manufacturers. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Derivative counterparties are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

(c) Energy price risk

The Group consumes significant amounts of energy and is exposed to energy price risk arising from this consumption, principally of oil and gas.

The Group's risk management policy is to hedge between 40 and 100 per cent of anticipated purchases for the subsequent 12 months and between 10 and 70 per cent for the next five years.

(d) Liquidity risk

Prudent liquidity risk management policies maintain sufficient cash and cash equivalents, and availability of funding through committed credit facilities. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping a substantial portion of committed credit lines undrawn.

(e) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to maintain approximately 30 to 70 per cent of net borrowings in fixed rate instruments. At 30th September 2005, 40 per cent of borrowings were at effectively fixed rates after taking account of the hedging arrangements.

The Group manages its cash flow interest rate risk by using floating to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at fixed rates and swaps them into floating rates that are lower than those available at fixed rates, in particular where it has borrowed at fixed rates outside the 30 to 70 per cent target. Under the interest rate swaps, the Group agrees with other parties to exchange, at specific intervals, the difference between fixed contract rates and floating rate interest amounts, calculated by reference to the agreed notional principal amounts.

Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged and the effectiveness of the hedging arrangement. The Group designates certain derivatives as hedges of the changes in the fair value of recognised assets or liabilities or a firm commitment (fair value hedges), hedges of exposure to variability in cash flows associated with an asset or liability or arising from highly probable forecast transactions (cash flow hedges), and hedges of net investments in foreign operations (net investment hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents, both at hedge inception and on an ongoing basis, its assessment of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge

Changes in the fair value of derivatives, designated and qualifying as fair value hedges, are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability, attributable to the hedged risk.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives, designated and qualifying as cash flow hedges, is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(c) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

(d) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments, not qualifying for hedge accounting, are recognised immediately in the income statement.

Fair value estimation

The fair value of financial instruments traded in active markets (such as derivatives and available-for-sale investments) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. The appropriate quoted market price for financial liabilities is the current offer price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

2 SEGMENTAL INFORMATION

Primary reporting format – business segments

The Group is organised on a worldwide basis into the following principal business segments:

Building Products – manufacture and processing of float glass for the building products sector.

Automotive Products – manufacture and processing of original equipment (OE) automotive glass products for the world's leading vehicle manufacturers and provision of automotive glass replacement (AGR) products to the wholesale aftermarket sector.

Other operations include:

- Group operations – head office and other central costs not allocated to the business segments referred to above.
- Engineering – building and supply of float glass lines and automotive glass processing facilities to Pilkington and other glass manufacturing and processing companies.
- Technology management – royalty income and technical fees received in respect of licensing Pilkington's technological developments to other parties.
- Other sundry activities, including property rental and other non-core activities.

The segmental results for the half year to 30th September 2005 were as follows:

HALF YEAR TO 30TH SEPTEMBER 2005	Building Products £m	Automotive Products £m	Other operations £m	Total £m
Revenue				
External revenue	**616**	**630**	**49**	**1,295**
Inter-segmental revenue	**29**	**1**	**–**	**30**
Total revenue	**645**	**631**	**49**	**1,325**
Segmental result	**69**	**61**	**(1)**	**129**
Share of post-tax profit/(loss) from joint ventures and associates	**3**	**(1)**	**–**	**2**
Unallocated corporate expenses				
Finance costs – net				**(32)**
Taxation				**(24)**
Profit for the period from continuing operations				**75**

The segmental results for the half year to 30th September 2004 were as follows:

HALF YEAR TO 30TH SEPTEMBER 2004	Building Products £m	Automotive Products £m	Other operations £m	Total £m
Revenue				
External revenue	607	548	31	1,186
Inter-segmental revenue	27	1	–	28
Total revenue	634	549	31	1,214
Segmental result	63	48	(9)	102
Share of post-tax profit from joint ventures and associates	10	1	–	11
Unallocated corporate expenses				
Finance costs – net				(32)
Taxation				(22)
Profit for the period from continuing operations				59

2 SEGMENTAL INFORMATION CONTINUED

The segmental results for the year ended 31st March 2005 were as follows:

YEAR ENDED 31ST MARCH 2005	Building Products £m	Automotive Products £m	Other operations £m	Total £m
Revenue				
External revenue	1,189	1,129	109	2,427
Inter-segmental revenue	55	1	–	56
Total revenue	1,244	1,130	109	2,483
Segmental result	113	119	(13)	219
Share of post-tax profit from joint ventures and associates	20	2	–	22
Unallocated corporate expenses				
Finance costs – net				(58)
Taxation				(52)
Profit for the period from continuing operations				131

The segmental assets and liabilities at 30th September 2005 and capital expenditure for the half year then ended were as follows:

HALF YEAR TO 30TH SEPTEMBER 2005	**Building Products £m**	**Automotive Products £m**	**Other operations £m**	**Total £m**
Assets	**1,349**	**1,258**	**172**	**2,779**
Investment in equity-accounted joint ventures and associates	**196**	**39**	**1**	**236**
Total assets	**1,545**	**1,297**	**173**	**3,015**
Liabilities	**(507)**	**(463)**	**(246)**	**(1,216)**
Capital expenditure	**26**	**30**	**–**	**56**

The segmental assets and liabilities at 30th September 2004 and capital expenditure for the half year then ended were as follows:

HALF YEAR TO 30TH SEPTEMBER 2004	Building Products £m	Automotive Products £m	Other operations £m	Total £m
Assets	1,352	1,190	91	2,633
Investment in equity-accounted joint ventures and associates	142	39	1	182
Total assets	1,494	1,229	92	2,815
Liabilities	(495)	(514)	(241)	(1,250)
Capital expenditure	20	34	–	54

The segmental assets and liabilities at 31st March 2005 and capital expenditure for the year then ended were as follows:

YEAR ENDED 31ST MARCH 2005	Building Products £m	Automotive Products £m	Other operations £m	Total £m
Assets	1,310	1,202	186	2,698
Investment in equity-accounted joint ventures and associates	157	36	1	194
Total assets	1,467	1,238	187	2,892
Liabilities	(532)	(507)	(292)	(1,331)
Capital expenditure	49	75	1	125

Segmental assets consist of property, plant and equipment, investment property, intangible assets, goodwill, inventories, construction work-in-progress, trade and other receivables, cash and cash equivalents. They exclude taxation, deferred taxation, investments, derivatives held for trading or designated as hedges of borrowings and disposal group assets held for sale.

