Chief Executive's Review: 2007 was a year of significant achievement where all divisions delivered improved financial performance. We have a strong platform to support future progress and remain well positioned to deliver further growth in 2008.

"In the year we delivered further significant growth in revenue, operating profit and earnings per share and achieved our best operating year ever."

At the outset of the Group's programme for transformation, we defined our ambition to achieve sector best performance by targeting those markets that offer the most attractive prospects and in which the Group has a realistic ability to lead. 2007 proved a critical year on our journey. We exited low margin and non core activities and acquired Weir SPM which operates in the higher margin, higher growth upstream oil sector.

The benefits of these initiatives were evident in our 2007 results. We delivered higher order input and strong growth in the core areas of the business. Our performance also demonstrated the Group's capabilities for integrating new business activities as shown by the seamless entry of Weir SPM into Clear Liquid and the integration of Weir Multiflo within Minerals.

In 2007, Group revenue from continuing operations increased 22% to £1.1bn with almost 90% of the year's input tied to the mining, oil & gas and power generation and industrial markets.

Operating margins, before intangibles amortisation and exceptional items, also improved substantially with progress in all areas of operations. Our Engineering Products Division achieved 13.9% compared with 11.1% last year and the 2006 restructuring programme undertaken by our Services Division contributed to an improved operating margin of 8% in 2007 compared with 5.9% in the previous year.

The increase in the Group's debt to £171.3m, compared with £7.1m in 2006, is a reflection of the acquisition of Weir SPM. Our Lean initiatives again delivered improved working capital and this contributed to the excellent operating cash generation achieved during the year.

Our Journey to Excellence

Engineering Products Division

The Engineering Products Division posted record results in 2007, growing order input 30%, revenue 35% and profit 70% when compared with 2006. The division includes the combined activities of our Minerals, Clear Liquid and Valves & Controls businesses which supply pumps, valves and ancillary equipment to the oil & gas, mining and power generation and general industrial markets.

A key component of the division's success in 2007 has been its strong portfolio of businesses with solid positions in growing and attractive markets and the addition of Weir SPM in the second half of the year. Input grew 30% to £760.7m with more than 80% attributed to the mining, oil & gas and power generation markets. We achieved excellent results from Minerals (up 28%) and Clear Liquid (up 43%) which when combined with 13% growth from Valves & Controls, resulted in the division achieving its highest ever level of order input.

In 2007, the division's revenue grew 35% to £711.6m compared to £525.5m the previous year with a largely balanced workload of new project and aftermarket activity. Our businesses specialise in operationally critical, technology driven, high wear applications where new project sales provide the foundations for medium to long term spares and service streams.

Operating profit, before intangibles amortisation and exceptional items, of £98.7m was up 70% on the 2006 result, validating confidence in our strategy of concentrating resources in higher growth markets in which the Group has the ability to lead. Profitability improved in every area during the year. This improvement plus the benefits of the Weir SPM acquisition and a continued contribution from our operational excellence initiative all helped to achieve underlying margin growth to 13.9% compared with 11.1% last year.

Our Engineering Products Division includes a strong portfolio of businesses in the mining, oil & gas and power generation markets – and all the indicators point to sustained demand for our products. Increasing infrastructure needs in China and India combined with growing global population are expected to underpin ongoing sector growth in the medium term.

The Engineering Products Division has changed dramatically over the past few years. We have restructured our underperformers, exited lower margin activities and acquired new businesses in higher growth oil and mining sectors. These activities, combined with focus on Lean processes and the application of the Weir Production System, provide a strong basis for achieving improved results in 2008 and beyond.

Our **Minerals** business posted another year of excellent progress with significant gains in input, revenue and profit when compared with 2006. The principal market for the business is global mining which accounted for almost 70% of revenues in the year.

Order input grew 28% to £491.2m, reflecting the ongoing strength of global mining markets as well as the benefits of management's emerging markets strategy and our entry into specialised areas of the power generation and oil sectors. The combination of an ongoing spares stream from the existing installed base together with the year end order book provides a solid platform for further progress in 2008 and beyond.

Our Netherlands business secured significant new project work in the mining markets of Madagascar and Brazil. Power generation orders from India also contributed to this company's highest ever order input of £101m in 2007 against £57m in 2006.

The Americas also delivered impressive growth with significant new project work in Chile and Brazil adding to the success of our flue gas desulphurisation products in North America. In total, input grew 35% to £230m.

