



Acquisition of SPM Flow Control, Inc.

The Weir Group PLC ("Weir" or "the Group"), is pleased to announce that it has agreed to acquire SPM Flow Control, Inc ("SPM") for US\$653 million (£328¹ million). Anticipated revenues for calendar year 2007 are US\$ 320 million (£161 million).

SPM, based in Fort Worth, Texas, is a leading manufacturer of high-pressure well service pumps and related flow control equipment, which operate in abrasive, high-wear applications in oil and gas drilling and extraction.

The acquisition of SPM provides a new platform for growth in an end-market and area that Weir understands well. Weir is confident that this acquisition provides significant strategic, operational and financial benefits, including:

- increased presence in the higher-growth upstream oil and gas market, with a particularly strong position in the high-demand well stimulation niche;
- a business model that is increasingly aftermarket-driven, as the installed base of SPM's well service pumps grows;
- potential to increase sales of both SPM's and Weir's existing engineering services and products across the broader business platform of the enlarged group;
- opportunity in the medium term to enhance SPM's productivity through the application of Weir's lean process initiatives and production skills; and,
- immediate earnings enhancement and an expected return in excess of the Group's cost of capital within three years.

Higher energy prices have driven an increase in oil and gas well development which, when coupled with the increasing use of well stimulation techniques to enhance hydrocarbon output, has resulted in strong demand for SPM's portfolio of specialised well service products.

The consideration of US\$653 million will be paid in cash on completion and will be satisfied by a combination of new and existing bank facilities and available cash balances.

The acquisition is subject to the approval of Weir's shareholders at an extraordinary general meeting ("EGM") expected to take place in mid July 2007.

Weir's chief executive, Mark Selway, commented:

"SPM is an exceptionally well-aligned business in a sector in which we have been most eager to grow. It ticks all the right boxes for us. SPM has a great market position in a core sector for Weir and we have good potential to improve the business through our operational expertise, geographic profile and financial strength. We are confident that the medium term operational benefits and extended market opportunities will generate significant value for our shareholders."

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

**An analysts' meeting to discuss the acquisition will be held today
Thursday 21 June 2007 at 0930 hours at Room 80, UBS, 7th Floor, 1
Finsbury Avenue, London, EC2M 2PP.**

Contact details:

The Weir Group PLC

Mark Selway, Chief Executive

Keith Cochrane, Finance Director

Helen Walker, Public Relations Manager

Tel. 0141 637 7111

Tel. 0141 308 3739 (Mobile: 07789 032296)

Maitland

Suzanne Bartch

Peter Ogden

Tel. 020 7379 5151

(Mobile: 07769 710 335)

(Mobile: 07811 124 197)

THE WEIR GROUP PLC

ACQUISITION OF SPM FLOW CONTROL, INC.

1. Introduction

Weir has entered into an agreement to acquire SPM for US\$653 million (£328 million) in cash.

SPM, based in Fort Worth, Texas, is a leading manufacturer of high-pressure well service pumps and other related flow control equipment, which operate in abrasive, high-wear, applications in oil and gas drilling and extraction.

The acquisition is conditional on the approval of Weir's shareholders at an EGM. A circular containing a notice convening this meeting is expected to be posted shortly.

2. Background to and reasons for the proposed acquisition

Strategy

In 2002, Weir outlined its strategy to realign the portfolio of Group businesses: to exit lower margin activities, restructure underperforming businesses and achieve growth in higher-demand, higher-margin sectors. At the same time, the Group implemented the Weir Production System, a structured process geared to maximise operational performance. The benefits of this strategy were evident in the results for 2006, published on 21 March 2007, showing a 40 per cent year-on-year increase in pre-exceptional profit before tax. 80 per cent of the Group's £1.1 billion order input in 2006 was generated from its core markets of mining, oil and gas, power generation, marine and defence.

The Group's strong cash generation and balance sheet capacity have provided it with the flexibility to pursue growth through acquisitions aligned with its core businesses. The Company's strategic acquisition criteria require target companies to be centred on engineering products and services. Characteristics sought in any acquisition include a strong position in a high-growth segment, high aftermarket content, a technological edge, an international market presence with scope for expansion, and sound profitability. SPM satisfies all of these criteria.

SPM's positive market outlook

A key driver of demand for SPM's products is the level of hydrocarbon exploration and production activity. The independent research undertaken for Weir indicates that the number of new oil and gas wells is expected to continue to grow and identifies a continuing shift towards 'unconventional' wells, which require more intensive use of the specialised products supplied by SPM.

