

**The Weir Group PLC**

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Engineering  
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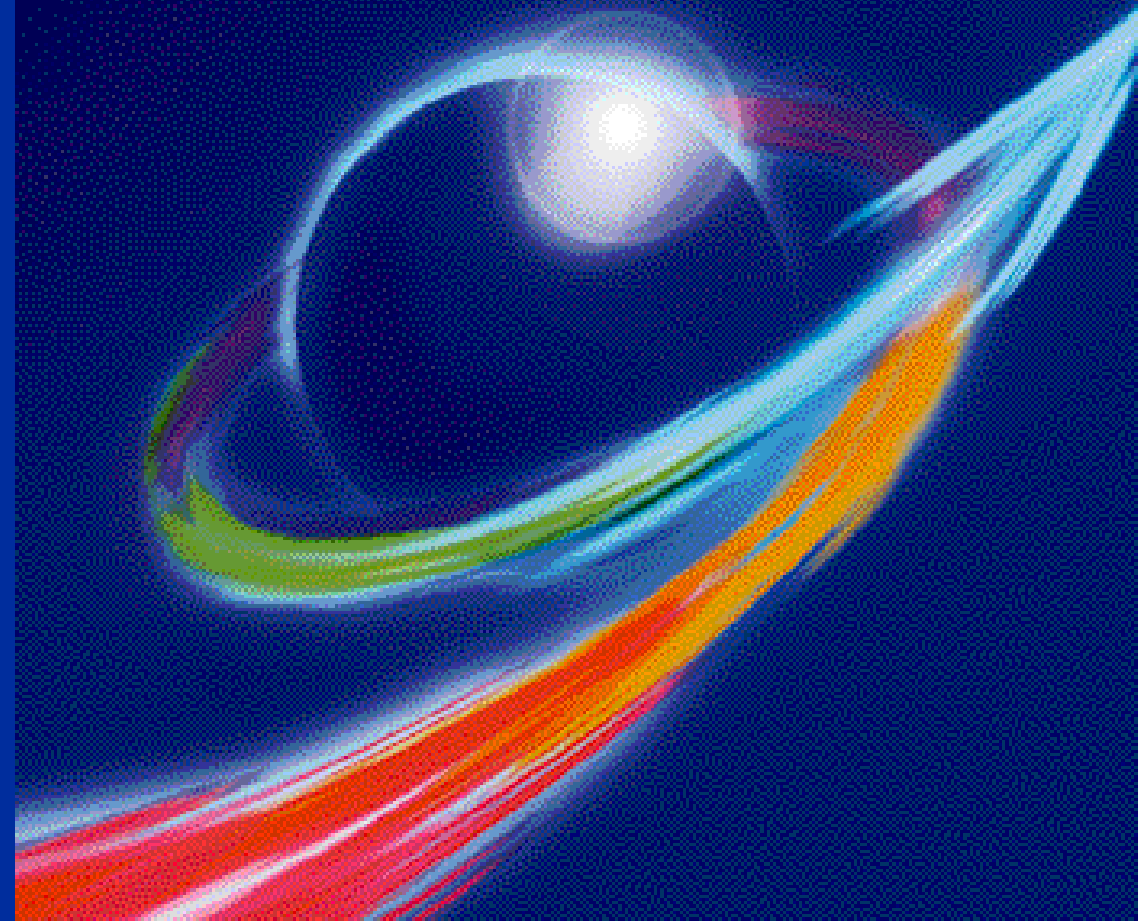
**WEIR**

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Excellent  
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# Interim Report 2005



## Financial Highlights

Results for 26 weeks ended 1 July 2005

- Order input<sup>2</sup> up 10.1% to £445.0m (2004: £404.3m)
- Revenue up 9.7% to £354.1m (2004: £322.7m)
- Pre-tax profit<sup>1</sup> up 1.5% to £24.4m (2004: £24.0m)
- Dividend increase of 2.9% to 3.55p (2004: 3.45p)
- Disposal of Techna water treatment businesses
- Agreement to acquire Pompe Gabbioneta SpA
- Restructuring on target and within budget

	Total Operations			Continuing Operations <sup>3</sup>		
	2005	2004	Change	2005	2004	Change
Order Input <sup>2</sup>	£480.7m	£456.1m	+5.4%	£445.0m	£404.3m	+10.1%
Revenue	£388.3m	£338.0m	+14.9%	£354.1m	£322.7m	+9.7%
Profit from Operations <sup>1</sup>	£25.1m	£23.8m	+5.5%	£25.9m	£25.0m	+3.9%
Pre-tax Profit <sup>1</sup>	£23.5m	£23.1m	+2.1%	£24.4m	£24.0m	+1.5%
Earnings per share <sup>1</sup>				9.4p	9.3p	+1.1%
Dividend				3.55p	3.45p	+2.9%
Net Debt				£26.3m	£23.0m	+£3.3m

<sup>1</sup> Excluding restructuring charges and profit and loss on business disposals

<sup>2</sup> Excluding joint ventures and associates; calculated at 1 July average exchange rates

<sup>3</sup> Excludes discontinued businesses

## Chairman's Statement

In the first half of 2005, the Group's continuing operations delivered increased order input, revenue and pre-tax profit, excluding restructuring charges, when compared to the same period in 2004.

