

The Weir Group PLC

Registered in Scotland No. 2934

Registered Office:
Clydesdale Bank Exchange
20 Waterloo Street
Glasgow G2 6DB, Scotland

Excellent
Engineering
Solutions

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the action you should take, you should seek financial advice from an independent financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all your shares in The Weir Group PLC, you should at once forward this document and the accompanying form of proxy to the purchaser or transferee, or to the bank or stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

As part of our commitment to improve shareholder communications our registrars now offer you a free, secure share management website. Managing your shares online means you can access information quickly, securely and minimise postal communications. This service will allow you to:

- *View your share portfolio and see the latest market price of your shares*
- *Elect to receive your shareholder communications online*
- *Calculate the total market price of each shareholding*
- *View price histories and trading graphs*
- *Update bank mandates and change address details*
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To take advantage of this service, please log in at www.uk.computershare.com/investor and enter your Shareholder Reference Number and Company Code (this information can be found on the last dividend voucher or your share certificate).

Letter to Shareholders

4 April 2008

Dear Shareholder

Annual General Meeting 2008

I am writing to invite you to our 2008 Annual General Meeting, which will be held at the Burrell Collection, Glasgow on Wednesday 7 May 2008 at 11 am. Whether or not you are able to attend the Annual General Meeting, please complete and return the enclosed proxy form. This will not prevent you from attending and voting in person at the Annual General Meeting.

At the 2007 Annual General Meeting, shareholders approved an enabling resolution which allowed the Company to establish electronic communication as the normal means of communication with individual shareholders, unless they choose otherwise. Shareholders who have elected to receive information from the Company in hard copy have received this document with the 2007 Annual Report, whilst shareholders receiving information electronically will be viewing via the Group website which also contains the 2007 Annual Report. All shareholders are sent the proxy.

The Notice for this year's Annual General Meeting is contained on pages 5 and 6 of this document. The purpose of this letter is to provide some background to the proposals set out in resolutions 2 to 7, which are included in the Notice as Ordinary Business, and resolutions 10 to 16, which are included in the Notice as Special Business.

Final Dividend (Resolution 2)

Shareholders are being asked to approve a final dividend of 12.35p per ordinary share to all shareholders who are on the register of members on 2 May 2008.

Remuneration Committee Report (Resolution 3)

All UK listed companies are required to seek approval of their remuneration report by shareholders. The full report can be found in the Annual Report 2007 on pages 34 to 40.

Retiring Directors (Resolutions 4, 5, 6 and 7)

I would like to take this opportunity to comment on resolutions 4, 5, 6 and 7 which relate to the re-election of certain directors.

In order to have a well balanced Board, it is necessary to attract and retain directors possessing a sound understanding of the Group and its businesses. The Board also seeks to comply with the requirements of the Combined Code on Corporate Governance (the 'Combined Code') as they relate to the independence of directors.

Christopher Clarke, Stephen King and Mark Selway fall due for rotational retirement at the Annual General Meeting in accordance with the articles of association and will submit themselves for re-election.

Christopher Clarke was appointed a non-executive director in December 1999 and is a member of the Audit and Remuneration Committees. A graduate of Cambridge University and of the London Business School, he was formerly a director of Samuel Montagu & Co. Limited and HSBC Investment Banking. He is a Deputy Chairman of the Competition Commission and a non-executive director of Omega Insurance Holdings Limited. Christopher was born in 1945.

Stephen King joined the Board in February 2005 as a non-executive director. He is a graduate of Sheffield University and Henley Management College. He qualified as a chartered accountant in 1985 and became a member of the Association of Corporate Treasurers in 2000. Having qualified through Coopers & Lybrand, he subsequently worked for Lonrho plc, Lucas Industries plc and SEEBBOARD plc. In 1996, he joined Midlands Electricity plc (now part of the RWE Group) as group finance director. In 2002, he was appointed group finance director for De La Rue plc. He is also a member of their Risk Committee. Stephen was born in 1960.

