Press Release
27 February 2019

The Weir Group PLC reports its financial results for the full year ended 31 December 2018

Building an ever stronger Weir

- **Strong execution across the business**
  - Operating profit[2] on a like-for-like basis up 13%; +22% including ESCO
  - Minerals orders up 14% with original equipment momentum building; margins of 17.7%
  - Oil & Gas operating profit[2] of £96m in line with guidance in Q4
  - 86% increase in Total Group cash from operations to £411m
- **Portfolio transformation delivering ahead of plan**
  - ESCO margins +170bps to 13.0% post acquisition
    - $15m annual run rate cost synergies delivered in H2
    - Targeting medium-term revenue synergies of at least $50m
  - Flow Control sale agreed for Enterprise Value of £275m
- **We are Weir strategy driving organic growth**
  - Technology pipeline focused on efficient, smart, sustainable industry solutions
  - £93m in additional orders from Minerals integrated solutions strategy
- **Total Group exceptional costs of £209m primarily related to portfolio transformation**
- **2019 outlook:** “another year of good constant currency revenue and profit growth”

	2018	2017	As reported	Constant Currency[1]	Like-for-like[5]
Continuing Operations[3]					
Orders[1]	£2,544m	£2,003m	n/a	27%	15%
Revenue	£2,450m	£1,986m	23%	28%	15%
Operating profit[2]	£348m	£296m	18%	22%	13%
Profit before tax[2]	£310m	£255m	22%	26%	n/a
Reported profit after tax	£53m	£184m	-71%	n/a	n/a
Earnings per share[2]	94.7p	91.7p	3%	n/a	n/a
Total Group					
Reported profit after tax	£18m	£160m	-89%	n/a	n/a
Earnings per share	7.4p	72.7p	-90%	n/a	n/a
Cash generated from operations[4]	£411m	£221m	86%	n/a	n/a
Dividend per share	46.2p	44.0p	5%	n/a	n/a
Net debt[6]	£1,127m	£843m	£284m	n/a	n/a

Jon Stanton, Weir Group Chief Executive Officer said:

“The last year has been transformational for the Group. With ESCO, we completed our largest ever acquisition while also agreeing the sale of the Flow Control division. The result is a more focused and higher-quality global business that is simpler and stronger with more than 80% of the Group’s revenues from attractive upstream mining and oil and gas markets. At the same time, we have made significant progress on our We are Weir strategy and delivered good order and profit growth, underpinned by strong cash generation.

“Looking to the full year, we currently expect our mining and infrastructure markets to continue to benefit from positive industry fundamentals with oil and gas activity to improve modestly from current levels. Overall, assuming market and macro-economic conditions remain supportive, we anticipate the Group will deliver another year of good constant currency revenue and profit growth, supported by strong execution of our We are Weir strategy.”

A live webcast of the management presentation will begin at 0900 (GMT) on 27 February 2019 at www.investors.weir. A recording of the webcast will also be available at www.investors.weir.

Notes:
1. 2017 restated at 2018 average exchange rates.
2. Adjusted to exclude exceptional items and intangibles amortisation. Reported operating profit and profit before tax from continuing operations were £124m (2017: £241m) and £86m (2017: £199m) respectively.
3. Continuing operations excludes the Flow Control division which has been classified as held for sale since 19 April 2018 and is reported in discontinued operations with comparative restated accordingly. ESCO was acquired on 12 July 2018 and its results have only been included from that date. 2017 has been restated for IFRS 15 – Revenues from Contracts with Customers.
4. Net cash generated from operating activities was £218m (2017: £128m).
5. 2017 restated at 2018 average exchange rates and like-for-like excluding ESCO and KOP acquisitions in 2018 and 2017 respectively.
6. Net debt reconciliation provided within note 14 of the Audited Results.

CHIEF EXECUTIVE OFFICER'S REVIEW

At Weir, we work in partnership with our customers to solve their toughest operating challenges safely, efficiently and sustainably, helping to provide the essential resources needed by a growing world.

2018 was an important year for the Group and our We are Weir strategy. We undertook the largest transformation of our portfolio in recent history while also delivering strong growth in profitability and cash generation across our business.

Strong execution across the business

Minerals orders grew 14% with aftermarket orders exceeding £1bn for the first time. Original equipment order growth accelerated as the year progressed with 30% growth in the fourth quarter, increasing our installed base. Operating margins of 17.7% were in line with expectations at this growth stage in the mining cycle.

Having completed the ESCO acquisition in July we moved quickly to realise the initial benefits of the integration. We delivered cost synergies and savings of $7m in H2 2018, equivalent to an annualised run rate of $15m, ahead of our expectations. This helped contribute to a 170bps operating margin improvement for the division post acquisition to 13%. We expect to continue to expand ESCO's operating margins towards our target of 17% and now anticipate being able to generate at least $50m in annual revenue synergies over the next five years.

Oil & Gas took full advantage of strong demand in the first half of the year, contributing to a 17% increase in full year orders and a strong margin performance. However, second half profitability was impacted by the capacity constraints in the Permian basin, the early exhaustion of customer budgets and extended seasonal breaks. The division also experienced an exceptional legacy product warranty issue which was quickly rectified and fully resolved in the fourth quarter. The strong turnaround in Flow Control operating profitability provided a good platform for the sale of the business.

Transforming our portfolio

The acquisition of ESCO and the sale of Flow Control means the Group will become simpler and stronger. We will be more clearly focused on what we do best: providing highly engineered solutions used in aftermarket-intensive applications in upstream mining and oil and gas. This means we can deliver the best through-cycle returns supported by positive long-term structural trends such as population growth, urbanisation and the move to electrification of transport and other infrastructure.

ESCO fits our business model perfectly. It provides highly engineered mission-critical equipment used in extreme operating environments. This generates ongoing higher margin aftermarket revenues from spares and services, providing resilience through the cycle. As the market-leading provider of Ground Engaging Tools (GET) for large mining machines, it complements our Minerals division and means that Weir is now the only provider of premium solutions from extraction to concentration, supported by an unrivalled global service network.

We are Weir – a platform for sustainable long-term growth

Our We are Weir strategic framework focuses on where we can deliver distinctive value – **People**, **Customers, Technology** and **Performance**. In 2018, we kept more of our people safe, attracted more customers, extended our technology leadership and improved the performance of our operations.

	Medium term KPI	**Progress in 2018**
People	Improve sustainable engagement and organisational effectiveness	• Safety - 15% like-for-like reduction in Total Incident Rate • 84% engagement in first global employee survey • Female graduate recruitment increased to 49% of total • All-employee share ownership plan to be introduced
Customers	Increase market share	• £93m in additional orders from Minerals Integrated Solutions • ESCO market share gains incl. 500th Nemisys® lip system • O&G Permian supercentre opening in Q1 2019
Technology	Increase revenues from new solutions[2]	• £165m revenues from new products[1,2] • Commercialisation of Synertrex® IoT platform • Customer driven product roadmaps developing strongly
Performance	Sustainably higher margins through the cycle	• 80 Value Chain Excellence Projects across all divisions • 180bps reduction in like-for-like working capital percentage of sales • Sustainability pilots launched at major manufacturing locations • Investment in Minerals and ESCO capacity

Notes: 1 Continuing operations. 2 Defined as products or services introduced in last 3 years.

Segmental analysis

Continuing operations £m[1]	Minerals	ESCO	Oil & Gas	Unallocated expenses	Total	Total OE	Total AM
Orders (constant currency)							
2018	1,500	245	799	n/a	**2,544**	648	1,896
2017	1,321	n/a	682	n/a	**2,003**	541	1,462
Variance:							
- Constant currency	14%	n/a	17%		**27%**	20%	30%
- Like-for-like[2]	14%	n/a	17%		**15%**	18%	13%
Revenue							
2018	1,417	252	781	n/a	**2,450**	602	1,848
2017 (as reported)	1,306	n/a	680	n/a	**1,986**	504	1,482
Variance:							
- As reported	8%	n/a	15%		**23%**	20%	25%
- Constant currency	13%	n/a	19%		**28%**	24%	30%
- Like-for-like[2]	13%	n/a	18%		**15%**	21%	13%
Operating profit / (loss)[3,4]							
2018	250	33	96	(31)	**348**		
2017 (as reported)	228	n/a	92	(24)	**296**		
Variance:							
- As reported	10%		4%	27%	**18%**		
- Constant currency	14%		8%	27%	**22%**		
- Like-for-like[2]	14%		13%	27%	**13%**		
Operating margin[3]							
2018	17.7%	13.0%	12.3%	n/a	**14.2%**		
2017 (as reported)	17.5%		13.6%	n/a	**14.9%**		
Variance:							
- As reported	20bps		-130bps		**-70bps**		
- Constant currency	20bps		-130bps		**-70bps**		
- Like-for-like[2]	20bps		-70bps		**-30bps**		

Notes:

1 The Group financial highlights and divisional financial reviews include a mixture of GAAP measures and those which have been derived from our reported results in order to provide a useful basis for measuring our operational performance. Operating results are for continuing operations before exceptional items and intangibles amortisation as provided in the Consolidated Income Statement. Details of other non-GAAP measures are provided in note 1 of the Audited Results.
2 Like-for-like excludes the impact of acquisitions. KOP was acquired on 27 July 2017. ESCO was acquired on 12 July 2018.
3 Adjusted to exclude exceptional items and intangibles amortisation.
4 Prior year restated to include IFRS 15 adjustments.

Dividend

The Board is recommending a final dividend of 30.45p, resulting in a total dividend of 46.2p for the year, up 5% from 2017 reflecting our confidence in the long-term prospects of the Group. Dividend cover (being the ratio of earnings per share from continuing operations, before exceptional items and intangibles amortisation, to dividend per share) is 2.1 times. If approved at the Annual General Meeting on 30 April 2019, the final dividend will be paid on 6 June 2019 to shareholders on the register on 26 April 2019.