The previously announced restructuring activities in our UK Clear Liquid and Valves businesses are proceeding to plan and we remain confident that these reorganisations will return the respective businesses to profitability in the first full year, 2006, with full recoveries of cash outflows expected during the course of 2007.

In the first half, we concluded the disposal of Weir Flowguard, a small non-core pulsation dampener business, for a total consideration of £2.9m and in July, the Group announced the disposal of Techna's water treatment businesses for an aggregate value of £27.7m. These disposals further improve our focus, releasing financial and management resources to facilitate the ongoing operational and strategic development of the Group.

In August, the Board announced our agreement to purchase Pompe Gabbioneta SpA, a specialist petrochemical pump producer located in Milan, for a debt free consideration of €100m (£69m). This acquisition achieves twin objectives of adding high quality businesses in our higher growth sectors and building our position in the specialist pump market.

The Group's recent announcements regarding the restructuring activities in Clear Liquid and Valves, our geographic expansion in China and the Middle East and the acquisition of Gabbioneta, do not affect our ability to pursue new capital investments and acquisitions while delivering increasing returns for shareholders. In particular, the Board continues to target the completion of a share buy-back of up to £50m in the current year.



**Sir Robert Smith**, Chairman  
18 August, 2005

## Financial Highlights

2005 first half input at £445.0m was 10.1% higher than the same period in 2004 with Engineering Products and the retained Techna businesses (which, following the disposal of the water treatment businesses, will collectively be reported as the Defence, Nuclear and Gas Division) all showing improvement.

Geographically, the main areas of input growth were Australia, up by 30%, the Middle East and Africa, up by 50%, and the Indo-Pacific region, up by 17%.

Revenue from Group continuing operations grew by 9.7% to £354.1m (2004: £322.7m) due in part to £3.9m of favourable foreign exchange translation effects. Good growth was achieved across the Engineering Products and Defence, Nuclear & Gas businesses offsetting in total a £4.0m reduction in Engineering Services.

First half profit from operations before restructuring charges and finance costs at £25.9m (2004: £25.0m) was 3.9% above the same period in 2004. The 2005 result includes a £0.5m benefit from foreign exchange translation but also includes a £0.3m charge for IFRS related foreign exchange transactions and a £0.3m increase in the charge for share based payments.

Attributable profits from our Joint Ventures & Associates contributed £3.4m against £2.7m in the first half of 2004.

First half pre-tax profit, pre-restructuring, was up 1.5% on the previous year at £24.4m (2004: £24.0m)

There were two separate items in the first half of 2005 which affected the pre-tax results. The first arose from the disposal of Weir Flowguard in June 2005, which crystallised an exceptional

loss of £2.1m which included a £3.1m write-off of previously capitalised goodwill. The second related to the previously announced restructuring of the UK Valves and Clear Liquid operations which resulted in costs totalling £18m in the period.

In early July 2005, we announced the sale of the water treatment businesses of Techna for an aggregate price of £27.7m. During the first half of 2005, these businesses produced revenue of £33.4m and generated an operating loss of £1.1m. The budgeted second half profits associated with these businesses were £2.5m. The disposal is expected to crystallise an exceptional profit on completion.

The balance sheet remains strong with net cash generated from operations at £14.1m (2004: £16.8m). This was before a £9.2m cash outflow on the share buy back and first half costs of £8.2m related to our previously announced restructuring activities. Net debt at the half year was £26.3m against the prior year balance of £23.0m

A tax charge of £5.0m (2004: £4.9m) gives a normalised tax rate of 26% on profit before tax and restructuring costs, as adjusted for Joint Ventures, Associates and discontinued operations.

The resulting earnings per share for continuing operations, pre-restructuring costs, was 9.4p (2004: 9.3p).

### Dividend

An interim dividend of 3.55p (2004: 3.45p) is declared and will be paid on 11 November 2005 to shareholders on the register at the close of business on 14 October 2005.

## Review of Results

To assist in meaningful comparisons, the following review of results restates comparative 2004 figures at 1 July 2005 average exchange rates and excludes figures for the Valves' pulsation dampener business, Flowguard, which was sold in June and the Techna water treatment businesses Weir Westgarth, Weir Envig and Weir Entropie, which were contracted for disposal early in July.