Segmental liabilities comprise trade and other payables, retirement benefit obligations, provisions, deferred income, bank overdrafts and derivatives designated as hedges for future commercial transactions. They exclude items such as taxation, deferred taxation, corporate borrowings and related hedging derivatives.

3 FINANCE INCOME AND EXPENSES

	Half year to 30th Sept 2005 £m	Half year to 30th Sept 2004 £m	Year to 31st March 2005 £m
Finance income			
Foreign exchange gains	**–**	1	–
Interest income	**8**	5	11
Fair value gains on financial instruments			
– interest rate swaps	**3**	–	7
	11	6	18
Finance expenses			
Interest expense:			
– bank and other borrowings	**31**	27	58
– finance leases	**1**	1	2
Dividend on non-equity preference shares due to minority shareholders	**1**	1	1
Receivables securitisation costs	**1**	–	2
Foreign exchange transaction losses	**3**	–	–
Other interest and similar charges	**1**	–	4
Fair value losses on financial instruments			
– interest rate swaps	**1**	3	–
	39	32	67
Retirement benefit obligations – finance cost (Note 8)	**4**	6	9
	43	38	76

4 TAXATION

	Half year to 30th Sept 2005 £m	Half year to 30th Sept 2004 £m	Year to 31st March 2005 £m
Current taxation			
– UK	**1**	3	7
– Overseas	**20**	18	45
Deferred taxation			
– UK	**2**	1	–
– Overseas	**1**	–	–
	24	22	52

The tax rate on profits before taxation is 24 per cent in the half year to 30th September 2005 (30th September 2004 – 27 per cent, 31st March 2005 – 28 per cent). The tax charge for the half year is broadly based on the estimated effective rate for the year to 31st March 2006.

5 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year, excluding those ordinary shares purchased with funds provided to the trustees of the employee trusts by the Company and its subsidiaries and held as treasury shares.

	Half year to 30th Sept 2005 £m	Half year to 30th Sept 2004 £m	Year to 31st March 2005 £m
Profit attributable to equity shareholders	**68**	52	117
	million	million	million
Weighted average number of ordinary shares in issue	**1,292**	1,270	1,276
	pence	pence	pence
Basic earnings per share	**5.3**	4.1	9.2

5 EARNINGS PER SHARE CONTINUED

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares; share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Half year to 30th Sept 2005 £m	Half year to 30th Sept 2004 £m	Year to 31st March 2005 £m
Profit attributable to equity shareholders	**68**	52	117
	million	million	million
Weighted average number of ordinary shares in issue	**1,292**	1,270	1,276
Adjustment for share options	**9**	4	6
Weighted average number of ordinary shares for diluted earnings per share	**1,301**	1,274	1,282
	pence	pence	pence
Diluted earnings per share	**5.2**	4.1	9.1

6 EXCHANGE RATES

The principal exchange rates used for the translation of foreign currencies were as follows:

	Half year to 30th Sept 2005		Half year to 30th Sept 2004		Year to 31st March 2005	
	Average	**Closing**	Average	Closing	Average	Closing
US dollar	**1.82**	**1.77**	1.81	1.81	1.84	1.89
Euro	**1.47**	**1.47**	1.49	1.46	1.47	1.46

7 DIVIDEND

The directors have declared an interim dividend of 1.8 pence per ordinary share (2004 – 1.75 pence) payable to shareholders who are on the register of members at the close of business on 2nd December 2005. The dividend will be paid on 16th December 2005. The interim dividend, which will amount to approximately £24 million, has not been accounted for as a liability in the interim results.

Shareholders with an existing scrip dividend mandate will automatically receive new shares in lieu of a cash dividend. Scrip dividend mandates are available from the Company's Registrars (Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH: telephone 0870 702 0000) and on our website and should be completed and returned to the Registrars no later than 8th December 2005. Shareholders wishing to cancel an existing scrip mandate should also write to the Registrars before that date.

The offer of a scrip dividend alternative is subject to the terms of the Pilkington plc Scrip Dividend Scheme.

8 RETIREMENT BENEFIT OBLIGATIONS

The Group operates a number of defined benefit pension arrangements, together with related arrangements, which under IAS 19 are required to be disclosed as retirement benefit obligations. The defined benefit pension arrangements cover schemes operating in the UK, Germany, Austria, the United States of America, Canada, Australia, New Zealand, Brazil, Norway and Sweden and there are leaving indemnity arrangements in Italy, Austria and France, together with phased retirement (Altersteilzeit) and long service arrangements in Germany and long service leave in Australia.

All the pension schemes are unfunded except for those in the UK, USA and Australia. The defined benefit pension schemes are closed with the exception of those in the UK, Canada, Australia, Brazil, Norway and Sweden. The German defined benefit pension scheme is closed to new members but continuing employees accrue pension rights covering their current employment.

8 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The main pension scheme in the UK is the Pilkington Superannuation Scheme (PSS), which covers 2,874 employees (31st March 2005 – 2,891) and 12,095 pensioners (31st March 2005 – 12,208). This scheme is different from typical UK defined benefit pension schemes in that, under the scheme's governing trust deed, the employer's contributions are fixed at 10.5 per cent of pensionable salary for active members. Furthermore, under the trust deed the Group has no right of access to any investment surpluses but equally cannot be required to increase contributions to finance any deficits. However, changes in pensions legislation in the UK now mean that, in future, the Group may be required to increase its contributions where a significant deficit exists. Thus the PSS is treated as a defined benefit pension scheme for IAS 19 purposes (in accordance with the IAS 19 definitions of such a scheme).

Statutory increases for pension accrued in respect of post 1997 service are included as obligations of the PSS. Non-statutory or discretionary increases can be awarded by the trustees only if the scheme's funds allow. These latter increases are therefore only valued in the IAS 19 liabilities to the extent that the scheme's assets can cover them (and the pension increase assumption is chosen to reflect this). At present, this means that the net balance sheet liability for the PSS is zero.