Board changes

As previously announced, Engelbert (Ebbie) Haan joined the Board as a Non-Executive Director on 18 February 2019. Ebbie has extensive global executive experience in multi national companies including Royal Dutch Shell plc, Sasol Group and Maersk.

DIVISIONAL REVIEW

Minerals

Minerals is a global leader in the provision of mill circuit technology and services as well as the market leader in slurry-handling equipment and associated aftermarket support for abrasive high-wear applications. Its differentiated technology is used in mining, infrastructure, oil and gas and general industrial markets around the world.

2018 Market review

In mining, robust commodity demand and ore grade declines contributed to ore production growth as customers continued to seek opportunities to debottleneck and increase throughput of existing mines.

Increased capital investment was mainly driven by brownfield expansions and optimisation projects with a small number of greenfield projects given final approval. The pipeline of opportunities continued to grow, although customers remained disciplined about committing to large-scale greenfield developments as they balanced competing priorities for cash. Investment was focused on commodities with the best medium-term prospects such as copper in Latin America, and gold and lithium in Australia. Macro concerns around trade wars and protectionism resulted in some commodity price moderation in the second half of the year; however, quotation activity remained strong. In oil sands, production continued to grow strongly with capex also focused on brownfield projects.

In non-mining markets, aggregates demand remained broadly positive, particularly in Europe and the US as investment in infrastructure and construction projects continued.

2018 Operating review

The division's strategy focuses on building, maintaining and enhancing deep customer relationships supported by comprehensive on-the-ground presence, a solutions mindset and technology leadership in minerals processing. Its expertise and portfolio of premium products are positioned to benefit from long-term structural trends such as ore grade declines and is biased towards commodities such as copper, which have the best long-term prospects.

In 2018, the division intensified its focus on training and development, particularly sharing product knowledge across customer-facing teams and developing project management skills and entrepreneurial leaders, including a strengthened comminution leadership team. It continued to benefit from earlier investment in deploying more sales and engineering experts to customer sites and dedicated more management time to visiting customers and understanding their needs. New service centres were opened in Africa, Australia, Russia, Peru, US and Canada to enhance the division's unrivalled global service network.

These actions contributed to an increase in revenues from the integrated solutions initiative, which leverages the division's broad product portfolio. In addition, targeted aftermarket and trial programs facilitated an increase in market share for core product lines.

Technology programmes focused on incremental innovation and the development of digital tools to improve existing mining processes. This included commercialisation of Synertrex® enabled products for condition and performance monitoring, roll-out of Cloud for Service to support our service organisation and existing installed base, and Global Positioning System asset tracking of equipment.

Longer term, the division developed customer-led technology roadmaps concentrated on how it can help deliver the mine of the future, with customers priorities focused on increased efficiency, use of smart technology and sustainability. This included the expansion of the Melbourne-based Weir Technical Centre which provides innovative tailings solutions for customers worldwide. In addition, the division established a strategic cooperation agreement with separation technology specialists ANDRITZ, providing access to proven separation and dewatering technologies and products, enabling the division to provide a complete package of tailings solutions to customers.

To ensure that the division can deliver its long-term growth potential, it also developed plans to further optimise its foundry and manufacturing footprint. This included initial expansion projects in the UK and Australia and the exit from Malaysian foundry operations.

2018 Financial review

Constant currency £m	H1[1]	H2	2018	2017[1]	Growth
Orders OE	222	228	450	388	16%
Orders AM	535	515	1,050	933	13%
Input Total	**757**	**743**	**1,500**	**1,321**	**14%**
Revenue OE	181	220	401	350	14%
Revenue AM	486	530	1,016	905	12%
Revenue Total	**667**	**750**	**1,417**	**1,255**	**13%**
Operating profit[2]	**115**	**135**	**250**	**219**	**14%**
Operating margin[2]	17.3%	18.0%	17.7%	17.5%	20bps
Cash generated from operations	115	133	248	163	52%
Book-to-bill	1.14	0.99	1.06	1.05	

1 2017 and H1 2018 restated at 2018 average exchange rates except for cash generated from operations. Prior year restated to include IFRS 15 adjustments.
2 Adjusted to exclude exceptional items and intangibles amortisation.

Orders increased by 14% to £1,500m (2017: £1,321m) with a book-to-bill of 1.06. Original equipment orders were up 16% year-on-year, supported by the integrated solutions initiative as miners invested in brownfield expansions and optimisation projects.

Aftermarket orders increased by 13% on a constant currency basis reflecting continuing investment in the division's service network and engineering sales force, in addition to long-term structural trends such as ore grade declines. It was also supported by a number of one-off commissioning and multi-period spares orders. Aftermarket orders represented 70% of total orders (2017: 71%).

In total, mining end-market orders grew strongly and accounted for 80% of the total (2017: 79%). Non-mining markets such as industrials also performed well, with power markets stable.

Revenue was 13% higher on a constant currency basis at £1,417m (2017: £1,255m), reflecting order trends. Original equipment sales accounted for 28% (2017: 28%) of divisional revenues and were 14% higher than the prior year with strong growth in core slurry pumps and mine dewatering.

Regionally, revenues from Africa, South America, Australia, North America, Middle East and Asia Pacific all grew strongly. Aftermarket revenues grew strongly, particularly in core pump and mill circuit technology, reflecting an increased focus on productivity by customers. Reported revenues increased by 8% (2017: £1,306m), after a foreign exchange translation headwind of £51m.

Operating profit increased by 14% on a constant currency basis to £250m (2017: £219m), driven by strong underlying revenue growth and supported by the division's integrated solutions strategy. Reported operating profit increased by 10% after a £9m foreign exchange headwind (2017: £228m).

Operating margin on a constant currency and reported basis increased by 20bps to 17.7% (2017: 17.5%), reflecting strong revenue growth, operating leverage partially offset by product mix and the full run-rate impact of investment in 2017 to support growth.

Cash generated from operations increased by 52% to £248m (2017: £163m), reflecting the increased profitability and improved working capital performance supported by value chain excellence initiatives.

Capital expenditure of £47m (2017: £41m) included investment in facility upgrades in Australia and Europe, as well as the continued global rollout of the division's standardised ERP system.

Research and development spend increased to £18m (2017: £16m) and continued to be focused on maintaining and expanding the division's product portfolio focusing increasingly on mine of the future programmes based on efficiency, smart technology and sustainability. Developments included the continued rollout of the Group's Synertrex® technology platform to customer sites.

2019 Outlook

Assuming the current supportive market conditions continue, miners are expected to increase capital expenditure in 2019. Most expansion activity will be focused on brownfield with greenfield investment expected to remain a marginal contributor to overall market improvement, albeit with some increased activity versus 2018. Global ore production growth is expected to continue to support aftermarket demand. In 2019, reflecting the anticipated market context and consistent with this stage in the growth cycle, we expect the division to deliver broadly stable operating margins and good growth in constant currency revenues and profits.

ESCO

ESCO is the world's leading provider of highly engineered Ground Engaging Tools (GET) used on large mining machines in abrasive applications with around 40% market share of large mining machines. The division also applies its differentiated technology to infrastructure markets including construction, dredging and sand and aggregates. The acquisition of ESCO was completed on 12 July 2018 and its results are included from that date.

2018 Market review

The division benefited from the same macro mining trends as Minerals with commodity prices supporting increased ore production. Ground Engaging Tools (GET) on large mining machines are vital to the efficient extraction and transport of materials and there was strong demand for technologies that increase productivity, particularly in copper and gold, consistent with miners focus on cash generation and maximising output from existing mines. Iron ore and coal markets were stable, while in North America ongoing production in the oil sands supported consumables demand.

Non-mining markets, which represent around a third of divisional revenues, benefited from infrastructure investment in Europe and North America.

2018 Operating review

ESCO's strategy is to extend its market leadership position in GET through technology leadership and customer proximity. This was accelerated with the integration into Weir and the opportunity to further globalise its offering, benefiting from the Group's extensive service network. It is also being supported by an upgraded Customer Relationship Management platform which strengthened sales processes and positioned sales teams to better anticipate customer demands.

The division's focus on differentiated technology that drives customer productivity saw good market share gains for its Nemisys® lip system, which completed its 500th installation. Nemisys® can significantly reduce machine downtime with proprietary technology that reduces maintenance costs through improved reliability, and faster and safer replacement. Commercialisation of core product innovations, such as loss detection and its tooth removal system, also strengthened the division's technology leadership while enabling customers to improve the safety of their operations.

Operational improvements included value chain excellence initiatives which delivered a record on-time delivery performance, increased forecast accuracy and optimised inventory positioning. To help the division become a zero-harm workplace there was investment in Safety, Health & Environmental programmes at operational sites, with further investment planned for 2019.

The division delivered annualised cost synergies of $15m, with phasing ahead of initial expectations. It also identified potential revenue synergy opportunities for both ESCO and Minerals of at least $50m, leveraging Minerals service capability and ESCO's distribution networks in North America and Europe.

2018 Financial review

£m	**2018 (from acquisition on 12 July)**
Orders OE	9
Orders AM	236
Orders Total	**245**
Revenue OE	13
Revenue AM	239
Revenue Total	**252**
Operating profit[1]	**33**
Operating margin[1]	13.0%
Cash generated from operations	35
Book-to-bill	**0.97**

The table above reflect the results of the business from date of acquisition, on 12 July 2018. For comparative purposes below, we have included pro forma figures for the full year 2017 and 2018, which are based on ESCO's adjusted, unaudited US GAAP management accounts.

Revenue in the post-acquisition period was £252m, while for the full year increased by 11% on a pro forma basis to £525m (2017: £473m) as a result of market share gains, positive trends in mining and infrastructure demand and some early benefits from leveraging Weir's global service network. Original equipment represented 5% of revenues with the aftermarket representing 95% reflecting the division's resilient business model.

