

Chairman's Statement: It is again pleasing to report continued progress in our objective to improve significantly the operational and financial performance of the Group. In 2007, we delivered our best ever revenue and operating profit while substantially enhancing future prospects for the Group.



"The positive market conditions that we experienced in 2007 are expected to remain throughout 2008 and we anticipate that the acquisition of Weir SPM and CH Warman, coupled with further operational developments, will deliver a good level of progress in 2008."

Financial highlights

In 2007, the Weir Group enjoyed its best operating year in company history delivering record sales, earnings and cash flow generation. Our acquisition of Weir SPM within the Engineering Products Division, the improved operational returns from our Engineering Services Division and the strength of the oil & gas, mining and power markets all contributed to this very strong result.

Group revenue from continuing operations increased 22% to £1.1bn (2006: £870.4m) driven by a partial year contribution from Weir SPM and stronger performances across all divisions. Operating profit from continuing operations, before intangibles amortisation and exceptional items, at £122.1m was 57% above the 2006 level of £77.7m. Group subsidiaries contributed £118.7m (2006: £75.3m) and our joint ventures £3.4m against £2.4m last year. Operating margins, excluding joint ventures, increased to 11.2% against 8.7% last year.

As a result of this strong performance, Group pre-tax profit from continuing operations, before intangibles amortisation and exceptional items, was up 56% to £120.2m (2006: £77.1m).

With an effective tax rate of 28% on attributable profit for continuing operations, earnings per share before intangibles amortisation and exceptional items, amounted to 41.4p (2006: 27.8p).

Profit for the period before exceptional items of £11.8m was recognised in respect of our discontinued operations and exceptional gains of £80.9m were recognised in relation to disposals during the year. This reflects a £26.0m gain on the sale of the Weir Pumps Glasgow operations and a £54.9m gain on the disposal of the Group's interest in Devonport Management Limited.

Operating cash flow from continuing operations improved significantly to £151.8m (2006: £111.0m) as a result of both increased profitability and the success of management's focus on improving working capital. The year ended with net debt of £171.3m compared with £7.1m in 2006, reflecting the continued strong cash generation and the second half acquisition of Weir SPM.

The Group's exposure has been reduced to its pension fund obligations through the purchase of an insurance policy from Legal & General Assurance Society to secure the current pensioners' liabilities of the main UK plan and a similar process was also undertaken in Canada.

The Board is recommending a final dividend of 12.35p per share making a total distribution for the year of 16.5p (2006: 14.5p), a 14% increase on 2006 and 25% over the last two years.

Strategy & structure

It is particularly rewarding to report a further year of successful execution of our programme to improve significantly the operational performance and financial returns of the Group. The achievements are evident in our 2007 results: a realigned portfolio of businesses, improved operational performance and success in our endeavours to add high quality businesses to the Group. In the year, we achieved further significant growth in revenue and operating profit and achieved our best operating year ever.

The Engineering Products Division produced substantially improved results in 2007 and benefited from its portfolio realignment to the higher growth oil, power and mining markets which represented more than 80% of revenue during the year. The gains from our investments in Lean Manufacturing and continuing geographic expansion were also clearly evident in this year's results with these initiatives contributing significantly to the division's 2007 performance.

In May of 2007, the Group announced the sale of its Weir Pumps Glasgow operations for a cash consideration of £45.5m. The business represented less than 8% of Group revenue and a smaller percentage of profit and its sale was consistent with our stated intention to exit lower margin activities where the Group had limited opportunity to lead.

In June, the Group announced its largest ever acquisition – SPM Flow Control Inc., for a cash consideration of £328m¹ (\$653m). Weir SPM is a Texas based supplier of pumps and flow equipment to the upstream oil & gas market. The business is now fully integrated and plans are well progressed to improve operational performance and extend its geographic reach using Weir's global footprint.

In August, the Group acquired Weir Multiflo, a small dewatering company in Australia, with the objective of extending the portfolio of offerings to the Group's mining customers. The business was integrated successfully and plans are in place to extend its reach to the wider Minerals markets.

In December, the Group announced the acquisition of CH Warman, a South African based company, for a consideration of £113m² (\$231m). The acquisition was subject to South African merger approval which was received on 10 March 2008. This acquisition provides the Group with a platform in the strategically important sub-Saharan mining market. Our immediate objectives are to improve the respective performance of both the local Weir and CH Warman businesses to provide a solid foundation for future integration and growth.

The benefits of the 2006 restructuring of our Engineering Services Division were evident in the Group's 2007 results. We enter 2008 with fewer businesses, improved performance and greater focus on our core end markets. The division remains well positioned to introduce Weir SPM products across its global network throughout the coming year.

In June, we announced the sale of our 24.5% interest in Devonport Management Limited for a consideration of £85.7m. The disposal reduces our exposure to the UK defence industry and opens up resources to develop in the sectors which will underpin the Group's future growth.

The outlook for defence markets particularly in Australia and Canada, which are key markets for Weir defence products, remains encouraging and the decommissioning activities in the UK nuclear market provide a positive outlook for 2008. The shipbuilding market is fully loaded and this will limit Weir LGE's future order book. Profitability in 2008 will be tied to delivery of orders already secured and should provide the gas business with broadly equivalent results in the year ahead.

¹ Using a US\$/£ exchange rate of 1.99 as at 19 June 2007.

² Using a US\$/£ exchange rate of 2.05 as at 3 December 2007.

Two of management's key priorities for 2008 are to integrate CH Warman successfully and to deliver the early benefits from the Group's acquisition of SPM. In addition, we will continue to accelerate the execution of the Weir Production System which helped to underpin the significant improvement in the Group's performance during the year. Improved working capital, market share gains and enhanced customer relationships remain an important area of focus.

While the Group's organic opportunities are excellent, our strong cash generation and healthy balance sheet provide us with the flexibility to pursue the full range of options for future growth.

The Board

Christopher Clarke has confirmed his intention to retire from the Board at the end of 2008 following nine years of valued service to the Group. In preparation for this change, John Mogford has been appointed a Non Executive Director with effect from 1 June 2008. John is currently a group vice president of BP PLC. He has been with BP for 30 years, initially in their exploration division and progressively rising to his current role as executive vice president - safety and operations and chief operating officer (refining). During his tenure, John has held numerous positions in every area of BP operations from gas and renewables to upstream and downstream oil.

Corporate governance

The Board's governance framework is underpinned by clearly defined strategies and strong vision and values which combine to create shareholder value through the effective use of our resources. An internal audit function complements our robust external and peer group audits and self-certification programmes.

I remain confident that we have the culture and required processes within the Weir Group to safeguard the interests of all of our stakeholders. Ethical conduct is a vital part of the Weir Group culture and a non negotiable expectation of every Weir employee. It is supported by our code of conduct, independent Board of Directors and clear statement of company values.

People

On behalf of the Board, I want to thank employees throughout our company for their commitment, tireless energy and focus during 2007. We will be looking for the same ambition in 2008 as we continue to develop our markets, improve productivity and forge new and stronger customer relationships.

Prospects

We are confident of continued progress in 2008. The Group's focus on the longer cycle markets, commitment to enhanced operational performance and ability to invest in new, exciting prospects provide a strong platform to support future growth. By staying on track, we move forward with confidence that we can achieve even greater results in the years to come.

Finally, I want to thank our shareholders who continue to demonstrate belief in the potential of the Group. I remain convinced that the Weir Group has the right strategy and depth of expertise to deliver increasing returns.



Sir Robert Smith

Chairman

11 March 2008