Chief Executive's Review

2008 proved to be the best operating year in Weir's history and the results reinforce our belief that we remain on the right path to sustainable long-term value creation.

The Group's 2008 input increased 30% to £1.4 billion with all three divisions enjoying positive market conditions for the majority of the year and first time contributions from the Group's acquisitions.

"2009 is expected to bring with it new challenges for the world and its economies. These challenges will include recessions, rising unemployment and turmoil in the banking sector which will certainly impact on how our end markets perform. We are taking actions to prepare the business for short-term pain but with an eye on the longer-term opportunities created by the impact of the crisis on less effective competition."

Annual revenue for 2008 increased by 34% to £1.4bn with each division achieving improved margin performance and turning in double digit top line and profit growth.

Excluding intangibles amortisation, the Group posted operating profit of £185.0m, up 58% on the prior year and delivering an earnings per share increase of 49% to 59.3p.

The Group generated £60.7m of free cash flow before acquisitions and disposals and returned 22.2% on capital invested.

The Group has three vibrant sector-focused growth platforms

In 2008, the Group restructured to bring absolute clarity to its markets and sectors and crystallised our strategies for each of the divisions.

Minerals Division

Our Minerals Division is dedicated to achieving leadership in the supply and service of equipment for the mining, flue gas desulphurisation and oil sands markets.

As the world's leading supplier of equipment for the processing and transportation of slurries we are harnessing our technology, expertise and passion to reduce product life costs and maximise value for customers. To leverage the Group's leadership position we continue to develop our geographic presence and extend service offerings across the globe. Early indications show that by extending these offerings on a global business platform we will be better positioned for future growth.

Order input grew 23% to £805m (2007: £656m), with good progress across the Group's mining markets and particularly strong conditions in the Indo Pacific markets. Revenue increased 30% to £742m (2007: £570m), with significant growth in South America, Africa and China combining with contributions from Warman and Weir Multiflo. Operating profit before intangibles amortisation increased 39% to £114.5m (2007: £82.3m), while margins increased to 15.4% compared with 14.4% in 2007.

Our Minerals Division experienced strong market conditions throughout 2008 and grew its order book substantially quarter on quarter. Original equipment accounted for 52% of the year's input with spares and service making up the balance.

While all businesses within the Minerals Division performed strongly in 2008, the Netherlands operation deserves special mention due to its significant and continued success in new project work for major pipelines. In 2008, the Netherlands business grew its revenue to £104m against £75m in the prior year.

During the year, there were significant orders for new project capital equipment including the award of a joint bid between the Australian and Netherlands businesses for BHP Billiton's Worsley Alumina project in Western Australia. The expansion will increase production by 30% and is due to come on line in the first half of 2011.

In March, Warman was acquired and substantially increased Minerals position in the high growth African market. In the period of ownership, Warman contributed £45m of input, £45m of revenue and £7.4m of operating profit to Minerals 2008 results. The new enlarged business is making excellent progress.

Oil & Gas Division

The Oil & Gas Division includes the Group's upstream and downstream businesses along with the substantial Oil & Gas service operations across the globe. Order input grew 62% to £289m (2007: £179m), with good progress across all of the division's most significant markets and a contribution of £142m from recent acquisitions. 48% of input related to original equipment, 23% to spares and 29% to service activities.

Revenue increased 40% to £280m (2007: £200m), including a contribution of £157m from Weir SPM, Mesa and Standard Oilfield Services (SOS). Operating profit including joint ventures before intangibles amortisation increased 62% to £61.0m (2007: £37.6m), while margins reflected the significant contribution from the division's higher margin acquisitions and increased to 21.8% against 18.8% in 2007.

The results for upstream businesses include a full year contribution from Weir SPM, which was acquired in July 2007. The business has been successfully integrated and the Weir Production System is fully implemented, including Lean manufacturing, 5S housekeeping standards and improved infrastructure at all of its service centres.

Weir Gabbioneta was selected for the supply of pumps for a renewable diesel production plant in Rotterdam, which is expected to contribute to a significant reduction in exhaust emissions and will achieve first production in 2011. In Singapore, a similar renewable energy plant is due to be launched at the end of 2010. Using palm oil as its base material, the plant is expected to place Singapore at the centre of biofuel production.