Mining markets represented 64% of revenues, infrastructure was 30% and other industrial markets represented 6%. The division saw similar customer trends to Minerals in its core mining markets with customers efforts focused on maximising production in all regions. Construction markets in North America were strong, seeing a record year in both adaptors and buckets. The division delivered growth in all regions but was particularly strong in Asia and Africa.

Operating profit in the post-acquisition period was £33m and on a proforma basis for the full year profit was £64m (2017: £51m), as a result of strong revenue growth, operating leverage and the benefits of the early delivery of the post-acquisition integration synergies and cost savings of £5m ($7m), partially offset by tariff costs of £2m in the second half.

Operating margin post-acquisition of 13.0% was up 170bps on the pro forma pre-acquisition margins of 11.3%, reflecting cost synergies tracking ahead of expectations, partially offset by tariff headwinds. On a pro forma basis the full year was up 130bps to 12.1% (2017: 10.8%), principally due to the operating leverage, synergies and cost savings and tariffs outlined above.

2019 Outlook
Looking forward and assuming supportive market conditions continue, the division expects to deliver good growth in constant currency revenues. Further margin progression will be supported by the ongoing delivery of cost and revenue synergies and operational improvements.

Oil & Gas

Weir Oil & Gas provides highly engineered and mission-critical solutions to upstream energy markets. Products include pressure pumping and pressure control equipment, and aftermarket spares and services. We provide equipment repairs, upgrades, certification and asset management, and field services to customers around the world.

2018 Market review

The first half of 2018 saw strong growth in North American upstream oil and gas markets as oilfield service companies refurbished frack fleets in response to increased demand and anticipated strong growth throughout the year.

Market conditions changed early in the third quarter as concerns over capacity constraints in the Permian basin and the exhaustion of E&P budgets ahead of schedule led to a reduction in frack fleet utilisation, which fell to approximately 60%. This led to overcapacity in oilfield services markets that consequently impacted demand for pressure pumping original equipment. Aftermarket demand was affected by some cannibalisation of idle fleets and an extended seasonal break, which started at Thanksgiving, ahead of normal patterns. The number of drilled but uncompleted wells grew by 31% in the USA but 75% in the Permian reflecting the lack of takeaway capacity.

International markets remained challenging although they did continue to show some early signs of recovery with project quotation activity increasing.

2018 Operating review

The division is focused on differentiating its offering through innovation and customer service and in the first half of the year responded quickly to strong demand for its solutions, achieving good market share gains in pumps and flow iron. The latter part of the year was more challenging as a result of market conditions and the temporary impact on orders of a specific legacy product performance issue. This was fully addressed in the fourth quarter by retrofitting current technology into the legacy design. Investment in research and development supported a range of new product introductions including the SPM® Simplified Frac Iron including the large bore and advances to the SPM® Asset Management Program (AMP) which can reduce customer asset tracking time by nearly 90%.

The division broke ground and will open in the first quarter of 2019 a c.100,000 square-foot state of the art customer service facility located in the Permian Basin, the United States' most active oil producing region. Additionally, its Weir Edge Service was developed to leverage the division's field-engineering experts in the U.S. which provide root-cause analysis and 24/7 technical support across major shale basins to reduce customers' non-productive time. Globalisation of the division's pressure control offering resulted in large wellhead orders from key Middle East operators including ADNOC, DNOC and KOC and we continued to strengthen local workforce development to support our Rig to Grid offering of integrated solutions.

Operational and system improvements, supply chain enhancements and investing in our people continued to increase labour productivity across the division.

2018 Financial review

Constant currency £m	H1[1]	H2	2018	2017[1]	Growth	LFL[1,3] Growth
Orders OE	111	78	189	153	24%	25%
Orders AM	331	279	610	529	15%	14%
Input Total	**442**	**357**	**799**	**682**	**17%**	**17%**
Revenue OE	97	91	188	136	39%	39%
Revenue AM	315	278	593	520	14%	13%
Revenue Total	**412**	**369**	**781**	**656**	**19%**	**18%**
Operating profit[2]	**66**	**30**	**96**	**89**	**8%**	**13%**
Operating margin[2]	16.0	8.2%	12.3%	13.6%	-130bps	-70bps
Cash generated from operations	38	56	94	44	114%	
Book-to-bill	1.07	0.97	1.02	1.04		

1 2017 and H1 2018 restated at 2018 average exchange rates except for operating cash flow. Prior year restated to include IFRS 15 adjustments.
2 Adjusted to exclude exceptional items and intangibles amortisation. Includes contribution from joint ventures.
3 Like-for-like (LFL) excludes the impact of acquisitions. KOP was acquired on 27 July 2017.

Orders of £799m (2017: £682m) were up 17% on both a constant currency and a like-for-like basis, reflecting the increased activity levels in North America over the full year. Aftermarket orders were up 15% year-on-year and represented 76% (2017: 78%) of divisional orders. Original equipment was 24% higher, against a weak comparator, driven primarily by increased demand in North America for frack pumps, flow equipment and wellheads in the first half. After the strong first half, orders were down 19% sequentially in the second half, reflecting reduced demand in North America.

Orders from international markets were higher and increased sequentially in the second half as activity levels improved slightly, particularly for inspection and service work.

Revenue increased by 19% to £781m on a constant currency basis (2017: £656m) and was up 18% on a like-for-like basis, reflecting order input trends. Original equipment and aftermarket revenues increased by 39% and 14% respectively, with aftermarket accounting for 76% of total revenues (2017: 79%). Reported revenues were up 15% after a 4% foreign exchange translation headwind (2017: £680m).

North American revenues increased by 17% compared to the prior year but in the second half decreased sequentially by 9%, reflecting challenging market conditions. International revenues were also higher year on year, reflecting the full-year contribution from KOP which offset the lower activity volumes in the Middle East.

Operating profit including joint ventures was £96m (2017: £89m) on a constant currency basis. The increase was driven by higher activity levels and volumes in upstream North American markets and strong manufacturing overhead recoveries, supported by previous cost base reductions. There were modest pricing improvements in North America. Reported profit was up 4% after a £3m foreign exchange translation headwind (2017: £92m).

Operating margin at 12.3% was down 130bps on a constant currency basis and down 70bps on a like-for-like basis as a result of the change in market conditions in North America in the second half, which impacted demand, volumes and overhead recoveries.

Cash generated from operations increased by 114% to £94m (2017: £44m) primarily driven by the reduced investment in working capital required to support growth.

Capital expenditure of £26m (2017: £25m) included the upgrade of service centres and development of the new Permian supercentre, as well as the ongoing replacement of the rental asset fleet.

Research and Development expenditure of £10m (2017: £7m) included developing the new range of EXL products that provide extended life and even lower cost of ownership and the Simplified Frac System that significantly reduces the amount of iron needed on a frack site, improving safety and reducing downtime.

2019 Outlook

Given recent oil price volatility and capital constraints in North America, operators have adopted a cautious approach to activity in 2019 with E&P capex, frack pump horsepower additions and well completions expected to decline year-on-year. Although pipeline additions in the Permian will add substantial takeaway capacity it is currently expected that this will translate into only a modest pick-up from current activity levels. Assuming these conditions endure the division expects to see lower constant currency revenues with operating profit expected to in the £55m-£95m range.

Discontinued operations: Flow Control

Weir Flow Control designs and manufactures valves and pumps as well as providing specialist support services to the global power generation, industrial, oil and gas and other aftermarket-orientated process industries. Previously reported as an individual reporting segment, the division was classified as held for sale from 19 April 2018 and is reported as a discontinued operation with prior period comparatives restated. An agreement to sell the business was announced on 25 February 2019.

Constant currency £m	H1[1]	H2	2018	2017[1]	Growth
Orders OE	106	85	191	156	22%
Orders AM	83	81	164	151	9%
Input Total	**189**	**166**	**355**	**307**	**15%**
Revenue OE	86	95	181	207	-13%
Revenue AM	73	89	162	148	10%
Revenue Total	**159**	**184**	**343**	**355**	**-4%**
Operating profit/(loss)[2]	**6**	**17**	**23**	**-7**	**407%**
Operating margin[2]	3.7%	9.2%	6.7%	-2.1%	880bps
Cash generated from operations	7	38	45	19	137%
Book-to-bill	1.19	0.90	1.03	0.86	

1 2017 and H1 2018 restated at 2018 average exchange rates except for operating cash flow. Prior year restated to include IFRS 15 adjustments.

2 Adjusted to exclude exceptional items and intangibles amortisation.

2018 Market review

New nuclear developments in the UK and a number of large nuclear valve orders in Asia supported improved demand for original equipment while, with the exception of coal, power markets also supported continuing aftermarket momentum. Project activity in downstream oil and gas also improved and the strong recovery in refinery maintenance continued.

2018 Operating review

The division showed encouraging results from its strategy of globalising its sales and marketing capability to fully leverage its valve and pump product portfolio. It expanded its installed base in attractive long-term nuclear markets in both the UK and Korea. The division also delivered a seventh consecutive quarter of year-on-year aftermarket growth as it leveraged its installed base, particularly in downstream oil and gas markets. Good progress was made in the operational turnaround of the business following the operating losses incurred in 2017.

2018 Financial review

Orders increased by 15% to £355m (2017: £307m). Original equipment orders were up 22% while aftermarket orders grew 9%. Power markets represented 46% of orders (2017: 46%) and oil and gas markets represented 30% (2017: 30%).

Revenue was 4% lower on a constant currency basis at £343m (2017: £355m), with aftermarket revenues up 10% on the prior year. Original equipment revenues were down 13%, reflecting the lower opening order book. Reported revenues were down 5% (2017: £360m) reflecting a 1% foreign exchange headwind.

Operating profit of £23m (2017: £7m loss) on a constant currency and reported basis reflected the success of the division's operational improvements, the upturn in market conditions and the absence of a £13m one-off charge recorded in 2017.