### Engineering Products

The Engineering Products Division includes the operations of our Minerals, Clear Liquid and Valves & Controls businesses. Revenue from our continuing businesses increased 13.0% to £231.2m (2004: £204.7m) while operating profit, excluding restructuring costs, increased 18.0% to £16.1m (2004: £13.7m).

At the operating profit level, the margin was 7.0% compared with 6.7% in 2004, underpinned by a continued strong performance from Minerals, while both Valves and Clear Liquid's operating performances and previously announced restructuring activities were in line with expectations.

Minerals had an excellent first half growing its order input, revenue and profit through a combination of buoyant commodity markets, new product offerings and the improvements in operational efficiency. The 26% growth in order input was driven by a strong investment climate in mining, particularly in Australia, Brazil and North America. The United States continued to benefit from the growth in demand of flue gas desulphurisation for the power generation market, as did the Chinese market where orders more than doubled.

Despite the impact of the test shop fire at Cathcart, Clear Liquid performed in line with

expectations in the first half of 2005 with order input 6.2% lower at £77.1m (2004: £82.2m) as a result of planned restructuring activities. The award of large scale oil order projects in the Middle East and UK offset continued softness in the North American and European power markets.

The restructuring programme at our UK Clear Liquid business is on track and proceeding within budget. The realignment of our product portfolio to become less reliant on large scale lower margin work and more focused on higher margin niche products made good progress in the first half of 2005. The niche businesses collectively grew their input by 6.1% against the same period last year. As a consequence of the reorganisation of the Cathcart site, the Group's head office will move to Glasgow city centre towards the end of this year. The head office move will result in deferral of some of the restructuring activities into 2006.

Valves & Controls performed well in the first half of 2005, increasing revenue and reducing losses when compared to the same period in 2004. The United States Valves business continued the progress made in building our position in the high growth Chinese power market and increased revenue and profits when compared to the same period in 2004. The French operations benefited from nuclear orders from the Former Soviet Union booked in the second half of 2004 and improved revenue and profitability when compared to the same period last year. The restructuring of our UK Valves business remains on track and within budget. We are working to complete the fit out of a leased, modern manufacturing facility three miles from the existing Huddersfield site with a planned transfer of work scheduled to start in September.

## Review of Results

We remain confident that both UK reorganisations will return the respective businesses to profitability in the first full year, 2006, with full recoveries of cash outflows expected during the course of 2007.

### Engineering Services

First half input from Engineering Services reduced 5.8% to £99.4m (2004: £105.9m) due to delays in expected service work in Iraq and the loss, on rebid, of an asset management contract with Yorkshire Water to a competitor at margins we considered too low. The Australian, Canadian and United States Services businesses all recorded input growth when compared to the same period in the prior year.

As a result, revenue in the first half decreased 4.1% to £91.9m (2004: £95.9m) producing a first half profit of £6.0m against £9.8m in 2004 due, not only to lower business volumes, but also increased operating costs incurred as part of the Group's investment of £1.3m into extending our offerings in the United States market.

During the first half of the year, we committed an additional \$5.0m investment into laser scanning, rapid prototyping and logistics software support, all of which will enhance the quality and delivery of our global parts strategy for the Services Division. Future plans include building on the United States successes by investing in similar systems and technology in our European and Middle East service facilities.

The expansion of our geographic position into higher growth markets continued to progress in the first half of 2005. In June, we finalised, subject to regulatory approval, a £5.1m investment in a Joint Venture services business

in Saudi Arabia focused on developing Weir's position in the strategically important Middle East oil market.

With local government structures now in place in Iraq, new asset management contracts commencing for BP and others in Azerbaijan, and a strong demand for oil and gas services in the Middle East, the second half should produce broadly similar results to the same period last year.

We continue to see good prospects for growth within our Services Division. The investments made in the United States Service Centres, organic growth in Australia and Canada and our most recent investment in Saudi Arabia, provide a solid foundation for the future growth of the division.

### Defence, Nuclear & Gas

Following the sale of Techna's water treatment businesses, the remaining operations of Weir Strachan & Henshaw and Weir LGE now form the Defence, Nuclear & Gas Division. These businesses are involved in design and manufacture of specialist engineering equipment for the naval and energy markets.

First half revenue from the Defence, Nuclear & Gas Division increased 19.0% to £31.0m (2004: £26.1m) producing a profit of £3.2m against a prior year profit of £1.7m. In the first half of 2005, input increased by 37.5% to £77.9m against £56.6m in the previous year.