The Australian, Former Soviet Union and African markets continue to benefit from mining investment and the division secured double digit input growth from each of these regions.

Power related input totalled £67m compared with £45m in 2006, reflecting the increased global requirements for flue gas desulphurisation which is used to improve emissions in coal fired power stations. The Minerals team has built a leading position in this high growth area and during the year secured a significant number of new contracts in North America.

Recognising the need to respond to the changing geographic profile of the global mining market, our Minerals businesses continued to invest in growing their presence in the emerging territories of South America, Asia and the Former Soviet Union. Our recent announcement of the acquisition of CH Warman further complements our geographic expansion agenda and provides a strong foundation for growth in a rapidly developing market.

The CH Warman acquisition provides an excellent platform to grow our mining activities within Africa. The combination of CH Warman with our existing business will bring a stronger portfolio of mining products to the market and provide the critical mass to justify further investment in the region. Our objective is to improve the operational performances of the existing operations while building the strategic platform for future consolidation benefits.

The acquisition of Weir Multiflo for A$22m was also strategically important, supporting our ambition to extend the range of product offerings to existing customers. Weir Multiflo was successfully integrated and now forms the division's centre for dewatering products. Plans are being prepared to introduce Weir Multiflo products across the remaining divisional operations.

Going forward, the Minerals business will benefit from the growing demand for basic commodities and continue to progress against its strategic goals.

The **Valves & Controls** businesses made solid progress in 2007 and contributed to revenue and profit growth within the Engineering Products Division during the year. Overall input grew 13% to £77.6m with the power and oil markets representing more than 80% of total orders booked in the year.

During 2007, our United States operations grew their order input considerably through the award of new power generation projects in China and plant upgrades in the USA. Valves & Controls also recorded growth in oil related orders as a result of continued buoyant market conditions in the UK, Indo Pacific and the Former Soviet Union, all regions which we expect will maintain a positive outlook for 2008.

As outlined in our last update, Valves & Controls USA has now completed plans to move to larger premises and to capitalise on the growing opportunities in its domestic market. During the year, we disposed of the inefficient Salem, Massachusetts facility and will move the operations into a new modern plant in the first quarter of 2008.

Our Valves & Controls business in China continued to make good progress and contributed positively to the results of the division. Orders in the Chinese new build power sector substantially increased during the year and the outlook remains positive for 2008 and beyond.

We remain encouraged by the prospects for the Valves & Controls businesses. The European and North American power markets are entering a period of life extensions and new build projects. In addition, we expect dramatic growth in China, India and South Africa and remain well placed to capitalise on these opportunities as we enter 2008.

Our **Clear Liquid** businesses contributed significantly to the results of Engineering Products in 2007. The acquisition of Weir SPM, our disposal of Weir Pumps, Glasgow and the significant growth of Weir Gabbioneta were all significant contributors to Clear Liquid's improved results.

Clear Liquid now comprises a portfolio of businesses with solid positions in growing and attractive markets. In 2007, input increased 43% to £191.9m. This reflects the addition of Weir SPM and a further 3% increase from the speciality businesses against the record high input achieved in 2006. The oil, power and general industrial markets collectively represent more than 75% of total orders booked in the year.

The results for Clear Liquid include a partial year contribution from Weir SPM from July of 2007 when the acquisition was completed. Weir SPM contributed £78.7m of revenue and £19.1m of operating profit, before intangibles amortisation, which exceeded our expectations at the time of the announcement of the acquisition. Our success in clearing past due orders provided a one-off benefit in 2007 which is not expected to repeat in 2008. The business has been successfully integrated and the Weir Production System is in the early stages of implementation.

Weir SPM's market is largely tied to the upstream drilling of gas wells in North America where gas storage levels, gas prices and North American weather conditions are key market drivers. While we are likely to see some unwinding of favourable market conditions during 2008, we remain confident that growth from servicing the installed base and the continued success of our improvement initiatives will underpin further profit progress in the year.

The Clear Liquid speciality businesses continued to perform well with excellent progress at our operations in Missouri, California and Utah as a result of continued buoyant domestic demand and the increased geographic reach of the Group.