Operating margin was up 880bps against the prior year at 6.7% (2017: loss of 2.1%) on a constant currency basis, driven by the non-repeat of £13m of one-off charges, not charging depreciation from the point of becoming a discontinued operation and strength in underlying aftermarket.

Cash generated from operations increased by 137% to £45m (2017: £19m) reflecting the improved profitability of the division.

GROUP FINANCIAL HIGHLIGHTS

Group Highlights

GROUP FINANCIAL HIGHLIGHTS

	2018	2017	As reported	Constant Currency[1]	Like-for-like[5]
Continuing Operations[3]					
Orders[1]	£2,544m	£2,003m	n/a	27%	15%
Revenue	£2,450m	£1,986m	23%	28%	15%
Operating profit[2]	£348m	£296m	18%	22%	13%
Profit before tax[2]	£310m	£255m	22%	26%	n/a
Reported profit after tax	£53m	£184m	-71%	n/a	n/a
Earnings per share[2]	94.7p	91.7p	3%	n/a	n/a
Total Group					
Reported profit after tax	£18m	£160m	-89%	n/a	n/a
Earnings per share	7.4p	72.7p	-90%	n/a	n/a
Cash generated from operations[4]	£411m	£221m	86%	n/a	n/a
Dividend per share	46.2p	44.0p	5%	n/a	n/a
Net debt	£1,127m	£843m	£284m	n/a	n/a

The Financial Review includes a mixture of GAAP measures and those which have been derived from our reported results in order to provide a useful basis for measuring our operational performance. Operating results are for continuing operations before exceptional items and intangibles amortisation as provided in the Consolidated Income Statement. Details of other non-GAAP measures are provided in note 1 of the Audited Results.

Notes:

1. 2017 restated at 2018 average exchange rates.
2. Adjusted to exclude exceptional items and intangibles amortisation. Reported operating profit and profit before tax from continuing operations were £124m (2017: £241m) and £86m (2017: £199m) respectively.
3. Continuing operations excludes the Flow Control division which has been classified as held for sale since 19 April 2018 and is reported in discontinued operations with comparative restated accordingly. ESCO was acquired on 12 July 2018 and its results have only been included from that date. 2017 has been restated for IFRS 15 – Revenues from Contracts with Customers.
4. Net cash generated from operating activities was £218m (2017: £128m).
5. 2017 restated at 2018 average exchange rates and like-for-like excluding ESCO and KOP acquisitions in 2018 and 2017 respectively.
6. Net debt reconciliation provided within note 14 of the Audited Results.

Continuing operations order input at £2,544m increased 27% on a constant currency basis and 15% like-for-like. Original equipment orders were £648m. Aftermarket orders were £1,896m.

Continuing operations revenue of £2,450m showed growth of 28% on a constant currency basis (15% like-for-like) mainly reflecting the improvement in orders in the Oil & Gas Division and continued strong input performance in Minerals. Aftermarket accounted for 75% of revenues, in line with prior year. Reported revenues increased 23%, impacted by a foreign exchange translation headwind of £75m.

Operating profit from continuing operations (before exceptional items and intangibles amortisation) increased by £52m (18%) to £348m. Excluding a £12m foreign currency translation headwind the constant currency increase was £64m.

Unallocated costs increased £7m from the prior year to £31m supporting the We are Weir strategy with increased investment in digital and advanced manufacturing technology as well as share-based payments. Reported operating profit for the year of £124m was £117m lower than the prior year due to an increase in exceptional items and intangibles amortisation of £169m, which offset the increase in underlying operating profit of £52m.

Continuing operations net finance costs before exceptional items were £38m (2017: £41m).

Continuing operations profit before tax

Profit before tax from continuing operations (before exceptional items and intangibles amortisation) increased by 22% to £310m (2017: £255m). The reported profit before tax from continuing operations of £86m compares to £199m in 2017 due to an increase in exceptional items.

Continuing operations taxation
The tax charge for the year of £79m (2017: £53m) on profit before tax from continuing operations (before exceptional items and intangibles amortisation) of £310m (2017: £255m) represents an underlying effective tax rate (ETR) of 25.3% (2017: 20.9%).

Continuing operations exceptional items and intangibles amortisation
Exceptional items increased to £158m (2017: £4m) with intangibles amortisation at £66m (2017: £52m).

Included in the increase in exceptional items is £94m in relation to the ESCO acquisition, including a £63m charge related to the unwind of the inventory fair value uplift booked in accordance with IFRS 3 in the opening balance sheet and a further £31m recognised for acquisition and integration costs.

A legacy product warranty issue which arose in Oil & Gas led to an exceptional charge of £24m, which related to inventory provisions and warranty compensation arrangements.

Restructuring and rationalisation charges in the year of £29m represent costs related to the right-sizing of operations, including facility closures, headcount reductions, tangible asset impairments and inventory write downs. This includes £17m following the decision to exit the Minerals Malaysia foundry operations.

Following the Lloyds Banking Group High Court ruling on 26 October 2018 in relation to Guaranteed Minimum Pension (GMP) inequality, a charge of £6m for GMP equalisation has been recognised.

Of the £158m total exceptional charge £68m is cash in nature.

A tax credit of £46m has been recognised in relation to exceptional items and intangibles amortisation (2017: £39m).

Discontinued Operations
Reported loss for the year from discontinued operations is £35m (2017: loss £25m). Exceptional items of £52m (2017: £10m) includes a write down to Flow Control's carrying value of £45m to £260m, reflecting the agreed transaction enterprise value of £275m less our latest estimate of future costs to sell including separation costs, transfer value of pension and other liabilities as well as certain capital commitments.

Cashflow and net debt
Cash generated from operations increased by £190m to £411m in the year which mainly reflected the strong cash generation in both Minerals and Oil & Gas supported by improvements in working capital. Our working capital efficiency was demonstrated by working capital as a percentage of sales reducing from 24.7% to 22.9% on a like-for-like basis. Net cash generated from operating activities was £218m (2017: £128m).

Free cash flow (see note 1 of the Audited Results) from total operations increased by £133m to £109m (2017: outflow £24m), before cash exceptional items of £142m (2017: £29m).

Total Group exceptional cash items in the year primarily relate to the ESCO acquisition (£111m) and include acquisition and integration costs, settlement of share-based payments and redundancy costs. Of the ESCO exceptional costs £41m of cash was left in the business by the vendor to fund these. The remainder relates to the legacy warranty issue in Oil & Gas and the restructuring and rationalisation actions.

Our acquisition of ESCO was completed via a mixture of cash and shares for an equity value totalling £792m. The cash element of £424m (net of cash acquired of £41m) was partly financed via a placement of shares in H1 which raised £356m (net of transaction costs), with the balance being funded from existing debt facilities. The remainder was financed via the issue of share capital totalling £327m during the year. We also took on £121m of legacy ESCO debt as part of the acquisition which was refinanced on completion utilising existing debt facilities.

The above movements resulted in closing Group net debt of £1,127m (2017: £843m), which includes an adverse foreign exchange movement of £55m. Continuing operations net debt is £1,140m. On a lender covenant basis, including a pro forma full year of ESCO, the ratio of net debt to EBITDA was 2.3 times (2017: 2.5 times) compared to a covenant level of 3.5 times.

Earnings per share from continuing operations (before exceptional items and intangibles amortisation) increased by 3% to 94.7p (2017: 91.7p). Reported earnings per share including exceptional items, intangibles amortisation and profit from discontinued operations was 7.4p (2017: 72.7p). The weighted average number of shares in issue increased to 244.1m (2017: 219.9m) following the issue of 34.9m shares during the year in respect of the ESCO acquisition and scrip dividends.

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Appendix 1 – 2018 quarterly order trends

	Reported growth[1]					Like-for-like[1,2] growth				
Division	**Q1**	**Q2**	**Q3**	**Q4**	**FY**	**Q1**	**Q2**	**Q3**	**Q4**	**FY**
Original Equipment	19%	**-**	19%	30%	**16%**	19%	-	19%	30%	**16%**
Aftermarket	11%	17%	20%	3%	**13%**	11%	17%	20%	3%	**13%**
Minerals	**13%**	**12%**	**20%**	**10%**	**14%**	**13%**	**12%**	**20%**	**10%**	**14%**
Original Equipment	-	-	-	-	-	-	-	-	-	-
Aftermarket	-	-	-	-	-	-	-	-	-	-
ESCO	-	-	-	-	-	-	-	-	-	-
Original Equipment	92%	32%	37%	-38%	**24%**	85%	21%	23%	-14%	**25%**
Aftermarket	42%	21%	6%	-4%	**15%**	40%	19%	6%	-4%	**14%**
Oil & Gas	**52%**	**23%**	**13%**	**-12%**	**17%**	49%	**19%**	**10%**	**-6%**	**17%**
Original Equipment	36%	8%	28%	11%	**20%**	35%	5%	20%	17%	**18%**
Aftermarket	22%	19%	44%	34%	**30%**	21%	18%	15%	**-**	**13%**
Continuing Ops[1]	**25%**	**16%**	**40%**	**28%**	**27%**	**24%**	**14%**	**16%**	**4%**	**15%**
Book to Bill	1.14	1.08	1.02	0.94	**1.04**	1.14	1.08	1.04	**0.94**	**1.05**

[1] Continuing operations (excludes the Flow Control division which has been classified as being held for sale).

[2] Like-for-like excludes the impact of acquisitions, KOP was acquired on 27 July 2017 and excluded for 2017 and 2018. ESCO was acquired on 12 July 2018 and excluded from 2018.