The defence and nuclear business, Weir Strachan & Henshaw, delivered an increase in revenue and operating profit when compared to the first half of 2004. Order input at £14.7m was £8.4m below the same period in 2004.

However, the UK submarine and carrier programmes and the good level of enquiries outside of the UK continue to offer extensive scope for significant progress in the second half of 2005.

The liquid gas storage business, Weir LGE, achieved a significant increase in revenue and operating profit when compared to the first half of 2004. New orders from Korean shipbuilders and the award of onshore storage work in the Middle East delivered first half input of £63.2m compared with £33.6m in the same period last year. Future market demand and limited shipbuilding capacity continue to underpin Weir LGE's revenue and profit growth in 2005 and beyond.

## Strategy

The Group is currently focused on a transformation programme underpinned by the core principles of operational excellence and continued expansion in higher margin, higher growth markets. In the first half of the year, our corporate activities reflected the ongoing development of this strategy. The sale of the lower margin, higher risk water treatment businesses, the acquisition of Pompe Gabbioneta and the restructuring of underperforming UK operations, are all catalysts to improving the Group's financial profile.

One of the key focuses in the first half has been the restructuring at our two UK operations in

### Joint Ventures & Associates

Weir's share of revenue from Joint Ventures & Associates in the first half of £58.8m was 8.8% above the same period in 2004 (2004: £54.0m). Profit after interest and tax at £3.4m (2004: £2.7m) reflects continued strong performance from Devonport Management Limited which manages the dockyard at Devonport and provides support services to the naval base.

The contribution from Joint Ventures & Associates was adversely affected by a £0.3m increase in the charge for the Group's previously announced, exciting research project to develop commercially viable renewable energy with Scottish & Southern Energy plc.

Engineering Products. Progress on both projects has been in line with expectations and we remain confident that these reorganisations will return the respective businesses to profitability in the first full year, 2006, with full recovery of cash outflows expected during the course of 2007.

In July 2005, the Group announced the disposal of the water treatment businesses of its Techna Division for a total consideration of £27.7m. The disposal, once fully complete, will provide cash and management resource for more profitable investment elsewhere. We also concluded the disposal of Weir Flowguard in

## Strategy

June 2005 for a total consideration of £2.9m. This sale resulted in an exceptional loss of £2.1m which included the write-off of £3.1m of previously capitalised goodwill.

On 15 August 2005, the Group announced the acquisition of Pompe Gabbioneta, a leading specialist pump supplier to the oil industry, for a debt free consideration of €100m (£69m). Through this purchase, which is expected to formally close by the end of September, we are significantly enhancing our portfolio of oil processing capabilities and expect the breadth of the enlarged client base to provide additional opportunities for other Weir products. The business will report through Clear Liquid, consolidating the Group's position in the European and Middle East oil markets while

providing a route to market for Gabbioneta's products into South America and Asia.

The Group continues to invest in developing a geographic presence in high growth markets. Our growing infrastructure in China and plans to expand our Engineering Products' operations in the region complement the recent investments made by Minerals and Services in India. Investments in the global parts business, the joint venture in Saudi Arabia and the acquisition of Gabbioneta are all clear indications of our plans for future top line growth.

Our strong balance sheet and good level of cash generation support our desire to pursue the full range of options for future growth.

## Share Buy-Back

As outlined at the March announcement, the strength of the Group's cash generation and strong balance sheet led the Board to the decision to implement a share buy-back of up to £50m. As at 1 July 2005, a total of 2.9m shares had been purchased at a cost of £9.2m. The Board continues to be committed to a share buy-back of up to £50m.

## The Board

Due to family considerations Chris Rickard, the Group Finance Director, has indicated his intention to leave the Group following a managed handover of responsibilities towards the end of 2005. His technical skills and personal contribution during his time on the Board have been of immense value to the Group.

## Outlook

In the second half of 2005, excluding restructuring costs, the Engineering Products Division is expected to deliver growth in revenue, margins and profits when compared to the same period in 2004.

Minerals is expecting another good year against a backdrop of buoyant commodity markets, new product offerings and the continuing benefits being delivered from their operational improvement activities. The increased proportion of new equipment revenue against previous years will produce a proportionate decline in margins although net profits are expected to grow in absolute terms.

Despite restructuring activities and the fire at Cathcart earlier in the year, the underlying outlook for Clear Liquid remains encouraging. Growth in second half sales from the higher margin businesses combined with reduced losses from Weir Pumps are expected to produce improved results on marginally lower sales when compared to the same period in 2004. The potential to include Gabbioneta in the last quarter of the year provides further upside in our Clear Liquid results.