	30th Sept 2005 £m	30th Sept 2004 £m	31st March 2005 £m
Balance sheet obligations			
Pension benefits	**259**	238	254
Post-retirement healthcare benefits	**146**	149	150
Other long-term benefits	**30**	28	28
	435	415	432
Current	**48**	31	50
Non-current	**387**	384	382
	435	415	432
Operating charge/(credit) in income statement			
Pension benefits	**10**	10	21
Post-retirement healthcare benefits	**–**	(1)	(6)
Other long-term benefits	**1**	1	3
	11	10	18
Finance charge/(credit) in income statement			
Pension benefits	**(1)**	–	(2)
Post-retirement healthcare benefits	**4**	5	10
Other long-term benefits	**1**	1	1
	4	6	9
Charge/(credit) in the statement of recognised income and expense			
Pension benefits	**12**	1	27
Post-retirement healthcare benefits	**(12)**	(38)	(22)
Deferred taxation	**(5)**	–	(4)
	(5)	(37)	1

Principal actuarial assumptions (averaged over the various Group plans) were as follows:

	%	%	%
Discount rate	**4.85**	5.58	5.38
Future salary increases	**3.46**	3.20	3.23
Future pension increases	**2.37**	2.38	2.40
Price inflation	**2.73**	2.74	2.74
Long-term health cost increases			
– USA	**4.00**	4.00	4.00
– UK	**5.00**	5.00	5.00
Expected rate of return on schemes' assets	**6.60**	6.80	6.55

9 CASH FLOWS GENERATED FROM OPERATIONS

	Half year to 30th Sept 2005 £m	Half year to 30th Sept 2004 £m	Year to 31st March 2005 £m
Profit for the period	**75**	59	131
Adjustments for:			
Taxation	**24**	22	52
Depreciation	**78**	79	161
Amortisation	**5**	5	10
Impairment of goodwill	**3**	–	–
Profit on sale of property, plant and equipment	**(2)**	(4)	(2)
Profit on sale of joint ventures and associates	**–**	(3)	(3)
Profit on sale of investments	**–**	–	(1)
Grants and deferred income received/released	**–**	5	9
Interest income	**(8)**	(5)	(11)
Finance cost expense	**40**	38	69
Share of profit from joint ventures and associates	**(2)**	(11)	(22)
Exchange (gains)/losses on borrowings	**3**	(1)	–
Fair value (gains)/losses on derivative financial instruments	**(3)**	–	3
Other items	**(3)**	2	5
Operating cash flows before movement in provisions and working capital	**210**	186	401
Decrease in provisions and retirement benefit obligations	**(11)**	(8)	(24)
Changes in working capital			
– Inventories	**–**	(5)	(11)
– Construction work-in-progress	**(4)**	4	16
– Trade and other receivables	**(1)**	(14)	(48)
– Trade and other payables	**(17)**	30	42
Net change in working capital	**(22)**	15	(1)
Cash flows generated from operations	**177**	193	376

10 NET DEBT

	30th Sept 2005 £m	30th Sept 2004 £m	31st March 2005 £m
Cash and cash equivalents	**319**	275	328
Bank overdrafts	**(209)**	(285)	(321)
Borrowings due within one year	**(114)**	(87)	(66)
Borrowings due after one year	**(722)**	(667)	(648)
Derivative financial instruments due within one year	**30**	2	(1)
Derivative financial instruments due after one year	**11**	(13)	(9)
Total net debt, including derivative financial instruments	**(685)**	(775)	(717)

11 RECONCILIATIONS OF NET ASSETS AND PROFIT FROM UK GAAP TO IFRS

(a) First-time adoption of International Financial Reporting and Accounting Standards

Up to 31st March 2005, the Group prepared its consolidated financial statements under UK Generally Accepted Accounting Principles (UK GAAP).

From 1st April 2005, the Group has prepared its consolidated financial statements in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), as adopted by the European Union (EU) and in addition has early adopted the amendments to IAS 19. All comparative information in these financial statements has been restated to reflect the Group's adoption of IFRS from 1st April 2004.

The financial information has been prepared in accordance with IFRS published by the International Accounting Standards Board and as endorsed by the EU.

Pilkington has complied with IFRS 1 'First Time Adoption of IFRS'. The following optional exemptions from full retrospective application of IFRS accounting policies have been adopted:

- Business combinations – the provisions of IFRS 3 'Business Combinations' are applied prospectively from 1st April 2004. No adjustments have been made to acquisitions made prior to the date of IFRS transition.
- Cumulative translation differences relating to net investments in overseas subsidiaries, joint ventures and associates that arose prior to 1st April 2004 have been set to zero and will not be included in any subsequent calculation of profit or loss on disposal.
- All actuarial gains and losses in respect of defined benefit pension and post-retirement schemes have been recognised in full in the reserves at 1st April 2004.
- The adjustments arising in respect of share based payments under IFRS 2 'Share Based Payments' have been applied to share options granted after 7th November 2002.
- Financial instruments – IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement', as issued by the IASB and amended by the EU, have been adopted early, such that the balance sheet at 1st April 2004 reflects the requirements set out in these standards.

(b) Key accounting policy changes adopted by Pilkington on the transition from UK GAAP to IFRS

The following is a summary of the major areas of changes in the Group's accounting policies:

Research and development

Research expenditure continues to be charged in the income statement in the year as it is incurred.

Development costs are charged in the income statement in the year unless such costs meet the recognition criteria of IAS 38 'Intangible Assets'. Where such criteria are met either in respect of new products or in respect of improved processes, the resulting intangible assets are capitalised and amortised over their useful economic lives, over periods not exceeding five years (products) and 20 years (processes).

Goodwill

Under IFRS, goodwill arising on acquisition is capitalised and subject to annual impairment review. Under UK GAAP, goodwill was amortised over its estimated useful life.

At both 1st April 2004 and 31st March 2005, the Group undertook impairment reviews of the goodwill asset carried in the balance sheet. No impairment was deemed necessary at either date.