Appendix 2 – 2018 Foreign Exchange (FX) rates and profit exposure

	2017 FY average FX rates	**2018 FY average FX rates**	**Percentage of 2018 operating profits**
US dollar	1.29	1.34	65%
Australian dollar	1.68	1.79	9%
Canadian dollar	1.67	1.73	14%
Euro €	1.14	1.13	6%
Chilean peso	835.52	855.87	12%
United Arab Emirates dirham	4.73	4.89	2%
South African rand	17.15	17.65	2%
Brazilian real	4.11	4.87	1%
Russian rouble	75.17	83.66	1%

This information includes 'forward-looking statements'. All statements other than statements of historical fact included in this presentation, including, without limitation, those regarding The Weir Group PLC's ("the Group") financial position, business strategy, plans (including development plans and objectives relating to the Group's products and services) and objectives of management for future operations, are forward-looking statements. These statements contain the words "anticipate", "believe", "intend", "estimate", "expect" and words of similar meaning. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Group to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. These forward-looking statements speak only as at the date of this document. The Group expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. Past business and financial performance cannot be relied on as an indication of future performance.

AUDITED RESULTS

Consolidated Income Statement
for the year ended 31 December 2018

	Notes	Year ended 31 December 2018 Before exceptional items & intangibles amortisation £m	Year ended 31 December 2018 Exceptional items & intangibles amortisation (note 3) £m	Year ended 31 December 2018 Total £m	Restated (note 1) Year ended 31 December 2017 Before exceptional items & intangibles amortisation £m	Restated (note 1) Year ended 31 December 2017 Exceptional items & intangibles amortisation (note 3) £m	Restated (note 1) Year ended 31 December 2017 Total £m
Continuing operations							
Revenue	2	2,449.9	-	2,449.9	1,985.6	-	1,985.6
Continuing operations							
Operating profit before share of results of joint ventures		345.7	(224.0)	121.7	285.4	(55.5)	229.9
Share of results of joint ventures		2.4	-	2.4	10.9	-	10.9
Operating profit		348.1	(224.0)	124.1	296.3	(55.5)	240.8
Finance costs		(40.7)	-	(40.7)	(42.9)	(0.8)	(43.7)
Finance income		2.7	-	2.7	1.5	-	1.5
Profit before tax from continuing operations		310.1	(224.0)	86.1	254.9	(56.3)	198.6
Tax (expense) credit	4	(78.6)	45.9	(32.7)	(53.2)	39.0	(14.2)
Profit for the year from continuing operations		231.5	(178.1)	53.4	201.7	(17.3)	184.4
Profit (loss) for the year from discontinued operations	5	16.3	(51.3)	(35.0)	(13.1)	(11.6)	(24.7)
Profit for the year		247.8	(229.4)	18.4	188.6	(28.9)	159.7
Attributable to:							
Equity holders of the Company		247.4	(229.4)	18.0	188.8	(28.9)	159.9
Non-controlling interests		0.4	-	0.4	(0.2)	-	(0.2)
		247.8	(229.4)	18.4	188.6	(28.9)	159.7
Earnings per share	6						
Basic - total operations				7.4p			72.7p
Basic - continuing operations		94.7p		21.7p	91.7p		83.8p
Diluted - total operations				7.3p			72.3p
Diluted - continuing operations		94.0p		21.6p	91.1p		83.3p

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2018

	Notes	Year ended 31 December 2018 £m	Restated (note 1) Year ended 31 December 2017 £m
Profit for the year		**18.4**	159.7
Other comprehensive income (expense)			
Gains taken to equity on cash flow hedges		**0.8**	0.4
Exchange gains (losses) on translation of foreign operations		**76.1**	(147.7)
Exchange (losses) gains on net investment hedges		**(72.8)**	54.0
Reclassification adjustments on cash flow hedges		**(2.6)**	(0.3)
Tax relating to other comprehensive income (expense) to be reclassified in subsequent periods		**3.0**	0.8
Items that are or may be reclassified to profit or loss in subsequent periods		**4.5**	(92.8)
Remeasurements on defined benefit plans		**53.7**	(5.4)
Remeasurements on other benefit plans		**0.3**	(0.8)
Tax relating to other comprehensive income (expense) not to be reclassified in subsequent periods		**(8.9)**	1.5
Items that will not be reclassified to profit or loss in subsequent periods		**45.1**	(4.7)
Net other comprehensive income (expense)		**49.6**	(97.5)
Total net comprehensive income for the year		**68.0**	62.2
Attributable to:			
Equity holders of the Company		**67.5**	62.4
Non-controlling interests		**0.5**	(0.2)
		68.0	62.2
Total net comprehensive income (expense) for the year attributable to equity holders of the Company			
Continuing operations		**153.3**	103.6
Discontinued operations		**(85.8)**	(41.2)
		67.5	62.4

Consolidated Balance Sheet
at 31 December 2018

	Notes	31 December 2018 £m	Restated (note 1) 31 December 2017 £m
ASSETS			
Non-current assets			
Property, plant & equipment		**427.1**	393.3
Intangible assets		**2,166.6**	1,550.7
Investments in joint ventures		**36.6**	19.2
Deferred tax assets		**36.0**	45.6
Other receivables		**78.5**	43.0
Derivative financial instruments	13	**1.4**	0.3
Total non-current assets		**2,746.2**	2,052.1
Current assets			
Inventories		**692.7**	589.1
Trade & other receivables		**597.7**	629.2
Derivative financial instruments	13	**18.3**	16.7
Income tax receivable		**32.5**	18.1
Cash & short-term deposits		**263.0**	284.6
Assets held for sale	5	**394.4**	-
Total current assets		**1,998.6**	1,537.7
Total assets		**4,744.8**	3,589.8
LIABILITIES			
Current liabilities			
Interest-bearing loans & borrowings	10	**662.5**	388.4
Trade & other payables		**629.9**	614.3
Derivative financial instruments	13	**40.8**	25.8
Income tax payable		**25.3**	31.2
Provisions	11	**50.5**	53.0
Liabilities held for sale	5	**134.0**	-
Total current liabilities		**1,543.0**	1,112.7
Non-current liabilities			
Interest-bearing loans & borrowings	10	**740.9**	739.4
Other payables		**0.8**	0.5
Derivative financial instruments	13	**0.2**	0.7
Provisions	11	**69.7**	71.9
Deferred tax liabilities		**92.2**	58.2
Retirement benefit plan deficits	12	**149.1**	137.7
Total non-current liabilities		**1,052.9**	1,008.4
Total liabilities		**2,595.9**	2,121.1
NET ASSETS		**2,148.9**	1,468.7
CAPITAL & RESERVES			
Share capital		**32.5**	28.1
Share premium		**582.3**	197.9
Merger reserve		**332.6**	9.4
Treasury shares		**(2.1)**	(5.9)
Capital redemption reserve		**0.5**	0.5
Foreign currency translation reserve		**101.3**	98.1
Hedge accounting reserve		**1.5**	0.3
Retained earnings		**1,095.0**	1,139.0
Shareholders' equity		**2,143.6**	1,467.4
Non-controlling interests		**5.3**	1.3
TOTAL EQUITY		**2,148.9**	1,468.7

The financial statements were approved by the Board of Directors and authorised for issue on 27 February 2019.

Jon Stanton
Director

John Heasley
Director

Consolidated Cash Flow Statement
for the year ended 31 December 2018

	Notes	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Total operations			
Cash flows from operating activities	14		
Cash generated from operations before exceptional cash items		**410.8**	220.5
Additional pension contributions paid		**(5.6)**	(3.0)
Exceptional cash items		**(114.0)**	(28.6)
Income tax paid		**(73.3)**	(60.5)
Net cash generated from operating activities		**217.9**	128.4
Cash flows from investing activities			
Acquisitions of subsidiaries, net of cash acquired	14	**(429.6)**	(90.1)
Investment in joint ventures		**-**	(1.4)
Purchases of property, plant & equipment		**(77.7)**	(67.8)
Purchases of intangible assets		**(11.4)**	(17.6)
Other proceeds from sale of property, plant & equipment and intangible assets		**3.9**	4.6
Disposals of discontinued operations	14	**0.3**	3.5
Disposals of joint ventures		**-**	31.8
Interest received		**3.0**	1.5
Dividends received from joint ventures		**1.6**	8.0
Net cash (used in) generated from investing activities		**(509.9)**	(127.5)
Cash flows from financing activities			
Purchase of non-controlling interest		**-**	(37.2)
Proceeds from borrowings		**1,438.4**	964.4
Repayments of borrowings		**(1,335.5)**	(854.7)
Settlement of derivative financial instruments		**(22.1)**	6.6
Exceptional cash items – settlement of derivative financial instruments		**(27.8)**	-
Interest paid		**(39.6)**	(42.3)
Dividends paid to equity holders of the Company	7	**(79.6)**	(74.2)
Issue of shares, net of transaction costs		**355.5**	90.0
Purchase of shares for employee share plans		**(0.8)**	-
Net cash generated from financing activities		**288.5**	52.6
Net (decrease) increase in cash & cash equivalents		**(3.5)**	53.5
Cash & cash equivalents at the beginning of the year		**284.5**	257.0
Foreign currency translation differences		**(3.8)**	(26.0)
Cash & cash equivalents at the end of the year		**277.2**	284.5

The cash flows from discontinued operations included above are disclosed separately in note 5.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2018