Valves is expected to deliver improved results from its French and United States businesses, bolstered by stronger order books secured in 2004. The UK restructuring remains on plan and, before exceptionals, the business is expected to deliver an improved second half result on marginally lower sales, when compared to last year.

In the Engineering Services Division, the investments made in our United States and Middle

East Service Centres are expected to deliver increased revenue in the second half of the year. Reduced start-up costs in the United States, continued strong trading in Canada and recent contract awards in the Middle East are expected to offset the contract loss in the UK and provide a second half financial performance at similar levels to 2004.

The Defence, Nuclear & Gas Division is well positioned to deliver further progress in the second half of 2005. Weir LGE's exceptional input during the past twelve months has secured their order book for the medium term. Weir Strachan & Henshaw is well positioned to secure significant new build work in the UK, Europe and Australia, however precise timing remains subject to the respective defence department approvals.

Our Joint Ventures & Associates businesses are expected to continue their good performance in the second half of 2005.

The Group remains in good financial condition with an improving order book and good level of visibility in our most important markets. Assuming no adverse movements in foreign exchange rates from current levels, overall we expect to deliver improved second half sales and profits when compared to the same period last year.



**Sir Robert Smith**, Chairman  
18 August, 2005

## Consolidated Income Statement

53 weeks ended 31 Dec 2004 (restated) £'000	Notes	26 weeks ended 1 July 2005 £'000	26 weeks ended 25 June 2004 (restated) £'000
690,063		354,098	322,731
(499,221)	2	(254,640)	(232,655)
190,842		99,458	90,076
2,049		290	72
(92,624)		(50,644)	(44,712)
(48,255)		(26,560)	(23,182)
541		115	330
5,894		3,282	2,383
58,447	2	25,941	24,967
-		(17,950)	-
58,447		7,991	24,967
(6,387)		(2,844)	(3,017)
2,379		1,040	1,609
887		266	472
55,326		6,453	24,031
11,338	3	5,035	4,904
43,988		1,418	19,127
68	4	(3,078)	(810)
44,056		(1,660)	18,317
Attributable to:			
44,015		(1,669)	18,314
41		9	3
44,056		(1,660)	18,317
<b>Earnings per share</b>			
21.4p		0.7p	9.3p
21.4p		9.4p	9.3p
-		(1.5)p	(0.4)p
21.3p		0.7p	9.3p
21.3p		9.3p	9.3p
-		(1.5)p	(0.4)p
<b>Dividends</b>			
12.50p		9.35p	9.05p
9.35p		3.55p	3.45p
25,688		19,308	18,564
19,362		7,285	7,111

## Consolidated Balance Sheet

31 Dec 2004 (restated) £'000	1 July 2005 £'000	25 June 2004 (restated) £'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
106,050	108,287	98,112
114,707	113,419	110,260
5,725	9,569	13,804
24,704	25,313	24,344
251,186	256,588	246,520
<b>Current assets</b>		
93,170	106,604	87,353
177,652	175,506	164,470
45,905	32,473	35,183
-	5,348	-
1,589	1,562	2,705
213	-	277
97,622	63,137	60,793
-	31,556	-
416,151	416,186	350,781
667,337	672,774	597,301
<b>EQUITY AND LIABILITIES</b>		
25,882	26,011	25,691
26,451	28,662	23,179
-	(9,172)	-
531	531	531
(4,011)	5,191	(9,353)
-	(1,855)	-
215,881	194,205	203,954
264,734	243,573	244,002
573	339	530
265,307	243,912	244,532
<b>Non-current liabilities</b>		
81,994	85,455	1,316
95,334	93,899	93,204
6,958	6,404	7,064
675	719	726
184,961	186,477	102,310
<b>Current liabilities</b>		
3,028	17,187	82,456
167,753	140,509	131,039
29,836	31,264	24,753
-	6,952	-
5,034	5,143	4,457
11,418	18,477	7,754
-	22,853	-
217,069	242,385	250,459
402,030	428,862	352,769
667,337	672,774	597,301