On adoption of IFRS, negative goodwill carried in the UK GAAP balance sheet was removed and credited to reserves.

Employee benefits

The Group accounts for defined benefit pension schemes, leaving indemnity arrangements, post-retirement healthcare and life insurance benefits, phased retirement arrangements (in Germany only) and long service benefits under IAS 19. Obligations are measured at discounted present value and plan assets (for funded schemes, principally in the UK, USA and Australia) are recorded at fair value.

The operating and financing costs are recognised separately in the income statement; service costs are spread over the service lives of employees (in open schemes) and financing costs are recognised in periods as they arise. Actuarial gains and losses are recognised in the statement of recognised income and expense.

Joint ventures and associates

The Group's share of the profit less losses of joint ventures and associates is included in the income statement on the equity accounting basis presented as Pilkington's share of post-tax profit/loss of joint ventures and associates accounted for using the equity method. The carrying value of joint ventures and associates in the Group balance sheet is calculated by reference to Pilkington's equity in the net assets of such joint ventures and associates, as shown in the most recently available accounts, adjusted where appropriate to align them with the Group's policies.

Share based payments

The fair values of employee share options (under the Deferred Bonus Plan, the Leadership Equity Award Plan, the Senior Executives' Share Option Schemes and the Savings-Related Share Option Scheme) have been calculated using the Black-Scholes model as permitted under the rules set out in IFRS 2. The costs of the share options are charged to the income statement over the period in which the options vest, and are adjusted to reflect the actual and expected levels of vesting.

Under IFRS 2, the effective date for accounting for options commenced on 7th November 2002 and Pilkington has applied an adjustment to the opening IFRS balance sheet at 1st April 2004 in respect of options granted and not fully vested at that date.

Deferred taxation

Deferred taxation is provided in full on the liability basis on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the consolidated balance sheet.

Deferred taxation is provided on temporary differences arising in investments in subsidiaries, joint ventures and associates, except

where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged, and the effectiveness of the hedging arrangement.

The Group designates certain derivatives as hedges of the changes in the fair value of recognised assets or liabilities or a firm commitment (fair value hedges), hedges of exposure to variability in cash flows associated with an asset or liability or arising from highly probable forecast transactions (cash flow hedges), and hedges of net investments in foreign operations (net investment hedges).

The Group documents at the inception of a transaction the relationship between the hedging instruments and the hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents, both at hedge inception and on an ongoing basis, its assessment of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

Fair value hedge

Changes in the fair value of derivatives, designated and qualifying as fair value hedges, are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability, attributable to the hedged risk.

Cash flow hedge

The effective portion of changes in the fair value of derivatives, designated and qualifying as cash flow hedges, is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in the translation reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is sold.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments, not qualifying for hedge accounting, are recognised immediately in the income statement.

Construction work-in-progress

Construction work-in-progress is represented by engineering construction contracts for the building, construction and delivery of float glass lines and glass processing plants for third-party customers. Profits are recognised where revenue and contract costs can be reliably estimated and are based on the stage of completion of the contract. Where the outcome cannot be estimated reliably, revenue is only recognised to the extent that it is probable that the contract costs incurred will be recoverable. Where it is probable that the total contract costs will exceed the total contract revenue, the expected loss is recognised as an expense immediately in the income statement.

(c) Reconciliations from UK GAAP to IFRS

As required by IFRS 1 'First-time adoption of International Accounting Standards', the following reconciliations and explanations are disclosed:

- Reconciliation of the profit for the half year ended 30th September 2004 and for the year to 31st March 2005 as between UK GAAP and IFRS (see (d) below).
- An explanation of the key accounting changes resulting in adjustments to the previously reported UK GAAP profits for the half year ended 30th September 2004 and for the year ended 31st March 2005 (see (d) below).
- Reconciliation of shareholders' equity at 1st April 2004, 30th September 2004 and 31st March 2005 as between UK GAAP and IFRS (see (e) below).
- An explanation of the key accounting changes which have resulted in adjustments to the UK GAAP shareholders' funds at 1st April 2004, 30th September 2004 and 31st March 2005 (see (e) below).
- Reconciliation of the balance sheets at 1st April 2004, 30th September 2004 and 31st March 2005 as between UK GAAP and IFRS (see (f) below).
- An explanation of the principal reclassifications made in the completion of the IFRS balance sheets (see (f) below).
- Cash flow statement – explanation of the key changes between UK GAAP and IFRS (see (g) below).

11 RECONCILIATIONS OF NET ASSETS AND PROFIT FROM UK GAAP TO IFRS CONTINUED

(d) Reconciliation of the profit for the half year ended 30th September 2004 as between UK GAAP and IFRS

	As reported under UK GAAP £m	Effect of transition to IFRS £m	IFRS £m
Total turnover/revenue	1,321	(135)	**1,186**
Share of joint ventures and associates	(148)	148	**–**
Group turnover/revenue	1,173	13	**1,186**
Cost of sales*			**(764)**
Gross profit*			**422**
Other income*			**10**
Distribution costs*			**(124)**
Administrative expenses*			**(167)**
Other expenses*			**(39)**
Operating profit	94	8	**102**
Share of joint ventures and associates' operating profit	19	(19)	**–**
Operating profit	113	(11)	**102**
Exceptional items	(1)	1	**–**
Finance expenses less income	(30)	(2)	**(32)**
Share of profit after tax of joint ventures and associates	–	11	**11**
Profit before income tax	82	(1)	**81**
Income tax expense	(24)	2	**(22)**
Profit for the year after taxation	58	1	**59**
Minority interest	(7)	–	**(7)**
Profit attributable to shareholders	51	1	**52**

*Not reported under UK GAAP

Reconciliation of the profit for the year ended 31st March 2005 as between UK GAAP and IFRS