	Share capital £m	Share premium £m	Merger reserve £m	Treasury shares £m	Capital redemption reserve £m	Foreign currency translation reserve £m	Hedge accounting reserve £m	Retained earnings £m	Attributable to equity holders of the Company £m	Non-controlling interests £m	Total equity £m
At 31 December 2016	27.3	86.2	9.4	(5.9)	0.5	191.8	(0.6)	1,066.4	1,375.1	8.5	1,383.6
IFRS 15 restatement (note 1)	-	-	-	-	-	-	-	(0.6)	(0.6)	-	(0.6)
Restated at 31 December 2016	27.3	86.2	9.4	(5.9)	0.5	191.8	(0.6)	1,065.8	1,374.5	8.5	1,383.0
Profit (loss) for the year (restated note 1)	-	-	-	-	-	-	-	159.9	159.9	(0.2)	159.7
Gains taken to equity on cash flow hedges	-	-	-	-	-	-	0.4	-	0.4	-	0.4
Exchange losses on translation of foreign operations	-	-	-	-	-	(147.7)	-	-	(147.7)	-	(147.7)
Exchange gains on net investment hedges	-	-	-	-	-	54.0	-	-	54.0	-	54.0
Reclassification adjustments on cash flow hedges	-	-	-	-	-	-	(0.3)	-	(0.3)	-	(0.3)
Remeasurements on defined benefit plans	-	-	-	-	-	-	-	(5.4)	(5.4)	-	(5.4)
Remeasurements on other benefit plans	-	-	-	-	-	-	-	(0.8)	(0.8)	-	(0.8)
Tax relating to other comprehensive income (expense)	-	-	-	-	-	-	0.8	1.5	2.3	-	2.3
Total net comprehensive (expense) income for the year	-	-	-	-	-	(93.7)	0.9	155.2	62.4	(0.2)	62.2
Acquisition of non-controlling interest	-	-	-	-	-	-	-	7.0	7.0	(7.0)	-
Issue of shares	0.8	111.7	-	-	-	-	-	-	112.5	-	112.5
Cost of share-based payments inclusive of tax charge	-	-	-	-	-	-	-	7.7	7.7	-	7.7
Dividends	-	-	-	-	-	-	-	(96.7)	(96.7)	-	(96.7)
At 31 December 2017 (note 1)	**28.1**	**197.9**	**9.4**	**(5.9)**	**0.5**	**98.1**	**0.3**	**1,139.0**	**1,467.4**	**1.3**	**1,468.7**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**18.0**	**18.0**	**0.4**	**18.4**
Gains taken to equity on cash flow hedges	**-**	**-**	**-**	**-**	**-**	**-**	**0.8**	**-**	**0.8**	**-**	**0.8**
Exchange gains on translation of foreign operations	**-**	**-**	**-**	**-**	**-**	**76.0**	**-**	**-**	**76.0**	**0.1**	**76.1**
Exchange losses on net investment hedges	**-**	**-**	**-**	**-**	**-**	**(72.8)**	**-**	**-**	**(72.8)**	**-**	**(72.8)**
Reclassification adjustments on cash flow hedges	**-**	**-**	**-**	**-**	**-**	**-**	**(2.6)**	**-**	**(2.6)**	**-**	**(2.6)**
Remeasurements on defined benefit plans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**53.7**	**53.7**	**-**	**53.7**
Remeasurements on other benefit plans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.3**	**0.3**	**-**	**0.3**
Tax relating to other comprehensive income (expense)	**-**	**-**	**-**	**-**	**-**	**-**	**3.0**	**(8.9)**	**(5.9)**	**-**	**(5.9)**
Total net comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**3.2**	**1.2**	**63.1**	**67.5**	**0.5**	**68.0**
Acquisition of non-controlling interest through business combination	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3.5**	**3.5**
Issue of shares, net of transaction costs	**4.4**	**384.4**	**323.2**	**-**	**-**	**-**	**-**	**-**	**712.0**	**-**	**712.0**
Cost of share-based payments inclusive of tax charge	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8.3**	**8.3**	**-**	**8.3**
Dividends	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(110.8)**	**(110.8)**	**-**	**(110.8)**
Purchase of shares	**-**	**-**	**-**	**(0.8)**	**-**	**-**	**-**	**-**	**(0.8)**	**-**	**(0.8)**
Exercise of share-based payments	**-**	**-**	**-**	**4.6**	**-**	**-**	**-**	**(4.6)**	**-**	**-**	**-**
At 31 December 2018	**32.5**	**582.3**	**332.6**	**(2.1)**	**0.5**	**101.3**	**1.5**	**1,095.0**	**2,143.6**	**5.3**	**2,148.9**

Notes to the Audited Results

1. Accounting policies

Basis of preparation

The audited results for the year ended 31 December 2018 ('2018') have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applied in accordance with the provisions of the Companies Act 2006.

The financial information set out in the audited results does not constitute the Group's statutory financial statements for the year ended 31 December 2018 within the meaning of section 434 of the Companies Act 2006 and has been extracted from the full financial statements for the year ended 31 December 2018.

Statutory financial statements for the year ended 31 December 2017 ('2017'), which received an unqualified audit report, have been delivered to the Registrar of Companies. The reports of the auditors on the financial statements for the year ended 31 December 2017 and for the year ended 31 December 2018 were unqualified and did not contain a statement under either section 498(2) or section 498(3) of the Companies Act 2006. The financial statements for the year ended 31 December 2018 will be delivered to the Registrar of Companies and made available to all shareholders in due course.

These financial statements are presented in Sterling. All values are rounded to the nearest 0.1 million pounds (£m) except where otherwise indicated.

The accounting policies are consistent with those of the previous period with the exception of the following new standards which apply for the first time in 2018:

IFRS 9: Financial instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

In accordance with the transitional provisions in IFRS 9 (7.2.15), IFRS 9 was adopted without restating comparative information. The impact of adopting IFRS 9 on the Group's retained earnings and individual financial statement line items as at 1 January 2018 was determined to be immaterial and as such no adjustments to the opening balance sheet have been recorded.

The considerations relevant to this assessment are outlined below.

i) Classification and measurement

No changes were necessary to the classification or remeasurement of the Group's financial instruments, with derivative instruments remaining as measured at fair value through the profit and loss (FVTPL), or subject to the accounting provisions for hedge relationships under IFRS 9 where designated in effective hedge accounting relationships, and all other financial instruments remaining classified as measured at amortised cost under IFRS 9.

ii) Derivatives and hedging activities

Certain of the Group's forward foreign currency contracts, cross currency swaps and foreign currency debt in place as at 31 December 2017 qualified as cash flow hedges or net investment hedges under IFRS 9. The Group's risk management strategies and hedge documentation are aligned with the requirements of IFRS 9 and these relationships continue to be treated as hedges.

iii) Impairment of financial assets

The Group has two types of financial assets that are subject to IFRS 9's new expected credit loss model, namely:

- trade receivables for sales of products and services; and
- contract assets relating to construction contracts.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. This did not result in a material change to the loss allowance on 1 January 2018 for either trade receivables or for contract assets, and as such no adjustment has been recorded and comparative figures have not been restated. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, no impairment loss was identified.

As at 31 December 2018 there were no assets held by the Group that required assessment for impairment under the IFRS 9 general impairment model.

1. Accounting policies (continued)

IFRS 15: Revenue from contracts with customers (including associated amendments)

The Group has adopted IFRS 15, applying the full retrospective method. The new standard has had an immaterial impact on the results of the Group, with the restatement of revenue totalling less than 1% of reported revenue of continuing operations for the year ended 31 December 2017, as reflected in the restatement tables below. The main changes relate to the timing of revenue recognition in a small number of entities, for over time or point in time, dependent on certain criteria for 'Engineer to order' contracts as well as revenue adjustments for variable consideration.

There are no other new standards or interpretations effective for the year ended 31 December 2018, in addition to the above, which are considered to have a material impact on the Consolidated Financial Statements of the Group.

Prior period restatements

On 19 April 2018, the Group announced its intention to sell the Flow Control division and, in line with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations, the Group has classified the division as held for sale. Previously disclosed as an individual segment, the division is now reported as a discontinued operation. This has resulted in a restatement of the Consolidated Income Statement for the year ended 31 December 2017.

During the period ended 30 June 2018, the provisional fair values attributed to the 2017 KOP Surface Products (KOP) acquisition were finalised. In accordance with IFRS 3: Business Combinations, the net impact of the adjustments to the provisional fair values has been recognised by means of an increase to goodwill and the adjustments to the provisional amounts have been recognised as if the accounting for the business combination had been completed at the relevant acquisition date. As such, all affected balances and amounts have been restated in the financial statements.

The Consolidated Income Statement for the year ended 31 December 2017 and the Consolidated Balance Sheet at 31 December 2017 have been restated, as shown below, to reflect the above and IFRS 15 restatements. The Consolidated Balance Sheet at 31 December 2016 has also been restated for IFRS 15 but is not presented below on the grounds of materiality, the impact being reflected in the Consolidated Statement of Changes in Equity.

Restated Consolidated Income Statement
for year ended 31 December 2017

	Total operations: as previously reported £m	Transfer to discontinued operations - (profit) loss £m	Continuing operations: IFRS 15 restatement - profit (loss) £m	Continuing operations: as restated £m	Discontinued operations: IFRS 15 restatement £m
Revenue	2,355.9	(362.8)	(7.5)	1,985.6	(3.3)
Operating profit before share of results of joint ventures	212.2	20.4	(2.7)	229.9	-
Share of results of joint ventures	10.9	-	-	10.9	-
Operating profit	223.1	20.4	(2.7)	240.8	-
Finance costs	(44.1)	0.4	-	(43.7)	-
Finance income	1.6	(0.1)	-	1.5	-
Profit before tax from continuing operations	180.6	20.7	(2.7)	198.6	-
Tax expense	(19.1)	4.0	0.9	(14.2)	-
Profit for the year	161.5	24.7	(1.8)	184.4	-
Loss for the year from discontinued operations	-	(24.7)	-	(24.7)	-
Profit for the year	161.5	-	(1.8)	159.7	-

1. Accounting policies (continued)

Restated Consolidated Balance Sheet (extract)

at 31 December 2017

	Notes	As previously reported £m	IFRS 15 £m	KOP adjustments to fair values £m	Restated 31 December 2017 £m
Non-current assets					
Property, plant & equipment		392.3	-	1.0	393.3
Intangible assets		1,549.9	-	0.8	1,550.7
Deferred tax assets		45.3	0.3	-	45.6
Current assets					
Inventories		586.8	2.3	-	589.1
Trade & other receivables		636.9	(6.2)	(1.5)	629.2
Income tax receivable		18.5	0.5	(0.9)	18.1
Current liabilities					
Trade & other payables		615.8	(0.9)	(0.6)	614.3
Income tax payable		31.1	0.1	-	31.2
Provisions	11	52.6	0.4	-	53.0
Non-current liabilities					
Provisions	11	72.0	(0.1)	-	71.9
Deferred tax liabilities		58.4	(0.2)	-	58.2
CAPITAL & RESERVES					
31 December 2016 restatement		-	(0.6)	-	(0.6)
31 December 2017 restatement		-	(1.8)	-	(1.8)
Retained earnings		1,141.4	(2.4)	-	1,139.0

Exceptional items & intangibles amortisation

In order to provide the users of the Consolidated Financial Statements with a more relevant presentation of the Group's underlying performance, on a like-for-like basis, profit for each year has been analysed between:

i) profit before exceptional items & intangibles amortisation; and
ii) the effect of exceptional items & intangibles amortisation.