Also in the year, we acquired two smaller businesses to expand the product and geographic positioning of the Oil & Gas Division. First, Mesa, a privately owned pump and flow equipment business in Texas which is aligned to the customers and markets of Weir SPM. The second was the acquisition of a 75% shareholding in SOS, an oil services business in Baku.

Power & Industrial Division

The Power & Industrial Division includes the combined activities of the Group's valves operations, our speciality pump business in the United States and the power related service centres in Canada, Europe, India, the Middle East and Africa.

The division achieved significant success in the year and put clarity to its plans to grow the Group's position in the global power and related markets.

The businesses supply critical safety valves to the power generation markets while our global network of service operations specialises in the maintenance, upgrade and management of power and industrial assets.

Order input grew 29% to £271m (2007: £211m), with 44% related to original equipment, 10% to spares and 46% to service activities. The power sector made excellent progress increasing by more than 75% to £150m against £86m in 2007. Revenue increased 11% to £223m (2007: £201m), with significant growth in the power markets in China, North America and the United Kingdom. Operating profit before intangibles amortisation increased 34% to £18.0m (2007: £13.4m), while margins increased to 8.1% against 6.7% in 2007.

During the year, the division was awarded new build, upgrade and maintenance work in all of its core markets. The French business secured new nuclear programmes in China while the Services business was awarded an £11m contract to upgrade a power generation operation in Libya.

Successful corporate activities accelerating focus and growth

During the year, the Group made one significant and two smaller acquisitions which, combined with a full year from Weir SPM, contributed input of £186m, revenue of £203m and operating profit excluding intangibles amortisation of £48m in 2008. The integrations have been well executed and all of the Group's acquisitions have exceeded performance targets.

In addition, the Group made three disposals of operations where end markets were not aligned to the strategic ambitions of the Group. The sale of each of these businesses was designed to eliminate the Group's exposure to non-core markets and sectors and to open up resources to focus on the future direction of the Group. These businesses collectively had 2007 revenues of £100m and contributed £7m of profits to the respective divisions to which they reported at that time.

We have clear operational and strategic focus for 2009

2009 is expected to bring with it new challenges for the world and its economies. These challenges will include recessions, rising unemployment and further turmoil in the banking sector which will certainly impact on how our end markets perform.

Group-wide processes have been activated to monitor early warning indicators, develop scenarios and implement downturn response actions. We are taking actions to prepare the business for the short-term, but with an eye on the longer-term, while remaining focused on operational efficiencies, cash generation and lowering our costs.

Tough to call 2009 but great start to the year

The Group enters 2009 with a strong order book and well developed plans to respond to the effects of slowing activity in our most important markets.

The outlook for Minerals will be impacted by the general market slowdown. The year commenced with a much improved order book but we expect a general reduction in activity levels as inventories realign to demand.

We expect new capital spend to decrease which will be reflected in reduced input in the first half of the year. In the second half, a corresponding decline in original equipment revenue is anticipated which will continue into 2010. Divisional profitability will be principally driven by the volume of spares and service and our ability to offset reducing overhead recovery from lower volumes of original equipment manufacture.

In Oil & Gas, we have already responded to a lower level of activity in our upstream business. Assuming economic conditions remain consistent with the early part of the year, we would expect 2009 revenue to be up to 30% below the second half 2008 run rate.

Our downstream business has sufficient original equipment order coverage to support its volume needs through a large part of 2009 and we are yet to experience any slowing of spares volume.

The outlook for Power & Industrial remains broadly positive with a global need for infrastructure spend supporting a strong medium-term outlook. In 2009, funding availability is expected to delay some new build activities but with a corresponding increase in upgrade and maintenance work.

The Group's current order book, combined with good operational performance and the benefits from positive foreign currency translation effects, have provided a strong start to 2009. We are, however, unable to predict with any certainty the market conditions which will prevail in the latter part of the year.

Mark Selway
Chief Executive
10 March 2009