## Consolidated Cash Flow Statement

53 weeks ended 31 Dec 2004 (restated) £'000	Note	26 weeks ended 1 July 2005 £'000	26 weeks ended 25 June 2004 (restated) £'000
<b>Cash flows from operating activities</b>			
67,010	5	14,053	16,750
(12,096)		(2,000)	(12,096)
-		(8,210)	-
(8,815)		(4,468)	(4,461)
46,099		(625)	193
<b>Cash flows from investing activities</b>			
(897)		(1,008)	(182)
4,602		1,881	40
(24,250)		(10,306)	(10,000)
489		31	58
(550)		-	(215)
782		129	356
5,298		-	1,295
(4,765)		(2,949)	(3,431)
2,675		1,073	1,518
(16,616)		(11,149)	(10,561)
<b>Cash flows from financing activities</b>			
5,488		2,340	2,025
-		(9,172)	-
80,842		25,922	-
(113,140)		(10,283)	(28,592)
2,478		-	181
(25,688)		(19,308)	(18,564)
(29)		-	-
(50,049)		(10,501)	(44,950)
(20,566)		(22,275)	(55,318)
117,725		95,611	117,725
(1,548)		2,761	(3,924)
95,611		76,097	58,483
Cash and cash equivalents at end of period comprised:			
97,622		63,137	60,793
-		13,257	-
(2,011)		(297)	(2,310)
95,611		76,097	58,483
<b>Reconciliation of net decrease in cash and cash equivalents to movement in net (debt) funds</b>			
(20,566)		(22,275)	(55,318)
32,298		(15,639)	28,592
11,732		(37,914)	(26,726)
(216)		-	(6)
580		(965)	3,249
12,096		(38,879)	(23,483)
504		12,600	504
12,600		(26,279)	(22,979)

## Consolidated Statement of Recognised Income and Expense

53 weeks ended 31 Dec 2004 (restated) £'000		26 weeks ended 1 July 2005 £'000	26 weeks ended 25 June 2004 (restated) £'000
-	Adjustments relating to adoption of IAS 32 and IAS 39 from 1 January 2005	2,439	-
-	Cash flow hedges - gains (losses) taken to equity	(6,109)	-
-	Cash flow hedges - transferred to profit or loss for the period	(1,624)	-
(4,011)	Exchange differences on translation of foreign operations	9,211	(9,354)
(3,437)	Actuarial loss on defined benefit plans	-	-
(4,459)	Share of associate's actuarial loss on defined benefit plans	-	-
972	Tax on items taken directly to equity	2,326	-
(10,935)	<b>Net income (expense) recognised directly in equity</b>	6,243	(9,354)
44,056	<b>Profit (loss) for the period</b>	(1,660)	18,317
33,121	<b>Total recognised income and expense for the period</b>	4,583	8,963
Attributable to:			
33,080	Equity holders of the parent	4,574	8,960
41	Minority interests	9	3
33,121		4,583	8,963

## Notes to the Financial Statements

### 1. Basis of Preparation

European law requires that the Group's financial statements for the 52 weeks ending 30 December 2005 are prepared on the basis of IFRS as endorsed for use in the European Union. IFRS are subject to amendment or interpretation by the IASB and there is an ongoing process of review and endorsement by the European Commission. These interim financial statements have been prepared on the basis of IFRS that the directors expect to apply in the Group's first IFRS compliant full year financial statements for the 52 weeks ending 30 December 2005 using the accounting policies published by the company on 1 July 2005 (In its IFRS press release available on the company website at [www.weir.co.uk](http://www.weir.co.uk)). This includes all existing IFRS and anticipates that the amendment to IAS 19 "Actuarial gains and losses, group plans and disclosure" will be formally endorsed for use in the European Union. The Group has not applied IAS 34 "Interim financial reporting", which is not mandatory for UK groups, in the preparation of these interim financial statements. For the reasons outlined above, it is possible that the information presented in this report and the accounting policies used, may be subject to change before their inclusion in the Group's first complete financial statements prepared in accordance with IFRS.

As previously announced, as permitted under IFRS1 "First-time adoption of IFRS", the Group has elected to apply IAS 32 "Financial Instruments: disclosure and presentation" and IAS 39 "Financial Instruments: recognition and measurement" prospectively from 1 January 2005 without restating the comparative periods. The principal impact of these standards is in respect of derivative financial instruments which are used to manage economic exposure to movements in currency exchange rates. Such instruments are now required to be recognised in the balance sheet as financial assets or financial liabilities measured at their fair value with changes in their fair value being recognised in the income statement, except where hedge accounting is used. Hedge accounting is applied where exchange risk is considered to be material, and, to the extent the hedge is effective, changes in the fair value of hedge instruments are recognised directly in equity and recycled to the income statement when the hedged item is recognised. The net effect of this at 1 January 2005 is to increase equity by £2.4m.

The interim financial statements are unaudited and do not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. These financial statements were approved by the Board of Directors on 18 August 2005. Financial statements for the 53 weeks to 31 December 2004 are abridged statements; full accounts with an unqualified audit report have been lodged with the Registrar.