Exceptional items are items of income and expense which, because of the nature, size and/or infrequency of the events giving rise to them, merit separate presentation. These specific items are presented on the face of the Consolidated Income Statement to provide greater clarity and a better understanding of the impact of these items on the Group's financial performance. In doing so, it also facilitates greater comparison of the Group's underlying results with prior years and assessment of trends in financial performance. This split is consistent with how underlying business performance is measured internally.

Exceptional items may include but are not restricted to: profits or losses arising on disposal or closure of businesses; the cost of significant business restructuring; significant impairments of intangible or tangible assets; adjustments to the fair value of acquisition-related items such as contingent consideration and inventory; other items deemed exceptional due to their significance, size or nature; and the related exceptional taxation.

Intangibles amortisation has been shown separately to provide visibility over the ongoing impact on the Group's income statement of prior and current period investment activities.

Further analysis of the items included in the column 'Exceptional items & intangibles amortisation' is provided in note 3 to the financial statements.

1. Accounting policies (continued)

New standards – issued but not yet effective

IFRS 16: Leases

The Group will adopt IFRS 16 on 1 January 2019. The standard will result in many current operating leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed.

The Group will apply the modified retrospective transition method. Under this method, comparative information will not be restated, but the impact of IFRS 16 will be recognised within opening balances as at 1 January 2019. The Group will recognise right-of-use assets representing its right to use underlying assets, and corresponding lease liabilities representing its obligation to make lease payments. Right-of-use assets will be valued as equal to lease liabilities. The lease term is calculated as the non-cancellable period of the lease contract, except where the Group is reasonably certain that it will exercise contractual extension options. Operating lease expenses will be replaced by a depreciation expense on the right-of-use assets recognised and an interest expense. Where the interest rate implicit in the lease cannot be readily determined, the Group's incremental borrowing rate will be used.

The Group has elected to use the following practical expedients allowed by the standard:

- On initial application:
  i. the use of hindsight when determining the lease term if the contract contains options to extend or terminate the lease;
  ii. the exclusion of initial direct costs from the measurement of the right-of-use asset; and
  iii. IFRS 16 will only be applied to contracts that were previously classified as leases.
- Lease payments for contracts with a duration of 12 months or less and/or contracts for which the underlying asset is of a low value will continue to be expensed to the income statement on a straight-line basis over the lease term. At transition, where the lease term ends within 12 months of 1 January 2019, these leases will be treated as short term.

On adoption of IFRS 16, the Group expects to recognise right of use assets and corresponding lease liabilities on the balance sheet of between £180m and £200m. The impact on the profit before tax in the Consolidated Income Statement is not expected to be material.

1. Accounting policies (continued)

Non-GAAP measures

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applied in accordance with the provisions of the Companies Act 2006. In measuring our performance, the financial measures that we use include those which have been derived from our reported results in order to eliminate factors which we believe distort period-on-period comparisons. These are considered non-GAAP financial measures. This information, along with comparable GAAP measurements, is useful to investors in providing a basis for measuring our operational performance. Our management uses these financial measures, along with the most directly comparable GAAP financial measures, in evaluating our performance and value creation. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information in compliance with GAAP. Non-GAAP financial measures as reported by the Group may not be comparable with similarly titled amounts reported by other companies.

Below we set out our definitions of non-GAAP measures and provide reconciliations to relevant GAAP measures.

Free cash flow

Free cash flow (FCF) is defined as cash flow from operating activities adjusted for income taxes, net capital expenditures, net interest payments, dividends paid, settlement of derivatives, purchase of shares for employee share plans and pension contributions. FCF reflects an additional way of viewing our liquidity that we believe is useful to investors as it represents cash flows that could be used for repayment of debt or to fund our strategic initiatives, including acquisitions, if any. The reconciliation of cash generated from operations to FCF is as follows.

	2018 **£m**	2017 £m
Cash generated from operations	**410.8**	220.5
Income tax paid	**(73.3)**	(60.5)
Net capital expenditure from purchase & disposal of property, plant & equipment and intangibles	**(85.2)**	(80.8)
Net interest paid	**(36.6)**	(40.8)
Dividends paid to equity holders of the Company	**(79.6)**	(74.2)
Dividends received from joint ventures	**1.6**	8.0
Settlement of derivative financial instruments	**(22.1)**	6.6
Purchase of shares for employee share plans	**(0.8)**	-
Additional pension contributions paid	**(5.6)**	(3.0)
Free cash flow	**109.2**	(24.2)

EBITDA

EBITDA is operating profit from continuing operations, before exceptional items, intangibles amortisation and depreciation. EBITDA is used in conjunction with other GAAP and non-GAAP financial measures to assess our operating performance. A reconciliation of EBITDA to the closest equivalent GAAP measure, operating profit, is provided.

	2018 **£m**	Restated (note 1) 2017 £m
Continuing operations		
Operating profit	**124.1**	240.8
Adjusted for:		
Exceptional items (note 3)	**157.7**	3.5
Earnings before interest and tax (EBIT)	**281.8**	244.3
Intangibles amortisation (note 3)	**66.3**	52.0
Depreciation of property, plant & equipment	**61.8**	49.7
EBITDA	**409.9**	346.0

Net debt

A reconciliation of net debt to cash & short-term deposits, interest-bearing loans and borrowings is provided in note 14.

2. Segment information

Following the announcement during the year of the Group's intention to sell the Flow Control division, the Group has classified the Flow Control division as a discontinued operation. Continuing operations includes three operating divisions: Minerals, ESCO and Oil & Gas (previously Minerals, Oil & Gas and Flow Control). The acquisition of ESCO was completed on 12 July 2018 and ESCO has been reported as a separate segment alongside Minerals and Oil & Gas with effect from that date. These three divisions are organised and managed separately based on the key markets served and each is treated as an operating segment and a reportable segment under IFRS 8. The operating and reportable segments were determined based on the reports reviewed by the Chief Executive Officer which are used to make operational decisions.

The Minerals segment is the global leader in the provision of slurry handling equipment and associated aftermarket support for abrasive high-wear applications used in the mining and oil sands markets. The Oil & Gas segment provides products and service solutions to upstream, production, transportation and related industries. The ESCO segment is the world's leading provider of ground engaging tools for surface mining and infrastructure.

The Chief Executive Officer assesses the performance of the operating segments based on operating profit from continuing operations before exceptional items (including impairments) and intangibles amortisation ('segment result'). Finance income and expenditure and associated interest-bearing liabilities and derivative financial instruments are not allocated to segments as all treasury activity is managed centrally by the Group treasury function. The amounts provided to the Chief Executive Officer with respect to assets and liabilities are measured in a manner consistent with that of the financial statements. The assets are allocated based on the operations of the segment and the physical location of the asset. The liabilities are allocated based on the operations of the segment.

Transfer prices between business segments are set on an arm's length basis, in a manner similar to transactions with third parties.

2. Segment information (continued)

The segment information for the reportable segments for 2018 and 2017 is disclosed below. Information for Flow Control is included in note 5.

	Minerals		ESCO		Oil & Gas		Total continuing operations	
		Restated (note 1)				Restated (note 1)		Restated (note 1)
	2018 £m	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Revenue								
Sales to external customers	**1,416.7**	1,306.1	**251.8**	-	**781.4**	679.5	**2,449.9**	1,985.6
Inter-segment sales	**1.5**	0.7	**-**	-	**-**	0.2	**1.5**	0.9
Segment revenue	**1,418.2**	1,306.8	**251.8**	-	**781.4**	679.7	**2,451.4**	1,986.5
Eliminations							**(1.5)**	(0.9)
							2,449.9	1,985.6
Sales to external customers - 2017 at 2018 average exchange rates								
Sales to external customers	**1,416.7**	1,255.2	**251.8**	-	**781.4**	655.5	**2,449.9**	1,910.7
Segment result								
Segment result before share of results of joint ventures	**250.2**	228.1	**32.5**	-	**93.8**	81.4	**376.5**	309.5
Share of results of joint ventures	**-**	-	**0.2**	-	**2.2**	10.9	**2.4**	10.9
Segment result	**250.2**	228.1	**32.7**	-	**96.0**	92.3	**378.9**	320.4
Unallocated expenses							**(30.8)**	(24.1)
Operating profit before exceptional items & intangibles amortisation							**348.1**	296.3
Total exceptional items & intangibles amortisation							**(224.0)**	(56.3)
Net finance costs before exceptional items							**(38.0)**	(41.4)
Profit before tax from continuing operations							**86.1**	198.6
Segment result - 2017 at 2018 average exchange rates								
Segment result before share of results of joint ventures	**250.2**	219.5	**32.5**	-	**93.8**	78.3	**376.5**	297.8
Share of results of joint ventures	**-**	-	**0.2**	-	**2.2**	10.6	**2.4**	10.6
Segment result	**250.2**	219.5	**32.7**	-	**96.0**	88.9	**378.9**	308.4
Unallocated expenses							**(30.8)**	(24.1)
Operating profit before exceptional items & intangibles amortisation							**348.1**	284.3

Revenues from any single external customer do not exceed 10% of Group revenue.