Strategic fit and benefits of the proposed acquisition

The proposed acquisition meets Weir's acquisition criteria and provides the enlarged Group with significant strategic and operational benefits. Specifically, SPM presents:

- increased presence in the higher-growth upstream oil and gas market, with a particularly strong position in the high-demand well stimulation niche;
- a business model that is increasingly aftermarket-driven, as the installed base of SPM's well service pumps grows;
- potential to increase sales of both SPM's and the Group's existing engineering services and products across the broader business platform of the enlarged Group; and,
- opportunity in the medium-term to enhance SPM's productivity through the application of the Group's lean process initiatives and production skills.

The exceptional growth experienced by SPM in recent years means that the Group's plans for SPM include investment in upgraded business systems, improved plant layout and a significant strengthening of related management disciplines. In addition, the extensive access to operations provided during due diligence indicates that it will be necessary to increase staffing to a level more appropriate for a business of SPM's scale. The Group is also anticipating adjustment to component prices, reflecting US dollar weakness. Although these factors will increase SPM's cost base, they are necessary to strengthen the business, improve operational efficiency for profitable growth and prepare the business for the longer term.

The Group is confident that its proven capabilities of Weir's business model will deliver effective integration without undue disruption to either business.

3. Information on SPM²

SPM's pump products and associated spare parts account for 72 per cent of revenue and are largely employed in the well stimulation technique, used to increase output from oil and gas wells that might otherwise be uneconomic. The number of wells drilled globally has risen by almost 50 per cent from 2003 to 2006, while pumping horsepower applied to the well stimulation process of hydraulic fracturing in North America has grown by 67 per cent over the same period. Beyond hydraulic fracturing, SPM's pumps have application in pressurised delivery at the wellhead of wellcasing cement and drilling mud.

SPM's other flow control products provide 20 per cent of revenue and include valves, chokes, manifolds, swivel joints and connectors. SPM is one of the few suppliers of both the pump and a full range of flow control products for deployment between the well service unit and wellhead.

The 8 per cent balance of SPM's revenue derives from the provision of related mobile recertification, refurbishment and equipment rental services.

The materials generally pumped to stimulate well output consist of an aggressive mix of water, chemicals and sand, which imposes high wear on equipment. SPM management estimates that aftermarket activities, including spare parts, replacement equipment and service, today represent approximately 45 per cent of SPM's total revenues.

Most of SPM's revenues relate to onshore hydrocarbon production with, geographically, the United States accounting for approximately 66 per cent of revenues, Canada 22 per cent, Europe 7 per cent, Asia and Far East 4 per cent and 1 per cent from the rest of the world.

Customers include manufacturers of well service equipment, well service operators, drilling contractors, oilfield supply houses and integrated oil companies. The top 10 customers, which include leading names in these sectors, represented around 70 per cent of calendar 2006 revenues.

SPM has a consistent history of repeat business from its customers, with research independently conducted on behalf of Weir confirming that:

- in the pumps market, SPM outperforms competitors in product quality and customer service, two of the most important purchasing criteria;
- customers are generally unwilling to source from unproven manufacturers due to the risk to production from the well; and,
- to a large degree, customers return to the original equipment provider for replacement parts.

² All references to percentage contribution to revenue in this section relate to the period 9 months ended 31 March 2007.

SPM's head office and principal manufacturing plant, comprising fabrication, machining, assembly, testing and service facilities, are located on a 12-acre site in Fort Worth, Texas. SPM has ten other service centres, three in Canada, two in Texas, and one each in Colorado, Louisiana, West Virginia, Scotland and Dubai. All facilities are leased, with the exception of the administration building in Fort Worth and the Aberdeen service centre. The Fort Worth plants and Texas service centres are leased from an entity which is controlled by certain of the current owners of SPM. Weir will continue to lease the Texas properties on normal market terms for a period of 4 years.

As at the end of December 2006, SPM had some 631 employees, of whom 482 were based at Fort Worth.

SPM is owned by its current chief executive, Dan Lowrance, and associated family interests. At completion, Mr. Lowrance will retire from SPM but will continue in a consultancy role to the enlarged group on an ongoing basis. It is intended that he will be succeeded by Steve Noon, a senior executive employed by Weir, who will report directly to the Group's chief executive, Mark Selway. The senior management team will be further supplemented by Group manufacturing and business systems specialists. Appropriate retention and incentive arrangements have been put in place for the senior management team. Following integration, SPM will be consolidated within the Clear Liquid operations of Weir's Engineering Products division.

4. Summary financial information

SPM had gross assets at 31 March 2007 of US\$155.7 million (£78.2 million) and profits before tax for the nine months ended 31 March 2007 of US\$60.4 million (£30.4 million). The net assets being acquired by the Group include net cash balances of US\$2.9 million as at 31 March 2007.