Mark Selway joined the Board in June 2001 as chief executive. He joined Britax International plc in 1985 working in their Australian, US and UK operations and in 1996 was appointed to the board as managing director of their automotive components division. In 2000, Schefenacker International AG purchased this division and he was appointed as a board member and executive director of Schefenacker Vision Systems. Mark was born in 1959.

In line with the Combined Code, it is the Company's practice that any non-executive director who has served more than nine years is subject to annual re-election. Professor Ian Percy, having served on the Board since 1996, exceeds this and, being eligible, offers himself for re-election.

Professor Percy was appointed a non-executive director in 1996 and is the senior non-executive director. He was senior partner of accountants Grant Thornton, president of the Institute of Chartered Accountants of Scotland and chairman of The Accounts Commission for Scotland. He served as a member of the Treasury and DTI Co-ordinating Committee on Audit and Accounting in 2003 and was chairman of Companies House until December 2006. He is the senior non-executive director of Cala Group Limited, non-executive deputy chairman of Ricardo plc and chairman of Queen Margaret University, Edinburgh.

Notwithstanding his presence on the Board for a period of more than nine years, the Board considers Professor Percy, who continues to be a member of the Board and the Remuneration and Nomination Committees, to be independent in character and judgement. Professor Percy brings a wealth of experience to the Board's deliberations and is considered to be free from any business or other relationship that could materially interfere with his independent judgement. The Board acknowledges that the length of service can affect a director's independence but believes that Professor Percy retains his independence.

The Board recommends to shareholders the re-election of Christopher Clarke, Stephen King, Mark Selway and Professor Percy.

Authority to allot unissued shares (Resolution 10)

This resolution, which will be proposed as an ordinary resolution, authorises the directors to allot unissued ordinary shares in the Company up to a nominal amount of £8,720,000 which represents approximately one third of the issued share capital (excluding shares held in treasury) as at 11 March 2008.

Partial disapplication of pre-emption rights (Resolution 11)

This resolution, which will be proposed as a special resolution, authorises the directors to allot shares in the Company or to sell shares as treasury shares without applying the statutory pre-emption provisions either in a rights issue for cash proportionate to the existing holdings of ordinary shareholders or, in any other allotment for cash or sale of treasury shares for cash, up to a maximum equal to an aggregate amount in nominal value of £1,308,000, which represents approximately 5% of the issued share capital of the Company (excluding shares held in treasury) as at 11 March 2008.

Except for the issue of shares pursuant to the Company's share option schemes and the Long-Term Incentive Plan (LTIP), the directors have no present intention of issuing any part of the unissued share capital.

The authorities sought under resolutions 10 and 11 will be for a maximum period of fifteen months.

Authority to purchase own shares (Resolution 12)

At last year's Annual General Meeting, the Company was authorised in accordance with its articles of association and within institutional shareholder guidelines, to purchase its own shares. No such purchases have been made. The authority expires at the conclusion of the forthcoming Annual General Meeting. The directors are seeking renewal of this authority for a further year. Accordingly this resolution, which will be proposed as a special resolution, seeks authority to make market purchases of shares up to a maximum aggregate nominal value of £2,610,000 and specifies the maximum and minimum prices for the shares. Any shares purchased by the Company under this authority would be cancelled or held as treasury shares. A maximum of 10% of the Company's issued share capital may be held as treasury shares.

As at 11 March 2008, there were options and awards outstanding to subscribe for 2.06m ordinary shares, which are held in the Company share option schemes and LTIP. If the outstanding options were fully exercised they would represent less than 1% of the issued share capital (excluding treasury shares). If the buy back authority was exercised in full, pursuant to this resolution, then the number of options and awards to subscribe for shares outstanding as at 11 March 2008 would represent 1.09% of the reduced share capital (excluding treasury shares).

This authority will expire no later than eighteen months after the date of the Annual General Meeting. Purchases of shares either for cancellation or to be held in treasury would only be undertaken within the limits of the Company's available reserves and only if, in the opinion of the directors, they are expected to enhance earnings per share or otherwise benefit the overall financial position of the Company.