	As reported under UK GAAP £m	Effect of transition to IFRS £m	IFRS £m
Total turnover/revenue	2,694	(267)	**2,427**
Share of joint ventures and associates	(300)	300	**–**
Group turnover/revenue	2,394	33	**2,427**
Cost of sales	(1,681)	83	**(1,598)**
Gross profit	713	116	**829**
Other income	–	27	**27**
Distribution costs	(229)	(4)	**(233)**
Administrative expenses	(289)	(47)	**(336)**
Other expenses	–	(68)	**(68)**
Operating profit	195	24	**219**
Share of joint ventures and associates' operating profit	36	(36)	**–**
Operating profit	231	(12)	**219**
Exceptional items	(7)	7	**–**
Finance expenses less income	(59)	1	**(58)**
Share of profit after tax of joint ventures and associates	–	22	**22**
Profit before income tax	165	18	**183**
Income tax expense	(50)	(2)	**(52)**
Profit for the year after taxation	115	16	**131**
Minority interest	(15)	1	**(14)**
Profit attributable to shareholders	100	17	**117**

11 RECONCILIATIONS OF NET ASSETS AND PROFIT FROM UK GAAP TO IFRS CONTINUED

An explanation of the key accounting changes, resulting in adjustments to the reported UK GAAP profits is shown below:

Revenue from Group subsidiaries has risen by £13 million in the half year and by £33 million in the full year, arising principally from the representation of items that were netted off overheads under UK GAAP.

The share of revenue from joint ventures and associates is now excluded under IFRS.

Operating profits have reduced as follows:

	Half year to 30th Sept 2004 £m	Year to 31st March 2005 £m
Joint ventures and associates	(19)	(36)
Retirement benefit charges	6	18
Goodwill amortisation	4	8
Exceptional items	(1)	(7)
Development costs capitalised less amounts impaired	–	4
Fair valuing financial instruments	(1)	(2)
Share based payments	–	1
Receivables impairment provision	–	1
Other items	–	1
Decrease in operating profits under IFRS	**(11)**	**(12)**

- The Group's share of the operating profits of joint ventures and associates is removed from IFRS operating profits and is shown separately as part of the post-tax results of joint ventures and associates.
- Retirement benefit obligations' operating charges in respect of defined benefit pension schemes and post-retirement healthcare schemes and other long-term employment benefits have reduced by £6 million in the half year and £18 million in the full year compared to the related SSAP 24 charges. Part of this apparent saving is offset by higher charges within finance costs (see below).
- Goodwill amortisation is charged under UK GAAP, but not under IFRS.
- Exceptional items charged below operating profit in accordance with FRS 3 'Reporting Financial Performance' under UK GAAP are charged within operating profit under IFRS.
- In the full year, certain development costs amounting to £8 million have been capitalised under IFRS, with an adjustment to operating profit of £4 million, being the net of the related amortisation charge of £3 million and an impairment charge of £1 million.
- Fair value losses on derivatives and losses on hedges not qualifying for hedge accounting under IFRS amounting in total to £1 million in the half year and £2 million in the full year have been recorded in accordance with IAS 32 and 39.
- The charge to operating profit in respect of share based incentive plans, accounted for under UITF 17 'Employee share schemes' under UK GAAP is greater than the charge to operating profit under IFRS 2. This arises principally because the IFRS 2 charge relates only to those arrangements granted after 7th November 2002 and not fully vested at the date of transition.
- The UK GAAP general receivables impairment provision of £1 million is reversed under IFRS in the full year.

Finance costs have changed as follows:

	Half year to 30th Sept 2004 £m	Year to 31st March 2005 £m
Removal of share of interest of joint ventures and associates	6	10
Finance cost in respect of defined benefit obligations	(6)	(9)
Preference dividends now classified as borrowings under IFRS rather than minority interest under UK GAAP	(1)	(1)
Increase in fair value of derivative financial instruments and hedges not qualifying for hedge accounting	(3)	1
Other items	2	–
(Increase)/decrease in finance costs under IFRS	**(2)**	**1**

11 RECONCILIATIONS OF NET ASSETS AND PROFIT FROM UK GAAP TO IFRS CONTINUED

(e) Reconciliation of shareholders' equity at 1st April 2004, 30th September 2004 and 31st March 2005

	1st April 2004 £m	30th Sept 2004 £m	31st March 2005 £m
Total equity shareholders' funds, as reported under UK GAAP	**674**	**719**	**737**
Retirement benefit obligations (note (i))	(155)	(115)	(149)
Dividend to Pilkington shareholders not approved (note (ii))	41	22	43
Elimination of deferred income (note (iii))	34	31	28
Fair value adjustments to loans (note (iii))	(34)	(31)	(28)
Deferred tax (note (iv))	24	19	25
Development costs capitalised as intangible assets (note (v))	19	20	22
Financial derivatives introduced (note (vi))	(11)	(11)	(10)
Provisions discounted (note (vii))	5	5	5
Negative goodwill removed from balance sheet (note (viii))	3	1	–
Positive goodwill amortisation charge removed (note (viii))	–	4	11
Fair valuing available-for-sale investments (note (ix))	2	2	2
New associates (note (x))	3	1	3
Other sundry items	(5)	3	–
Total equity shareholders' funds, as restated under IFRS	**600**	**670**	**689**

Explanation of the key accounting changes, which have resulted in adjustments to the UK GAAP shareholders' funds are as follows:

(i) Retirement benefit obligations relating to defined benefit pension schemes, post-retirement healthcare liabilities in the UK and the USA, provisions for leaving indemnities in various European countries and the phased retirement provision (Germany) and long service leave provision (Australia), have been provided in accordance with IAS 19. Where schemes are backed by assets held outside the businesses then these have been valued and compared with the actuarially determined valuation of the obligations and full provision for the resulting deficits made in the opening restatement of shareholders' equity.

(ii) The final dividends in respect of the year ended 31st March 2004 and 31st March 2005 respectively, which were approved by shareholders at the annual general meeting subsequent to the financial year end, have been written back to shareholders' equity in accordance with IAS 18. In addition, the interim dividend has been written back to shareholders' equity at 30th September 2004.

(iii) Deferred income arising on interest rate swaps closed out, which under UK GAAP were carried in deferred income and amortised over the life of the assets that they were previously intended to hedge, have been written back to shareholders' equity.

Under IFRS, a fair value adjustment has been applied to the borrowings that the above swaps were originally set up to hedge, with the resultant amount charged to shareholders' equity.