SPM's revenue, EBITDA, operating profit, profit before tax and net profit after tax, for the three years ended 30 June 2006, together with comparative figures for the nine months ended 31 March 2007, are summarised below.

<i>US\$millions</i>	<i>Year ended 30 June 2004</i>	<i>Year ended 30 June 2005</i>	<i>Year ended 30 June 2006</i>	<i>9 months ended 31 March 2007</i>
Revenues	55.8	78.8	140.6	208.6
EBITDA	8.6	12.6	43.0	62.6
Operating profit*	6.8	10.4	40.5	60.5
Profit before tax	6.5	10.0	40.1	60.4
Net profit after tax	4.7	6.2	26.9	39.9

* Operating profit in 2006 includes exceptional income of US\$8.0 million representing the settlement of a claim against a supplier.

Note:

Under US legislation, SPM's financial statements are not required to be audited, and were subject to audit only at SPM's request in 2007. Both the accountant's opinion contained within the accountants report and the auditors report on SPM's financial statements are modified for the three years to 30 June 2006, as the evidence available to them in respect of inventory was limited because the counting of the physical inventory was not observed by an auditor. Owing to the nature of SPM's records, the reporting accountants were unable to obtain sufficient appropriate evidence regarding inventory quantities by using other procedures. This modification only relates to inventory and is not significant to shareholders because SPM, observed by Weir and the reporting accountants, undertook a full inventory count as at 31 March 2007.

In consequence, the Directors are able to recommend the proposed acquisition notwithstanding the modified accountants report as the full inventory count was performed and provided adequate assurance over quantity and valuation to give a true and fair opinion of the balance sheet as at 31 March 2007. The financial information for the nine months ended 31 March 2007, as included in the accountants report, is qualified therefore only in respect of opening inventory.

The financial information reflects SPM's success in the last three years, with revenue increasing from US\$56 million in the year ended 30 June 2004 to US\$141 million in the year to 30 June 2006.

Higher energy prices, particularly for US domestic gas, have driven an increase in oil and gas well development, partially compensating for historical underinvestment in the industry. This, when coupled to the increased use of well stimulation technologies, has resulted in strong demand for SPM's specialised portfolio of well service products.

SPM's growth has continued in the nine months to 31 March 2007, with revenue of US\$209 million and operating profits of US\$60.5 million. These results have benefited from a US\$6 million positive cost impact of delayed infrastructure spending and favourable component pricing which is not expected to be sustained.

5. Principal terms and conditions of the proposed acquisition

The proposed acquisition is of the entire issued share capital of SPM and is conditional on the approval of the shareholders of Weir. If Weir does not obtain this approval, it is required to pay to the shareholders of SPM a break-fee of the lesser of US\$30 million and an amount equal to 0.99 per cent of the market capitalisation of Weir based on the closing market price on the London Stock Exchange on 20 June 2007.

The Group and SPM intend to make all relevant filings under the United States Hart-Scott-Rodino Anti-trust Improvements Act of 1976, as amended.

The sale and purchase agreement contains warranties of a type customary in the USA for a transaction of this nature.

6. Funding the proposed acquisition

Two of the group's principal lending banks, RBS and HSBC, have provided new underwritten facilities totalling £550m to support the acquisition of SPM, under agreements dated 20 June 2007. The acquisition will be funded from a combination of the new and existing facilities together with available cash balances.

7. Current trading and prospects for the enlarged Group

The Group's current trading is in line with the Directors' expectations and is consistent with the comments made in the AGM statement released on 9 May 2007: "the Group has started the year well, even against the strong first quarter of last year and it views the outcome for the year as a whole with confidence".

Based on SPM's current order book, due diligence work on its order prospects and the independent market research undertaken by the Group, it is a reasonable assumption to expect revenues of the order of \$320 million in calendar year 2007, some 15 per cent ahead of actual revenues for the nine months to 31 March 2007 pro-rata on an annual basis. Future operating margins are expected to reflect the absence of favourable items in the prior period which we anticipate will progressively normalise to 2006 levels (excluding exceptional income) when taking into account current purchase cost factors and the need to increase infrastructure spending to support recent business growth. The proposed acquisition is expected to be immediately earnings enhancing for Weir and to generate a return in excess of the Group's cost of capital within three years.

8. Shareholder circular and outline timetable

Weir intends shortly to send a circular to shareholders giving full details of the acquisition and including notice of the EGM to consider it. The EGM is expected to take place in mid July 2007 with completion of the acquisition, subject to shareholder approval, expected shortly thereafter.

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