# Notes to the Financial Statements

## 2. Segment Analysis - Continuing Operations

	Engineering Products £'000	Engineering Services £'000	Techna* £'000	Continuing operations £'000
<b>26 WEEKS ENDED 1 JULY 2005</b>				
<b>Revenue</b>				
Segment revenue	240,436	93,083	30,978	364,497
Inter-segment sales	9,213	1,186	-	10,399
Sales to external customers	<u>231,223</u>	<u>91,897</u>	<u>30,978</u>	<u>354,098</u>
<b>Result</b>				
Segment result	16,111	6,019	3,163	25,293
Share of results of - joint ventures	-	115	-	115
- associates	-	-	3,282	3,282
	<u>16,111</u>	<u>6,134</u>	<u>6,445</u>	<u>28,690</u>
Central costs				(2,749)
<b>Profit before restructuring costs, net finance costs and tax</b>				<u>25,941</u>
<b>26 WEEKS ENDED 25 JUNE 2004 (RESTATED)</b>				
<b>Revenue</b>				
Segment revenue	211,095	93,962	26,032	331,089
Inter-segment sales	7,860	498	-	8,358
Sales to external customers	<u>203,235</u>	<u>93,464</u>	<u>26,032</u>	<u>322,731</u>
Sales to external customers at 1 July 2005 exchange rates	<u>204,683</u>	<u>95,861</u>	<u>26,071</u>	<u>326,615</u>
<b>Result</b>				
Segment result	13,432	9,528	1,653	24,613
Share of results of - joint ventures	-	330	-	330
- associates	-	-	2,383	2,383
	<u>13,432</u>	<u>9,858</u>	<u>4,036</u>	<u>27,326</u>
Central costs				(2,359)
<b>Profit before restructuring costs, net finance costs and tax</b>				<u>24,967</u>
Segment result at 1 July 2005 exchange rates	<u>13,657</u>	<u>9,759</u>	<u>1,664</u>	<u>25,080</u>
<b>53 WEEKS ENDED 31 DECEMBER 2004 (RESTATED)</b>				
<b>Revenue</b>				
Segment revenue	457,775	200,664	54,767	713,206
Inter-segment sales	21,201	1,942	-	23,143
Sales to external customers	<u>436,574</u>	<u>198,722</u>	<u>54,767</u>	<u>690,063</u>
Sales to external customers at 1 July 2005 exchange rates	<u>438,924</u>	<u>201,593</u>	<u>54,859</u>	<u>695,376</u>
<b>Result</b>				
Segment result	30,723	20,481	3,889	55,093
Share of results of - joint ventures	-	541	-	541
- associates	-	-	5,894	5,894
	<u>30,723</u>	<u>21,022</u>	<u>9,783</u>	<u>61,528</u>
Central costs				(3,081)
<b>Profit before restructuring costs, net finance costs and tax</b>				<u>58,447</u>
Segment result at 1 July 2005 exchange rates	<u>31,211</u>	<u>20,717</u>	<u>3,897</u>	<u>55,825</u>

\* Techna now comprises the Defence, Nuclear & Gas operations

## 3. Income Tax Expense

	53 weeks ended 31 Dec 2004 (restated) £'000	26 weeks ended 1 July 2005 £'000	26 weeks ended 25 June 2004 (restated) £'000
1,562 Group - United Kingdom		21	594
9,774 Group - Overseas		5,110	4,142
11,336		5,131	4,736
(2) Less: discontinued operations		96	(168)
11,338 Income tax expense		5,035	4,904
21 Joint ventures		21	169
2,349 Associates		1,316	911

## 4. Discontinued Operations

On 1 June 2005, the Group disposed of Weir Flowguard Limited and its results are included in discontinued operations in the consolidated income statement.

On 8 July 2005, the Group disposed of the desalination and water treatment businesses of its Techna division (Weir Westgarth, Weir Entropie and Weir Envig). The results of these companies are included in the consolidated income statement as discontinued operations and the assets and liabilities are shown in the consolidated balance sheet as "assets classified as held for sale" and "liabilities directly associated with assets classified as held for sale" respectively.

The revenue, results and cash flows relating to discontinued operations were as follows:

	53 weeks ended 31 Dec 2004 (restated) £'000	26 weeks ended 1 July 2005 £'000	26 weeks ended 25 June 2004 (restated) £'000
48,599 Revenue		34,200	15,227
(48,839) Expenses		(34,994)	(16,355)
(240) Loss before net finance costs and tax		(794)	(1,128)
306 Net finance income (costs)		(70)	150
66 Profit (loss) from discontinuing operations before tax		(864)	(978)
(2) Income tax		96	(168)
68 Profit (loss) from discontinuing operations after tax		(960)	(810)
- Loss on disposal of Flowguard		(2,118)	-
68 Profit (loss) for the period from discontinuing operations		(3,078)	(810)
(438) Cash from operating activities		5,763	(399)
(482) Cash from investing activities		(283)	(142)
513 Cash flows from financing activities		737	721