Amendment to articles of association (Resolutions 13 and 14)

Resolution 13 will be proposed as a special resolution to adopt new articles of association with immediate effect to bring the current articles of association into line with the provisions of the Companies Act 2006 that are in force as at the date of the Annual General Meeting. An explanation of the main changes between the proposed and existing articles of association is summarised in Part A of the Appendix of this document.

Resolution 14 will also be proposed as a special resolution and seeks authority to further amend the articles of association to take account of certain provisions in the Companies Act 2006 relating to directors' conflicts of interest which will come into force after the date of the Annual General Meeting. Details of the proposed changes to the new articles of association are summarised in Part B of the Appendix. On the passing of this resolution these changes will automatically be adopted on 1 October 2008 or any later date on which section 175 of the Companies Act 2006 comes into effect.

Amendment to the Rules of the Long-Term Incentive Plan (Resolution 15)

The Company's Remuneration Committee has recently reviewed the incentive arrangements of the Company's senior executives generally, to ensure that they remain market competitive and incentivise executives to continue to deliver excellent group performance. As part of the overall review, the Remuneration Committee specifically considered the current long-term incentive policy operated under the Weir Group Long-Term Incentive Plan (LTIP).

Established in 2004, the LTIP provides for the grant of conditional awards of "performance shares" and "matching shares".

The awards of performance shares and matching shares ordinarily vest on the third anniversary of award subject to the grantee's continued employment and the satisfaction of challenging performance criteria. The vesting of the matching shares is also contingent on the retention of linked "voluntarily invested shares" (acquired voluntarily by executives using part of their Group bonus) or the maturity of "compulsory investment awards" (being a portion of their Group bonus compulsorily deferred under the LTIP by the Remuneration Committee) as relevant.

The conclusion from the Remuneration Committee's review was that the structure of the LTIP continued to provide a suitable and challenging long-term incentive arrangement for the Company's senior executives.

However, the Remuneration Committee also concluded that the current annual limit on the quantum of performance shares that may be awarded each year constrains the Company's ability to make market competitive performance share awards.

Letter to Shareholders (Continued)

Accordingly, Resolution 15 seeks shareholder approval for certain amendments to the terms of the LTIP, namely to: (i) increase the annual limit on performance shares from 80% of salary to 100% of salary and (ii) provide flexibility to increase such limit to 150% of salary in such circumstances as the Remuneration Committee determine exceptional (currently the exceptional limit is restricted for use only in connection with recruitment). It is the Remuneration Committee's intention to make grants in 2008 of 100% of salary to the executive directors.

Conditional award agreement (Resolution 16)

Mark Selway joined Weir in the middle of 2001 and put in place a five year strategy plan in 2002. At that time the Group's production systems were fourth quartile, on time delivery of pumps was 47%, there were several loss making companies, several non-core businesses, little product or materials development, limited use of information technology, particularly in relation to product design engineering, the Weir brand was not universally used, geographical coverage was inadequate and the better performing businesses did not produce margins or cash comparable to the Group's main competitors.

During the five year period from 2002 to 2006, thirteen non-core businesses have been disposed of, significant improvements have been achieved, partly through increased investment, to bring margins up to industry best and there has been significant global expansion. The order book has gone up by 70%, profits by 41%, cash generation by 94% and the share price from 212p at the end of 2002 to over 700p at the current time. In addition, health and safety statistics and on time delivery have greatly improved and the market value of the Group has more than trebled.

The Company announced its preliminary results for 2007 on 11 March 2008 and reported that profit before tax adjusted to exclude intangibles amortisation and exceptional items has risen to £120.2m, an increase of 56% over 2006.

Going forward, the Group is well positioned for substantial growth by increased focus on its key sectors - mining, oil & gas and power. The Board believes that the next few years are critical in relation to the further development of the Group and it is essential that Mr Selway remains with the Group in order that it realises its full potential. Mr Selway is an inspirational leader whose energy and focus is well known. He has delivered on his commitments and the Board believes that Mr Selway continuing as chief executive is critical to the on-going development of the Group. Therefore, Resolution 16 seeks shareholder approval for a one-off arrangement which is specifically designed to retain and incentivise Mr Selway over the next three years.