Weir Gabbioneta, our downstream oil business, performed exceptionally well and clearly gained from strong market conditions and a two year investment in the Weir Production System. Productivity and plant throughput improved dramatically, underpinning a year of substantial growth in revenue and profit. The downstream oil market in Europe and the Former Soviet Union benefited from the continued high price of oil which allowed Weir Gabbioneta to equal the exceptional level of bookings achieved in 2006.

The disposal of the Weir Pumps Glasgow operation for a consideration of £45.5m resulted in an exceptional gain of £26.0m being reported for the year. The business will, however, remain on the Weir owned Cathcart site until the early part of 2009 following which the site will be sold in a prearranged deal with Cala Homes.

The medium term outlook for Clear Liquid and the oil & gas, power and related general industrial markets remains positive and this, when coupled with our plans for ambitious operational improvement, provides a solid platform for further progress in 2008.

Engineering Services Division

Input from **Engineering Services** increased 8% to £250.6m (2006: £232.9m). Revenue grew 4% to £231.4m (2006: £221.7m), producing an operating profit, before intangibles amortisation and exceptional items, of £18.5m up 41% when compared with 2006. This reflects the benefits of our 2006 restructuring initiatives in the UK, USA and Middle East. The division's operating margin of 8.0% exceeded our expectations and is expected to progress further in 2008.

In the UK, input grew 5% to £74.2m (2006: £70.9m) with new hydro orders contributing to solid growth in our power generation activities. Rationalisation of the number of UK Service Centres, which was completed in 2006, underpinned the 2007 results and this is expected to provide further improvements in the year ahead.

Our Middle East business grew input by 15% to £28.9m (2006: £25.1m) with significant new orders booked in oil services. Our joint venture service operations in Saudi Arabia and Abu Dhabi continued to benefit from strong market conditions in their regions and contributed £3.4m of operating profit for the Group compared with £2.4m in 2006.

The Canadian operation had another successful year, benefiting in particular from continued buoyant market conditions and Weir's growing position in the oil sands sector. In the USA, the 2006 closure of our loss making service centres resulted in the remaining United States businesses contributing positively to the division's results in 2007.

The Australian operations performed well in the year, growing both revenue and profit when compared with 2006. Our investment in larger facilities in Western Australia, which came on-line in the first half, made a solid first time contribution in the year.

We remain optimistic about the prospects for our Services Division which is increasingly aligned with the higher growth oil & gas, power, mining and industrial markets. The facility investments made in 2007, together with the excellent progress from our joint ventures in Saudi Arabia and Abu Dhabi provide the foundations for further improvement in 2008.

Defence, Nuclear & Gas Division

Revenue from the **Defence, Nuclear & Gas** Division increased 10% to £117.6m (2006: £107.3m) and produced an operating profit, before intangibles amortisation and exceptional items, of £10.4m against a prior year of £10.0m. Input in 2007 decreased by 53% to £84.0m against the exceptional level of orders in the previous year.

Our liquid gas operation, Weir LGE, is the market leader in the design, project management and commissioning of facilities for the shipbuilding and onshore storage of liquid gas. In 2007, revenue grew 13% to £65.8m compared with £58.1m in the previous year. The majority of growth during the year was due to the successful achievement of predetermined milestones on new ship contracts which had been booked previously.

The defence and nuclear businesses delivered an increase in revenue and operating profit. Order input at £72.2m was 10% below 2006 due to last year's award of the £38m Spanish defence contract. Revenue grew 5% to £51.8m compared with £49.2m in the prior year. We remain confident of securing a number of significant opportunities in the defence and nuclear activities in 2008.

The outlook for the defence markets in the UK, Australia and Canada, which are all key markets for Weir defence products, remains encouraging and the decommissioning activities in the UK nuclear market provide a positive outlook for 2008. The shipbuild market is fully committed which 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.

2008 Outlook

In 2008, the Engineering Products Division is expected to deliver growth in revenue and profits when compared to 2007.

The Engineering Services Division is forecast to deliver margin and profit growth in 2008.

The Defence, Nuclear & Gas Division is positioned to deliver equivalent revenue and profit as achieved last year and joint ventures are also expected to continue their good contribution.

The Group is in good financial condition with a robust order book which supports our continuing level of confidence in our outlook for the year ahead. By remaining on course and capitalising on our position in strong end markets we are confident in achieving the Reuters market consensus for 2008, which at 4 March 2008 projected profit before tax for continuing operations of £140m.

Mark Selway
Chief Executive
11 March 2008