(iv) Deferred tax liabilities, principally in Argentina and Germany, have increased as a result of the application of rules under IAS 12 and deferred tax assets have increased due to the recoverability of additional tax losses in the USA and the UK, arising from the changed rules on defined benefit pension schemes and post-retirement healthcare.

(v) The capitalisation rules under IAS 38 have resulted in development costs being capitalised and the resultant adjustment credited to shareholders' equity, whereas under UK GAAP such costs were charged to the profit and loss account as incurred.

(vi) Certain financial derivatives, previously off balance sheet, have been included as both assets and liabilities. The net difference has given rise to a reduction in shareholders' equity, following adoption of IAS 32 and 39.

(vii) Provisions in excess of £500,000 have been discounted with a credit of £5 million being taken to shareholders' equity. These will be amortised to finance costs in future periods.

(viii) Retained earnings at 1st April 2004 have been credited with negative goodwill, which is not permitted to be carried in the balance sheet under IFRS. Additionally, goodwill amortisation, charged under UK GAAP, is removed under IFRS.

(ix) Available-for-sale investments have been fair valued and the adjustment credited to reserves.

(x) Additional associates in Germany, Colombia and Taiwan have been introduced in accordance with IAS 28. These arise from trade investments where, under UK GAAP, the Group did not exercise significant influence over the entities' operations.

(f) Reconciliation of UK GAAP and IFRS balance sheet

	At 1st April 2004						
	Non-current assets £m	Current assets £m	Current liabilities £m	Non-current liabilities £m	Minority interests £m	Net assets £m	Equity £m
As reported under UK GAAP	**1,692**	**864**	**(605)**	**(1,183)**	**(94)**	**674**	**(674)**
Retirement benefit obligations	–	–	(40)	(115)	–	(155)	155
Proposed dividends	–	–	41	–	–	41	(41)
Elimination of deferred income	–	–	–	34	–	34	(34)
Fair valuing loans	–	–	–	(34)	–	(34)	34
Deferred taxation	72	(46)	(27)	20	5	24	(24)
Development costs	19	–	–	–	–	19	(19)
Financial derivatives	13	2	(12)	(14)	–	(11)	11
Provisions discounted	–	–	–	5	–	5	(5)
Negative goodwill	3	–	–	–	–	3	(3)
New associates	3	–	–	–	–	3	(3)
Fair valuing available-for-sale investments	2	–	–	–	–	2	(2)
Other items	–	(5)	–	–	–	(5)	5
Reclassifications	38	245	(295)	(11)	23	–	–
As reported under IFRS	**1,842**	**1,060**	**(938)**	**(1,298)**	**(66)**	**600**	**(600)**

	At 30th September 2004						
	Non-current assets £m	Current assets £m	Current liabilities £m	Non-current liabilities £m	Minority interests £m	Net assets £m	Equity £m
As reported under UK GAAP	**1,688**	**910**	**(593)**	**(1,191)**	**(95)**	**719**	**(719)**
Retirement benefit obligations	–	–	(31)	(84)	–	(115)	115
Proposed dividends	–	–	22	–	–	22	(22)
Elimination of deferred income	–	–	–	31	–	31	(31)
Fair valuing loans	–	–	–	(31)	–	(31)	31
Deferred taxation	80	(43)	–	(25)	7	19	(19)
Development costs	20	–	–	–	–	20	(20)
Financial derivatives	9	19	(17)	(22)	–	(11)	11
Provisions discounted	–	–	–	5	–	5	(5)
Negative goodwill	1	–	–	–	–	1	(1)
Goodwill amortisation charged in period	4	–	–	–	–	4	(4)
New associates	1	–	–	–	–	1	(1)
Fair valuing available-for-sale investments	2	–	–	–	–	2	(2)
Other items	–	3	–	–	–	3	(3)
Reclassifications	64	195	(333)	50	24	–	–
As reported under IFRS	**1,869**	**1,084**	**(952)**	**(1,267)**	**(64)**	**670**	**(670)**

11 RECONCILIATIONS OF NET ASSETS AND PROFIT FROM UK GAAP TO IFRS CONTINUED

(f) Reconciliation of UK GAAP and IFRS balance sheet

	At 31st March 2005						
	Non-current assets £m	Current assets £m	Current liabilities £m	Non-current liabilities £m	Minority interests £m	Net assets £m	Equity £m
As reported under UK GAAP	**1,669**	**954**	**(676)**	**(1,119)**	**(91)**	**737**	**(737)**
Retirement benefit obligations	–	–	(50)	(99)	–	(149)	149
Proposed dividends	–	–	43	–	–	43	(43)
Elimination of deferred income	–	–	–	28	–	28	(28)
Fair valuing loans	–	–	–	(28)	–	(28)	28
Deferred taxation	111	(26)	–	(68)	8	25	(25)
Development costs	22	–	–	–	–	22	(22)
Financial derivatives	12	16	(17)	(21)	–	(10)	10
Provisions discounted	–	–	–	5	–	5	(5)
Goodwill amortisation charged in year	11	–	–	–	–	11	(11)
New associates	3	–	–	–	–	3	(3)
Fair valuing available-for-sale investments	2	–	–	–	–	2	(2)
Reclassifications	61	239	(324)	5	19	–	–
As reported under IFRS	**1,891**	**1,183**	**(1,024)**	**(1,297)**	**(64)**	**689**	**(689)**

Explanation of the principal reclassifications made in the completion of the IFRS balance sheets at 1st April 2004, 30th September 2004 and 31st March 2005 are provided below:

Increases in non-current assets comprise:

- Property, plant and equipment has increased due to additional finance leased assets and the grossing-up of automotive tooling costs with customers' contributions now disclosed in deferred income.
- Certain marketable investments are now included as available-for-sale investments under IFRS.
- Additional associates are included under IFRS.
- Certain trade, other and tax receivables, formerly disclosed within current assets, are now shown as non-current assets under IFRS.