Under the proposed arrangement, Mr Selway will receive a conditional award of shares with a value of £3.5 million at the grant date, which will vest in three years time subject to specified performance conditions. In addition, Mr Selway will be required to retain his current shareholding for the award to vest.

The Remuneration Committee wishes to ensure that the vesting of this award is closely linked to the Group's performance. As the existing Long-Term Incentive Plan measures Total Shareholder Return performance, the Remuneration Committee has decided that this one-off award should be linked to the financial performance of the Group.

Accordingly, the award will be based on adjusted Earnings Per Share (EPS) and the Remuneration Committee will retain discretion to review the adjustments. 25% of the award will vest if EPS exceeds the UK Retail Prices Index (RPI) by 7% p.a., increasing on a sliding scale to the full award vesting if EPS exceeds RPI by 13% p.a. The Remuneration Committee believes that these targets are extremely challenging in today's market place, given the future growth prospects for 2009 and 2010.

If Mr Selway leaves the Group within the first two years (other than for injury, disability or death), then the award will lapse. If Mr Selway leaves during the third year his award lapses, unless he leaves due to injury, disability, death or retirement without taking up any executive position.

The principal terms of the new arrangement are summarised in Part C of the Appendix.

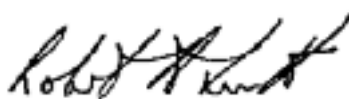
In summary, the Board believes that this retention/incentive arrangement for Mr Selway will be beneficial to the future success of the Group and will also result in enhanced returns to shareholders.

Recommendation and action to be taken

The directors believe that the attached resolutions are in the best interests of the Company and its shareholders and they recommend you to give them your full support by voting in favour of the resolutions which they intend to do in respect of their own beneficial holdings.

You will find enclosed a proxy form which you are requested to complete and return in accordance with the instructions printed thereon as soon as possible, but in any event to be received not less than 48 hours before the Annual General Meeting. The return of the proxy form will not preclude you from attending the Annual General Meeting and voting in person if you wish to do so.

Yours faithfully



Sir Robert Smith
Chairman

Notice of Annual General Meeting

Notice of Annual General Meeting

Notice is hereby given that the one hundred and fourteenth Annual General Meeting of The Weir Group PLC will be held in the Lecture Room, The Burrell Collection, Pollok Park, Glasgow, on 7 May 2008 at 11 am for the purpose of transacting the following business:

as ordinary business:

1. to receive and adopt the financial statements and the reports of the directors and auditors for the 52 weeks ended 28 December 2007;
2. to declare a dividend;
3. to approve the Remuneration Committee Report as set out in the Annual Report for the 52 weeks ended 28 December 2007;

to re-elect through separate resolutions 4, 5 and 6 the directors who retire by rotation in accordance with the Company's articles of association:

4. Christopher Clarke;
5. Stephen King;
6. Mark Selway;

to re-elect the director who retires in accordance with the Combined Code:

7. Professor Ian Percy;
8. to re-appoint Ernst & Young LLP as auditors;
9. to authorise the directors to fix the remuneration of the auditors;

as special business:

10. to consider and, if thought fit, pass the following resolution which will be proposed as an ordinary resolution:

THAT for the purposes of section 80 of the Companies Act 1985 the directors be and they are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (as defined in the said section 80) up to an aggregate nominal amount of £8,720,000 provided that this authority shall expire (unless previously revoked or

renewed) on 7 August 2009 or at the conclusion of the Annual General Meeting to be held in 2009, whichever is the earlier, and provided further that the Company may before the expiry of this authority make an offer or agreement which would or might require relevant securities to be allotted after the expiry of this authority and the directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired.