# Notes to the Financial Statements

## 5. Net Cash Generated from Operations

53 weeks ended 31 Dec 2004 (restated) £'000	26 weeks ended 1 July 2005 £'000	26 weeks ended 25 June 2004 (restated) £'000
58,447		
	<b>25,941</b>	24,967
(240)	<b>(794)</b>	(1,128)
(6,435)	<b>(3,397)</b>	(2,713)
15,208	<b>8,224</b>	7,451
(173)	<b>76</b>	19
(733)	<b>88</b>	(153)
1,895	<b>1,176</b>	550
356	<b>405</b>	83
(203)	<b>44</b>	331
232	<b>(13,317)</b>	5,174
(43,378)	<b>1,260</b>	(21,351)
42,034	<b>(5,653)</b>	3,520
67,010	<b>14,053</b>	16,750
(12,096)	<b>(2,000)</b>	(12,096)
-	<b>(8,210)</b>	-
(8,815)	<b>(4,468)</b>	(4,461)
46,099	<b>(625)</b>	193

## 6. Insurance Matters

No account is taken in the consolidated income statement of any potential future insurance recoveries in respect of the test shop fire at Cathcart as the directors consider that, as at 18 August 2005, it is impractical to reliably assess the financial impact with reasonable certainty.

## 7. IFRS Reconciliations of Net Assets and Profit

The following tables supplement the information contained within the press release of 1 July 2005, which described the conversion of the Group's basis of accounting from UK GAAP to IFRS, and, contained the Group's consolidated income statement, consolidated cash flow statement, consolidated balance sheet as at 31 December 2004, consolidated statement of recognised income and expense and consolidated summary of changes in shareholders' equity for the 53 weeks ended 31 December 2004, restated in accordance with IFRS.

	£'000
<b>NET ASSETS</b>	
Net assets as at 25 June 2004 as reported under UK GAAP	235,533
Goodwill amortisation	3,258
Proposed dividend	7,111
Mid to bid pensions valuation	(706)
Associates	(10,642)
Share based payments	(69)
Holiday pay accruals	(306)
Tax	9,823
Minority interest	530
Net assets as at 25 June 2004 as restated under IFRS	244,532
<b>PROFIT FROM CONTINUING OPERATIONS BEFORE RESTRUCTURING COSTS, NET FINANCE COSTS AND TAX</b>	<b>£'000</b>
Profit for the 26 weeks ended 25 June 2004 as reported under UK GAAP	21,830
Joint ventures & associates interest	(115)
Joint ventures & associates tax	(1,224)
Goodwill amortisation	3,522
Exchange on intra group loans	(331)
Associates	(214)
Share based payments	343
Holiday pay accruals	28
Discontinued operations	1,128
Profit for the 26 weeks ended 25 June 2004 as restated under IFRS	24,967
<b>PROFIT FOR THE PERIOD</b>	<b>£'000</b>
Profit for the 26 weeks ended 25 June 2004 as reported under UK GAAP	15,088
Goodwill amortisation	3,522
Exchange on intra group loans	(335)
Mid to bid pensions valuation	(24)
Associates	(214)
Share based payments	274
Holiday pay accruals	20
Tax	(17)
Minority interest	3
Profit for the 26 weeks ended 25 June 2004 as restated under IFRS	18,317

# Independent Review Report to The Weir Group PLC

## Introduction

We have been instructed by the company to review the financial information for the 26 weeks ended 1 July 2005 which comprises the Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Recognised Income and Expense and the related notes 1 to 7. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

## Directors' Responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority.

As disclosed in note 1, the next annual financial statements of the group will be prepared in accordance with those IFRSs adopted for use by the European Union.

The accounting policies are consistent with those that the directors intend to use in the next financial statements. There is, however, a possibility that the directors may determine that some changes to these policies are necessary

when preparing the full annual financial statements for the first time in accordance with those IFRSs adopted for use by the European Union. This is because, as disclosed in note 1, the directors have anticipated that the amendments to IAS 19 'Actuarial Gains and Losses, Group Plans and Disclosure', which has yet to be formally adopted for use in the EU will be so adopted in time to be applicable to the next annual financial statements.

## Review Work Performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

## Review Conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the 26 weeks ended 1 July 2005.

**Ernst & Young LLP**  
Glasgow  
18 August 2005

# Interim Results

The interim results will be sent to shareholders and copies will be available from The Weir Group PLC, 149 Newlands Road, Cathcart, Glasgow G44 4EX.

## Interim Dividend Payable: 11 November 2005

Interim dividend will be paid to shareholders on the register at close of business on 14 October 2005.

Details contained in the interim report can be downloaded from The Weir Group website at: [www.weir.co.uk](http://www.weir.co.uk)