Increases in current assets comprise:

- Removal of the UK GAAP linked presentation of securitised receivables has lead to an increase in current assets.
- Cash and cash equivalents have increased through the removal of the offset with bank overdrafts, which was permitted under UK GAAP, where the Group operates notional cash pools with legal offset.
- Current assets arising from certain long-term receivables and investments previously included within current assets under UK GAAP have been transferred to non-current assets under IFRS.

Increases in current liabilities comprise:

- Increase in overdrafts through the removal of the offset with cash and bank balances, which was permitted under UK GAAP, where the Group operates notional cash pools with legal offset.
- Removal of the UK GAAP linked presentation of securitised receivables has led to an increase in current liability borrowings.
- Non-equity minority interest is now included as debt under IFRS.
- Fair valuing of loans, where applicable.
- The current element of provisions and deferred income is now included as current liabilities under IFRS, whereas under UK GAAP, they were disclosed as non-current liabilities.

Increases/decreases in non-current liabilities comprise:

- Increase in deferred income arises from the inclusion of customers' contributions to automotive tooling costs, previously netted off property, plant and equipment assets.
- Non-equity minority interest is now treated as part of debt under IFRS.
- Non-current liabilities have decreased as a result of the current element of provisions, retirement benefit obligations and taxation liabilities now being disclosed as current liabilities.

Decrease in minority interest comprises:

- Non-equity minority interest has been reclassified to current and non-current liabilities due to its IFRS treatment as debt.

11 RECONCILIATIONS OF NET ASSETS AND PROFIT FROM UK GAAP TO IFRS CONTINUED

(g) Cash flow statement – explanation of the key changes between UK GAAP and IFRS

Under UK GAAP, Pilkington prepared its cash flow statement in accordance with UK Financial Reporting Standard 1 (Revised 1996) 'Cash flow statements'. Its objectives and principles are similar to those set out in IAS 7 'Cash flow statements'.

FRS 1 (Revised 1996) defines cash as cash and balances, net of bank overdrafts repayable on demand. IAS 7 in addition includes 'cash equivalents', which are defined as short-term highly liquid investments, held for the purpose of meeting short-term cash commitments rather than investment, that are both convertible to known amounts of cash, and so near their maturity that they present an insignificant risk of changes in value. The inclusion of cash equivalents in the definition of reported cash flows had no significant effect on the reported net cash flows for the half year to 30th September 2004 and for the year to 31st March 2005.

The other principal differences between IFRS and UK GAAP are in respect of classification. Under UK GAAP, Pilkington presented its cash flows by: (a) operating activities; (b) dividends received from joint ventures and associates; (c) returns on investments and servicing of finance; (d) taxation; (e) capital expenditure; (f) acquisitions and disposals; (g) equity dividends paid; (h) management of liquid resources; and (i) financing. Under IFRS, only three categories are required. These are: (a) operating; (b) investing; and (c) financing.

Pilkington website

In addition to the information referred to above, Pilkington has made announcements and presentations to analysts, brokers and bankers on the adoption of IAS/IFRS and these can be viewed on the Pilkington website at www.pilkington.com.

12 UNAUDITED HALF YEAR RESULTS

The results for the half year to 30th September 2005 have not been audited, but, at the Company's request, have been reviewed by the auditors PricewaterhouseCoopers LLP. The financial information for the full year to 31st March 2005 is prepared in accordance with the accounting policies set out in note 1 on pages 8 to 15 and is an abridged version of the information that the Group proposes to disclose as the comparative information in the Annual Report & Accounts for the year to 31st March 2006, subject only to there being no further amendments to IFRS and IFRIC that would be required to be incorporated into those accounts, as approved by the EU.

The Group's UK GAAP consolidated financial statements to 31st March 2005 have been delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under either section 237(2) or 237(3) of the Companies Act 1985 (as amended).

This statement was approved by the directors on 3rd November 2005 and has been sent to all shareholders. A copy can be obtained from the Company Secretary, Pilkington plc, Prescot Road, St Helens, Merseyside, WA10 3TT.

INDEPENDENT REVIEW REPORT TO PILKINGTON plc

INTRODUCTION

We have been instructed by the company to review the financial information for the six months ended 30th September 2005 which comprises the consolidated interim balance sheet as at 30th September 2005 and the related consolidated statements of income, cash flows and of recognised income and expense for the six months then ended and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

DIRECTORS' RESPONSIBILITIES

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority.

As disclosed in note 1 the next annual financial statements of the Group will be prepared in accordance with accounting standards adopted for use in the European Union. This interim report has been prepared in accordance with the basis set out in note 1.

The accounting policies are consistent with those that the directors intend to use in the next annual financial statements. As explained in note 1, there is, however, a possibility that the directors may determine that some changes are necessary when preparing the full annual financial statements for the first time in accordance with accounting standards adopted for use in the European Union. The IFRS standards and IFRIC interpretations that will be applicable and adopted for use in the European Union at 31st March 2006 are not known with certainty at the time of preparing this interim financial information.

REVIEW WORK PERFORMED

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

REVIEW CONCLUSION

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30th September 2005.

PricewaterhouseCoopers LLP
Chartered Accountants
London
3rd November 2005

Notes:

(a) The maintenance and integrity of the Pilkington plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

SHAREHOLDER INFORMATION

DIVIDEND

An interim dividend for the year ending 31st March 2006 of 1.8 pence per share, with scrip alternative, will be payable to shareholders, who are on the register on 2nd December 2005.

Shareholders with an existing scrip dividend mandate will automatically receive new shares in lieu of a cash dividend. Scrip dividend mandates are available from the Company's Registrars and on the Company's website and should be completed and returned to them no later than 8th December 2005. 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.

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 30th November 2005.

FINANCIAL CALENDAR

Announcement of results	3rd November 2005
Ex-dividend date	30th November 2005
Record date	2nd December 2005
Announcement of scrip dividend share value	7th December 2005
Latest return date for scrip dividend mandates or cancellation of existing mandates	8th December 2005
Dividend payment date and first date of dealing in scrip dividend shares	16th December 2005
Announcement of final results	1st June 2006
Annual General Meeting	26th July 2006
Final dividend payment date (to be confirmed)	August 2006

PAYMENT OF DIVIDENDS 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. Simply complete a mandate form available from the Company's Registrars or the form may be downloaded from their website.