11. to consider and, if thought fit, pass the following resolution which will be proposed as a special resolution:

THAT the directors be and they are hereby authorised for the purposes of section 95 of the Companies Act 1985 to allot equity securities (as defined in section 94 of the said Act) pursuant to any general or unconditional authority conferred upon them in accordance with section 80 of the said Act wholly for cash as if section 89(1) of the said Act did not apply to such allotments provided that this disapplication authority shall only apply to allotments made:

- (i) in connection with an offer of such securities by way of rights to the holders of ordinary shares in proportion (as nearly as may be) to their respective holdings of such shares but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory; or
- (ii) (otherwise than under paragraph (i) above) up to an aggregate amount in nominal value of £1,308,000;

and provided that this disapplication authority shall expire (unless previously revoked or renewed) on 7 August 2009 or at the conclusion of the Annual General Meeting to be held in 2009, whichever is the earlier, save that the Company may before the expiry of this disapplication authority make an offer or agreement which would or might require equity securities to be allotted after the expiry of this disapplication authority and the directors may allot equity securities in pursuance of any such offer or agreement as if the disapplication authority conferred hereby had not expired.

Notice of Annual General Meeting (Continued)

12. to consider and, if thought fit, pass the following resolution which will be proposed as a special resolution:

- THAT the Company be and it is hereby generally and unconditionally authorised pursuant to section 166 of the Companies Act 1985 to make market purchases (as defined in section 163 of the said Act) of any of its own ordinary shares in such manner and upon such terms as the directors of the Company may from time to time determine provided that:
- (i) the maximum aggregate nominal value of such shares hereby authorised to be acquired shall be limited to £2,610,000, being equal to approximately 10% of the presently issued ordinary share capital of the Company;
 - (ii) the maximum price which may be paid for any such share shall be limited to an amount equal to 105% of the average of the middle market quotations for such share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the relevant share is purchased and the minimum price shall be the then nominal value of that share; and
 - (iii) this authority shall expire (unless previously revoked or renewed) on 7 November 2009 or at the conclusion of the Annual General Meeting to be held in 2009, whichever is the earlier, provided that the Company may before such expiry make any contract of purchase of its own ordinary shares which would or might be executed wholly or partly after the expiry of such authority and the Company may make such a purchase in pursuance of such contract as if the authority hereby conferred had not expired.

13. to consider and, if thought fit, pass the following resolution which will be proposed as a special resolution:

- THAT with effect from the end of this Annual General Meeting, the articles of association produced to this meeting marked 'A' and initialled by the Chairman for the purposes of identification be and are hereby adopted as the articles of association of the Company in substitution for and to the exclusion of the existing articles of association.

14. to consider and, if thought fit, pass the following resolution which will be proposed as a special resolution:

- THAT with effect from 1 October 2008 or any later date on which section 175 of the Companies Act 2006 comes into effect:
- (i) for the purposes of section 175, the directors be given power in the articles of association to authorise certain conflicts of interest as described in that section; and
 - (ii) the articles of association of the Company be amended by the deletion of articles 84 and 85 in their entirety and by the insertion in their place of new articles 84 and 85 in accordance with the printed document produced to this meeting marked 'B' and initialled by the Chairman for the purposes of identification.

15. to consider and if thought fit, pass the following resolution which will be proposed as an ordinary resolution:

- THAT the rules of the Weir Group Long-Term Incentive Plan be amended to the form produced to this meeting and initialled by the Chairman for the purposes of identification, to provide for (i) an increase in the annual limit on performance shares from 80% of salary to 100% of salary and (ii) flexibility to increase such limit to 150% of salary in such circumstances as the Remuneration Committee determine exceptional.

16. to consider and if thought fit, pass the following resolution which will be proposed as an ordinary resolution:

- THAT the conditional award agreement (the "Agreement") setting out the new incentive arrangement for Mark Selway, the principal terms of which are summarised in Part C of the Appendix, and which is produced in draft to this meeting and initialled by the Chairman for the purposes of identification, be and is hereby approved and the Directors be authorised to do all such acts and things as they may consider appropriate to implement the Agreement.

