Chairman's Statement

I am pleased to report a further year of significantly improved operational and financial performance. In 2008, we benefited from our alignment to the oil and gas, mining and power markets and delivered strong growth in revenue and operating profit.

"The Weir Group enjoyed another successful year delivering a substantial increase in sales, earnings and cash flow generation."

Financial highlights

The Weir Group enjoyed another successful year delivering a substantial increase in sales, earnings and cash flow generation. Our acquisition of Warman within the Minerals Division, improved operational performance from the Power & Industrial Division and full year addition of Weir SPM in the Oil & Gas Division, all contributed to this very strong result.

Group revenue from continuing operations increased 34% to £1.4bn (2007: £1.0bn) driven by a partial year contribution from our most recent acquisitions, a full year contribution from Weir SPM, which was acquired in July 2007 and stronger performances across all divisions. Operating profit from continuing operations before intangibles amortisation, at £185.0m was 58% above the 2007 level of £116.9m. Operating margins, excluding intangibles amortisation and joint ventures, increased to 13.3% against 11.3% last year.

As a result of this strong performance, Group pre-tax profit from continuing operations before intangibles amortisation was up 53% to £176.2m (2007: £115.0m).

With an effective tax rate of 29.4% on attributable profit for continuing operations before intangibles amortisation, earnings per share on the same basis amounted to 59.3p (2007: 39.7p).

Trading profit, excluding intangibles amortisation, of £2.8m was realised in respect of our discontinued operations and an exceptional gain of £55.1m was recognised in relation to the disposal of Strachan & Henshaw during the year.

Operating cash flow from continuing operations improved significantly to £214.4m (2007: £143.5m) as a result both of increased profitability and the success of management focus on improving working capital. The year ended with net debt of £239.9m, compared with £171.3m in 2007, reflecting the combination of continued strong cash generation, the acquisitions of Warman, Mesa and Standard Oilfield Services (SOS) and a £63.5m adverse foreign currency translation impact. We reduced further the Group's exposure to its pension fund obligations through the purchase of a second insurance policy in respect of certain deferred members of the main UK scheme.

The Board is recommending a final dividend of 13.85p per share making a total distribution for the year of 18.5p (2007: 16.5p), a 12% increase on 2007.

Strategy & structure

It is pleasing to report a further year of significantly improved operational performance and financial returns by the Group. The achievements include a realigned portfolio of businesses, improved operational performance and the addition of several high quality businesses. Our investments in Lean processes and most recent acquisitions were also significant contributors to the Group's 2008 performance.

During the year, the Group was reorganised into three divisions: Minerals, Oil & Gas and Power & Industrial with the services businesses being integrated into each of these divisions. We are convinced that sales efficiency, end-to-end offerings and geographic leverage from a sector focused organisation will be significant.

In March, we concluded the acquisition of Warman, a South African based company, for a cash consideration of US$231m. This acquisition provides the Minerals Division with a platform in the strategically important sub-Saharan mining market.

In April, the Group announced the sale of Strachan & Henshaw, its remaining defence activity, for a cash consideration of £63.7m. We disposed of the non-core Canadian distribution business for a cash consideration of CAD$25m and concluded our disposal activities with the sale of the UK Materials & Foundries operations for £10m in October.

In June, we acquired Mesa for a cash consideration of US$40m. This Texas-based business has aligned markets with Weir SPM and extends our products and service offerings in the upstream oil sector. The integration programme has gone well and the business exceeded revenue and profit expectations during the period.

In July, the Group acquired 75% of SOS, a small oilfield services company in Baku, for a cash consideration of US$16m, with the objective of extending the geographic reach of the Group's Oil & Gas operations. The business is being integrated successfully and plans are in place to extend its reach to the wider Caspian region.

Management's key priority in 2009 is to steer the Group through the unprecedented headwinds which the volatility in equity and constrained debt markets will inevitably have on the Group's end markets. The combination of necessary management actions to address these issues and the continued progress in the execution of the Weir Production System across all operations underpins our plans to further improve working capital, grow our market share and enhance customer relationships.

The Group continues to invest both in organic development and extending our presence in higher growth markets. The current economic environment, however, requires increased diligence in the Group's corporate activities and shareholders can be assured of a continued disciplined approach to future growth.

The Board

At last year's annual general meeting, Christopher Clarke confirmed his intention to retire from the Board at the end of the year following nine years of valued service to the Group. In preparation for this change, with effect from 1 June 2008, John Mogford was appointed a non-executive director. John is a senior executive with BP and brings 30 years experience in the oil and gas sector. We have also announced the appointment of Richard Menell as a non-executive director. Richard has spent his life working in the mining industry in South Africa, Australia and the United States.

Following an extensive period of service with the Group, Professor Ian Percy has confirmed his intention to retire from the Board ahead of our annual general meeting in 2010. In preparation for this change, Michael Dearden, who has been with the Group as a non-executive director since 2003, will be appointed senior independent director with effect from November 2009.

Corporate governance

I remain confident that we have the culture and required processes within the Weir Group to protect effectively the interests of all of our stakeholders. Ethical conduct remains 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 and clear statement of company values.

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

People

On behalf of the Board, I want to thank all our employees for their commitment, tireless energy and focus during 2008. In 2009, our continued focus on developing our markets, improving productivity and forging new and stronger customer relationships will be critical to the Group's ongoing success.

Prospects

The long cycle nature of our end markets helped to insulate the Group from the economic turmoil which occurred in the broader economy in the second half of 2008.

While we enter 2009 with a significantly stronger forward order book than at the same point last year, we are not immune from the broader economic environment and expect lower activity levels and capital spending deferrals to feature in many of the Group's end markets. The Group has developed plans to respond to the impact of slowing market conditions and remains committed to delivering sector leading performance.

Despite the Group's best ever performance in 2008, our share price has been adversely impacted by the global turmoil. In the face of these volatile conditions, I remain confident the Group has the right strategy and depth of expertise to deliver sector leading returns to our shareholders.

Lord Smith of Kelvin
Chairman
10 March 2009