PAYMENT OF DIVIDENDS TO BANKS OUTSIDE THE UNITED KINGDOM BY TAPS

Transcontinental Automated Payment Service (TAPS) is a facility which is available for regular payments from the UK to certain countries overseas. If you are a private shareholder with a registered overseas address and your dividend is normally between £5 and £5,000 you may be able to receive your dividends using TAPS. A dividend is automatically converted on the first working day after the dividend payment date to the relevant country's domestic currency and can then be forwarded direct to your bank account in that country. The cost of this service is currently £2.50 per payment which will be deducted from your dividend payment prior to conversion. If you would like to receive your dividend using this service please contact the Company's Registrars for full details. The exchange rates will be published on the Company's website within five working days of the dividend payment date, or as soon as practicable thereafter.

CONSOLIDATED TAX VOUCHERS

In an effort to streamline processes and to assist shareholders with record keeping, the Company issues Consolidated Tax Vouchers for those shareholders who elect to have their dividends paid direct to their bank or building society account. This avoids the necessity of issuing a tax voucher with each dividend payment. Instead, one tax voucher is issued each year at the same time the interim dividend is paid, normally in December. This contains the taxation details of all dividends for that particular financial year which will be of assistance to you, if you are required to complete a tax return.

If you have any queries regarding this arrangement, please contact the Company's Registrars.

ELECTRONIC COMMUNICATIONS

Shareholders now have the opportunity to access shareholder documents, such as Notice of Meetings, Forms of Proxy, Report and Accounts and the Operating and Financial Review and Summary Financial Statement, electronically via the Internet, rather than receiving them by post. If you choose this option, you will receive a notification by e-mail each time the Company publishes shareholder documents on its website. The e-mail will provide information enabling you to access, read or download the documents at your leisure.

Use of electronic communications enables shareholders to access timely information and is also more environmentally responsible by helping to reduce the expense of printing and posting the documents mentioned above.

If you elect to receive shareholder documents in electronic form you will be able to change your instruction or request a paper copy at any time. To receive documents electronically, you will need to register online at www.computershare.com/register/uk and then select Pilkington plc. Full details of how to register are provided on-screen. You will need your Shareholder Reference Number available when you first log in (located on your share certificates or your tax voucher).

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 on 'Register now'. You will need to have available your Shareholder Reference Number. Please telephone 0870 873 5805 for Investor Centre enquiries.

ANNUAL GENERAL MEETING 28TH JULY 2005

All resolutions were passed by the required majority on a show of hands at the annual general meeting held on 28th July 2005. Details of the shareholder proxy voting figures are available on the Company's website at www.pilkington.com or are available from the Company Secretary.

SHARE DEALING SERVICE

The Company's Registrars, Computershare Investor Services PLC, has in place a share dealing service for Pilkington shares. For further information please telephone 0870 703 0084 or log on to www.computershare.com/investorcentre/uk.

REGISTER FOR E-MAIL ALERT SERVICE

If you wish to register for E-mail Alert Service go to www.pilkington.com and
– Select 'Investors', then 'E-mail Alerts'
– Enter your e-mail address
– Choose what you want to receive.
You can unsubscribe from this service at any time.

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.

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.

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 29, LON20771, London W1E 0ZT, or visit their website www.mpsonline.org.uk.

You may also wish to register with the Telephone Preference Service, in order to limit unsolicited telephone calls, on their Telephone Registration line 0845 070 0707 or visit their website www.tpsonline.org.uk.

SHAREHOLDER CONTACTS

REGISTRARS

Computershare Investor Services PLC

Address
PO Box 82
The Pavilions
Bridgwater Road
Bristol
BS99 7NH

Telephone
Shareholder enquiries 0870 702 0000
Share dealing 0870 703 0084

Textphone
0870 702 0005*

E-mail
web.queries@computershare.co.uk

Facsimile
0870 703 6106

Website
www.computershare.com/investorcentre/uk

* Textphone 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.

FINSBURY GROUP (Financial PR advisers)

Robin Walker

Address
52-58 Tabernacle St
London
EC2A 4NJ

Telephone
020 7251 3801

E-mail
robin.walker@finsbury.com

Facsimile
020 7251 4112

Website
www.finsbury.com

PILKINGTON PLC

David Roycroft
Head of Corporate Affairs and Investor Relations

Address
Pilkington plc
Prescot Road
St Helens
WA10 3TT

Telephone
01744 692837 or 020 7747 6000

E-mail
david.roycroft@pilkington.com

Facsimile
01744 693738

Website
www.pilkington.com

Sheila Lennon
Company Secretary

Telephone
01744 692448

E-mail
sheila.lennon@pilkington.com

Facsimile
01744 20038

This report is printed on Megamatt which contains up to 50% combination millbroke and pre-consumer waste. The remaining content is ECF and TCF pulp from sustainable forests. The manufacturing mill has obtained ISO 14001.

DESIGNED | PRODUCED | TYPESET CorporateEdge.com PRINTED Royle Corporate Print ISO 14001 accredited

www.pilkington.com

PILKINGTON

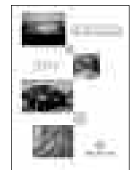
Head Office and Registered Office
Prescot Road
St Helens WA10 3TT

Telephone: 01744 28882
Fax: 01744 692660
Email: info@pilkington.com
Website: www.pilkington.com

Company Number 41495

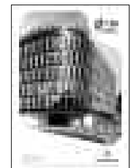
Other publications available from Pilkington provide further information on the company, its businesses and policies and the industry in which we operate.
These can be downloaded from our website www.pilkington.com, or ordered from Corporate Affairs, Pilkington plc, St Helens, WA10 3TT by post or by email to info@pilkington.com

Pilkington and the Flat Glass Industry 2005
(Detailed analysis of the world's Flat Glass industry and Pilkington's position within it)



This is Pilkington
(General introduction to the Pilkington Group)

Glass in Building
(Pilkington Building Products in action)



Pilkington Automotive
(General introduction to the Group's Automotive Glazing Operations)

Pilkington Automotive Supplier Handbook
(Purchasing policy and advice for suppliers)