By Order of the Board

Alan Mitchelson
Secretary

Registered Office:
Clydesdale Bank Exchange
20 Waterloo Street
Glasgow G2 6DB, Scotland

4 April 2008

Notes

1. A registered shareholder entitled to vote at the Annual General Meeting is entitled to appoint a proxy or proxies (who need not be shareholders) to exercise all or any of their rights to attend, speak and vote at the Annual General Meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder.

2. To appoint a proxy you may:

- (i) Register the appointment of your proxy vote electronically using the internet by going to www.computershare.co.uk and following the instructions provided. The proxy appointment must be received by Computershare at the address referred to on the website by 11 am on 5 May 2008.

Please note that any electronic communication sent to our registrars in respect of the appointment of a proxy that is found to contain a computer virus will not be accepted; or

- (ii) Use the proxy card enclosed with this Notice of Annual General Meeting which should be returned direct to:

Computershare Investor Services PLC
PO Box 1075
The Pavilions
Bridgwater Road
BRISTOL
BS99 3FA

so as to arrive no later than 11 am on 5 May 2008; or

- (iii) If you hold your shares in uncertificated form, utilise the CREST electronic proxy appointment service as set out below.

Completion of a form of proxy will not preclude a shareholder from voting in person at the Annual General Meeting. A "vote withheld" option is provided on the proxy card accompanying this Notice of Annual General Meeting which is to enable a member (shareholder) to abstain on any particular resolution. It should be noted that an abstention is not a vote in law and will not be included in the calculation of the proportion of votes "for" or "against" a resolution.

3. The following documents will be available for inspection at the registered office of the Company during normal business hours on any weekday (public holidays excepted) from the date of this notice until the date of the Annual General Meeting and thereafter at the place of the Annual General Meeting from 10.45 am until the conclusion of the Annual General Meeting:

- (i) copies of terms of appointment or service contracts, as appropriate, of the directors of the Company;
- (ii) the directors deeds of indemnity;
- (iii) the current articles of association of the Company and the proposed amendments to the articles of association;
- (iv) the current rules of the Long-Term Incentive Plan and the proposed amendments to the rules; and
- (v) the agreement setting out the proposed terms of Mark Selway's conditional award.

4. A copy of the articles of association of the Company marked with the amendments proposed at Resolutions 13 and 14 will be available for inspection at Maclay Murray & Spens' offices at One London Wall, London EC2Y 5AB during normal business hours on any weekday (English public holidays excepted) until the close of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting.

5. A copy of the rules of the Weir Group Long-Term Incentive Plan marked with the amendments proposed at Resolution 15 and a copy of the agreement setting out the proposed terms of Mark Selway's conditional award referred to in Resolution 16 will be available for inspection at Hewitt New Bridge Street at 20 Little Britain, London EC1A 7DH during normal business hours on any weekday (English public holidays excepted) until the close of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting.

6. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, shareholders must be entered on the Company's register of members at 11 am on 5 May 2008 to be entitled to attend and vote at the Annual General Meeting (and for the purpose of determining the number of votes they may cast).

Notice of Annual General Meeting (Continued)

7. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
8. You can contact the Weir Group electronically by emailing: investor-relations@weir.co.uk. Any email should be accompanied by your full name and Shareholder Reference Number as authentication.
9. The statement of rights of shareholders in relation to the appointment of proxies in 1. and 2. above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders.
10. In order to facilitate voting by corporate representatives at the Annual General Meeting, arrangements will be put in place so that:
 - (i) if a corporate shareholder has appointed the Chairman as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the Annual General Meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and
 - (ii) if more than one corporate representative for the same corporate shareholder attends the Annual General Meeting but the corporate shareholder has not appointed the Chairman as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives - www.icsa.org.uk - for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.
11. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the CREST Proxy Instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) not later than 48 hours before the Annual General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Appendix

PART A

EXPLANATORY NOTES OF PRINCIPAL CHANGES TO THE COMPANY'S ARTICLES OF ASSOCIATION PROPOSED TO BE ADOPTED PURSUANT TO RESOLUTION 13

The principal changes introduced in the new articles of association (the "New Articles") proposed to be adopted with immediate effect from the date of the Annual General Meeting are summarised in this Part A of the Appendix. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 have not been noted in this Part A of the Appendix. A copy of the New Articles, showing all the changes to the current articles of association (the "Current Articles"), is available for inspection, as noted on page 6 of this document.

1. Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 are in the main amended to bring them into line with the Companies Act 2006. Certain examples of such provisions include provisions as to the form of resolutions, the variation of class rights and provisions regarding the period of notice required to convene general meetings. The main changes made to reflect this approach are detailed below.

2. Form of resolution

The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective. This provision is being amended as the concept of extraordinary resolutions has not been retained under the Companies Act 2006.

3. Variation of class rights

The Current Articles contain provisions regarding the variation of class rights. The proceedings and specific quorum requirements for a meeting convened to vary class rights are contained in the Companies Act 2006. The relevant provisions have therefore been amended in the New Articles.

4. Convening general meetings

The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to new provisions in the Companies Act 2006. In particular, a general meeting to consider a special resolution can now be convened on 14 days' notice whereas previously 21 days' notice was required.

5. Votes of members

Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the articles of association cannot provide that they should be received more than 48 hours before the meeting or, in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. The New Articles reflect all of these new provisions.

6. Age of directors on appointment

The Current Articles contain a provision limiting the age at which a director can be appointed or continue in office. Such provision could now fall foul of the Employment Equality (Age) Regulations 2006 and so has been removed from the New Articles.

7. Notice of board meetings

Under the Current Articles, when a director is abroad the Company is not required to send him notice of directors' meetings. This provision has been removed, as modern communications mean that there may be no particular obstacle to giving notice to a director who is abroad. It has been replaced with a provision which requires the Company to send the relevant director notice of the meeting provided he has supplied the Company with the information necessary to ensure that he receives notice of the meeting before it takes place.

8. Distribution of assets otherwise than in cash

The Current Articles contain provisions dealing with the distribution of assets in kind in the event of the Company going into liquidation. These provisions have been removed in the New Articles on the grounds that a provision about the powers of liquidators is a matter for insolvency law rather than the articles of association and that the Insolvency Act 1986 confers powers on the liquidator which would enable it to do what is envisaged by the Current Articles.

9. Electronic and web communications

Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. Changes were made to the Company's articles of association at the annual general meeting held during 2007 to enable the Company to take advantage of these provisions. The New Articles continue to allow communications to members in electronic form and, in addition, they also permit the

Appendix (Continued)

Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

10. Directors' indemnities and loans to fund expenditure

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the company's activities as trustee of the scheme.

PART B

EXPLANATORY NOTES OF PRINCIPAL CHANGES TO THE COMPANY'S ARTICLES OF ASSOCIATION PROPOSED TO BE ADOPTED PURSUANT TO RESOLUTION 14

The principal changes introduced in the new articles of association (the "New Articles") proposed to be adopted on 1 October 2008 or any later date on which section 175 of the Companies Act 2006 comes into force are summarised in this Part B of the Appendix. A copy of the New Articles, showing all the changes to the articles of association proposed to be adopted pursuant to Resolution 13 (the "Current Articles"), is available for inspection, as noted on page 6 of this document.

Conflicts of interest

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act, from 1 October 2008, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the New Articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors. It is the Board's intention to report to shareholders annually on the Company's procedures for ensuring that the Board's powers to authorise conflicts are operated effectively.

PART C

THE SUMMARY OF THE PRINCIPAL TERMS OF THE PROPOSED ONE-OFF INCENTIVE ARRANGEMENT FOR MARK SELWAY

Grant of Award

Mark Selway (the "Chief Executive") will be granted an award (the "Award") to acquire ordinary shares in the Company ("Shares") with a market value, at grant, of £3.5 million. It is intended that the Award, which will be structured as a conditional right to acquire Shares, will be granted shortly following the Annual General Meeting.

No payment is required for the grant of the Award. The Award is not transferable, except on death, and is not pensionable.

Performance condition

The vesting of the Award will be subject to a performance condition based on adjusted Earnings Per Share (EPS) growth and the Remuneration Committee will retain discretion to review the adjustments. The performance condition will be measured over a three year performance period. 25% of the Award will vest if EPS exceeds the UK Retail Prices Index (RPI) by 7% p.a., increasing on a sliding scale to full vesting if EPS exceeds RPI by 13% p.a.

The Remuneration Committee may vary the performance condition if an event has occurred which causes the Remuneration Committee to consider that it would be appropriate to amend the performance condition, provided the Remuneration Committee considers the varied condition is fair and reasonable and not materially less challenging than the original condition would have been but for the event in question.

Vesting of Award

The Award will normally vest three years after grant to the extent that the performance condition (see above) has been satisfied and provided the Chief Executive is still employed in the Company's group. The Award will only vest if the Remuneration Committee is satisfied that the Chief Executive has retained the same level of shareholding in the Company as he held at the time of grant of the Award.

If, at the time of vesting, the Remuneration Committee determines that the provision of Shares may give rise to practical difficulties or tax or regulatory issues, the Remuneration Committee may determine that the Award should be satisfied in cash.

Leaving employment

As a general rule, the Award will lapse upon the Chief Executive ceasing to hold employment or be a director within the Company's group.

However, if the Chief Executive ceases to hold employment or be a director within the Company's group by reason of injury, disability or death, the Award will vest on the date of such cessation to the extent the Remuneration Committee determines that the performance condition has been met. The Award will then be scaled back to reflect the shorter vesting period (although the Remuneration Committee will have discretion to modify or disapply time pro-rating if it considers that to be appropriate in the circumstances).

If the Chief Executive ceases to hold employment or be a director within the Company's group due to retirement during the third year following grant without taking up any other executive position, then the Award will vest at the normal vesting date i.e. three years from grant, subject to the performance condition measured at that time. In these circumstances, the Award may also be pro-rated by reference to the time of cessation (although the Remuneration Committee will have discretion to disapply or modify such pro-rating if it considers that to be appropriate in the circumstances).

Corporate events

In the event of a takeover or winding up of the Company (not being an internal corporate reorganisation) the Award will vest early subject to: (i) the extent that the performance condition has been satisfied at that time; and (ii) the pro-rating of the Award to reflect the reduced period of time between grant and vesting, although the Remuneration Committee will have discretion to disapply or modify time-based pro-rating if it considers that to be appropriate in the circumstances.

In the event of an internal corporate reorganisation, the Award will be replaced by an equivalent new award over shares in a new holding company unless the Remuneration Committee decides that the Award should vest on the basis which would apply in the case of a takeover.

If a demerger or other similar event is proposed which, in the opinion of the Remuneration Committee, would affect the market price of Shares to a material extent, then the Remuneration Committee may decide that the Award will vest on the basis which would apply in the case of a takeover as described above.

Shareholder rights

The Award will not confer any shareholder rights until the Award has vested and the Chief Executive has received the Shares. The Chief Executive will receive a payment (in cash and/or Shares) on or shortly following the vesting of the Award, of an amount equivalent to the dividends that would have been paid on those Shares between the time when the Award was granted and the time when it vests.

Variation of capital

In the event of any variation of the Company's share capital or in the event of a demerger, payment of a special dividend or similar event which materially affects the market price of the Shares, the Remuneration Committee, acting fairly and reasonably, may make such adjustment as it considers appropriate to the number of Shares subject to the Award.

Source of Shares

The Award may be satisfied with market purchased shares only. No new issue Shares or treasury Shares will be used to satisfy the Award.

Alterations

Provided that the Remuneration Committee first consents in writing to any proposed alteration (such consent not to be unreasonably withheld), the Company and the Chief Executive may at any time alter any of the provisions of the arrangement in any respect.

However, the prior approval of shareholders must be obtained for any amendments that are to the advantage of the Chief Executive in respect of the rules governing the basis for determining the Chief Executive's entitlement to, and the terms of, the Shares or cash to be acquired and the adjustment of the Award.

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor alteration made to benefit the administration of the arrangement, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for the Chief Executive or for any company in the Company's group.

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