2. Segment information (continued)

	Minerals		ESCO		Oil & Gas		Discontinued operations		Total Group	
	2018 £m	Restated (note 1) 2017 £m	2018 £m	2017 £m	2018 £m	Restated (note 1) 2017 £m	2018 £m	Restated (note 1) 2017 £m	2018 £m	Restated (note 1) 2017 £m
Assets & liabilities										
Intangible assets	**606.3**	603.0	**747.5**	-	**773.5**	763.0	**-**	137.5	**2,127.3**	1,503.5
Property, plant & equipment	**218.1**	221.3	**106.1**	-	**93.9**	89.9	**-**	72.5	**418.1**	383.7
Working capital assets	**682.9**	621.3	**215.8**	-	**384.0**	365.7	**-**	229.3	**1,282.7**	1,216.3
	1,507.3	1,445.6	**1,069.4**	-	**1,251.4**	1,218.6	**-**	439.3	**3,828.1**	3,103.5
Investments in joint ventures	**-**	-	**15.6**	-	**21.0**	19.2	**-**	-	**36.6**	19.2
Segment assets held for sale	**-**	-	**-**	-	**-**	-	**394.4**	-	**394.4**	-
Segment assets	**1,507.3**	1,445.6	**1,085.0**	-	**1,272.4**	1,237.8	**394.4**	439.3	**4,259.1**	3,122.7
Unallocated assets									**485.7**	467.1
Total assets									**4,744.8**	3,589.8
Working capital liabilities	**402.2**	**353.2**	**80.0**	**-**	**181.3**	**175.9**	**-**	**126.7**	**663.5**	655.8
Segment liabilities held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**134.0**	**-**	**134.0**	-
Unallocated liabilities									**1,798.4**	1,465.3
Total liabilities									**2,595.9**	2,121.1
Other segment information - total Group										
Segment additions to non-current assets	**47.5**	43.5	**9.5**	-	**26.9**	24.8	**5.9**	6.4	**89.8**	74.7
Unallocated additions to non-current assets									**3.9**	11.0
Total additions to non-current assets									**93.7**	85.7
Other segment information - total Group										
Segment depreciation & amortisation	**44.1**	45.0	**16.8**	-	**54.6**	51.5	**3.7**	11.8	**119.2**	108.3
Segment impairment of property, plant & equipment	**12.9**	0.1	**-**	-	**0.4**	2.4	**0.3**	1.4	**13.6**	3.9
Segment impairment of intangible assets	**3.1**	-	**-**	-	**-**	-	**45.0**	-	**48.1**	-
Unallocated depreciation & amortisation									**12.6**	5.4
Total depreciation, amortisation & impairment									**193.5**	117.6

Unallocated assets are continuing operations and primarily comprise cash and short-term deposits, derivative financial instruments, income tax receivable, deferred tax assets and retirement benefit surpluses as well as those assets which are used for general head office purposes. Unallocated liabilities are continuing operations and primarily comprise interest-bearing loans and borrowings, derivative financial instruments, income tax payable, provisions, deferred tax liabilities and retirement benefit deficits as well as liabilities relating to general head office activities. Segment additions to non-current assets do not include those additions which have arisen from business combinations (note 9).

2. Segment information (continued)

Geographical information

Geographical information in respect of revenue and non-current assets for 2018 and 2017 is disclosed below. Revenues are allocated based on the location to which the product is shipped. Assets are allocated based on the location of the assets and operations. Non-current assets consist of property, plant & equipment, intangible assets and investments in joint ventures.

Year ended 31 December 2018	UK £m	US £m	Canada £m	Europe & FSU £m	Asia Pacific £m	Australia £m	South America £m	Middle East & Africa £m	Total £m
Revenue from continuing operations									
Sales to external customers	**28.0**	**802.5**	**287.9**	**142.8**	**285.7**	**227.7**	**370.3**	**305.0**	**2,449.9**
Non-current assets	**332.5**	**1,554.4**	**54.5**	**39.3**	**285.4**	**152.8**	**87.3**	**124.1**	**2,630.3**

Year ended 31 December 2017 Restated (note 1)	UK £m	US £m	Canada £m	Europe & FSU £m	Asia Pacific £m	Australia £m	South America £m	Middle East & Africa £m	Total £m
Revenue from continuing operations									
Sales to external customers	15.8	641.7	233.2	126.2	202.2	190.8	307.6	268.1	1,985.6
Non-current assets	345.4	723.0	49.0	171.2	335.3	155.7	65.1	118.5	1,963.2

The following disclosures are given in relation to continuing operations.

	2018 £m	Restated (note 1) 2017 £m
An analysis of the Group's revenue is as follows:		
Original equipment	**578.2**	460.8
Aftermarket parts	**1,536.6**	1,199.2
Sales of goods	**2,114.8**	1,660.0
Provision of services	**310.9**	282.3
Construction contracts	**24.2**	43.3
Revenue	**2,449.9**	1,985.6

	Minerals		ESCO		Oil & Gas		Total continuing operations	
	2018 £m	Restated (note 1) 2017 £m	2018 £m	2017 £m	2018 £m	Restated (note 1) 2017 £m	2018 £m	Restated (note 1) 2017 £m
Timing of revenue recognition								
At a point in time	**1,342.2**	1,241.4	**251.8**	-	**772.2**	675.1	**2,366.2**	1,916.5
Over time	**76.0**	65.4	**-**	-	**9.2**	4.6	**85.2**	70.0
Segment revenue	**1,418.2**	1,306.8	**251.8**	-	**781.4**	679.7	**2,451.4**	1,986.5
Eliminations							**(1.5)**	(0.9)
							2,449.9	1,985.6

3. Exceptional items & intangibles amortisation

	2018 £m	2017 £m
Recognised in arriving at operating profit from continuing operations		
Intangibles amortisation	**(66.3)**	(52.0)
Exceptional item - intangibles impairment	**(3.1)**	-
Exceptional item - ESCO inventory unwind	**(63.1)**	-
Exceptional item - ESCO acquisition and integration related costs	**(30.8)**	-
Exceptional item - legacy product warranty	**(24.4)**	-
Exceptional item - restructuring and rationalisation charges	**(29.2)**	(2.7)
Exceptional item - pension equalisation	**(6.3)**	-
Exceptional item - legal claims	**(0.7)**	(2.1)
Exceptional item - gain on sale of EPI joint venture	**-**	10.4
Exceptional item - fair value adjustment to contingent consideration asset/liability	**(0.1)**	(9.1)
	(224.0)	(55.5)
Recognised in finance costs		
Exceptional item - unwind in respect of contingent consideration liability	**-**	(0.8)
Recognised in arriving at operating profit from discontinued operations		
Intangibles amortisation	**(1.0)**	(3.4)
Exceptional item - intangibles impairment	**(45.0)**	-
Exceptional item - disposal related costs	**(5.0)**	-
Exceptional item - restructuring and rationalisation charges	**0.1**	(9.8)
Exceptional item - legal claims	**(2.0)**	-
Exceptional item - related to prior disposal	**0.3**	(0.1)
	(52.6)	(13.3)

Continuing operations

Exceptional items in the year include costs associated with the ESCO acquisition which completed on 12 July 2018 (note 9). This includes a £63.1m charge related to the unwind of the inventory fair value uplift booked in accordance with IFRS 3 in the opening balance sheet. A further £30.8m has been recognised for acquisition and integration costs. The majority of these costs relate to adviser fees, due diligence and initial integration costs.

An exceptional charge of £24.4m has been booked in relation to a legacy product warranty issue which has arisen in Oil & Gas. As a result, an inventory provision of £7.5m and costs of £16.9m to cover warranty compensation arrangements have been recognised. During 2018, £10.2m of the exceptional charge has been utilised, with the remaining £6.7m expected to be utilised early in 2019.

Restructuring and rationalisation charges represent costs related to the right-sizing of operations, including facility closures, headcount reductions, tangible asset impairments and inventory write downs. This includes £17.2m which has been recognised following the decision to exit the Minerals Malaysia foundry operations. The remaining £12.0m restructuring relates to restructuring actions in Minerals North America and China, plus Oil & Gas International. An exceptional impairment of related goodwill has also been recognised of £3.1m.

Following the Lloyds Banking Group High Court ruling on 26 October 2018 in relation to guaranteed minimum pension (GMP) inequality, a charge of £6.3m for GMP equalisation has been booked.

Legacy legal claims and the finalisation of contingent consideration balances led to a total charge of £0.8m in the year.

In the prior year, restructuring and rationalisation charges represented the additional cost of programmes which commenced in earlier periods to right-size operations and discontinue certain activities (£2.7m). Other exceptional items related to costs of £2.1m associated with the extension of a prior period legal claim, a fair value adjustment of £9.6m related to the acquisition of Weir International, offset by a £0.5m credit following settlement of Delta deferred consideration and £0.8m unwind of contingent consideration liability for Weir International. An exceptional gain of £10.4m was recognised on the sale of the 49% stake in the Energy Products LLC (EPI) joint venture sold in November 2017.

3. Exceptional items & intangibles amortisation (continued)

Discontinued operations

Exceptional items of £51.6m (2017: £9.9m) includes a write down to Flow Control's carrying value of £45.0m to £260.4m, reflecting the agreed transaction enterprise value of £275.0m less our latest estimate of future costs to sell including separation costs, transfer value of pension and other liabilities as well as certain capital commitments. A further £5.0m of disposal related costs has been incurred in relation to the intended sale. Additional items recognised in the year include facility closure costs £0.8m offset by the release of an exceptional provision of £0.9m, legal fees and settlement costs associated with a historic legal claim involving a Group company (£2.0m) and a receipt related to the previous disposal of Ynfiniti Engineering Systems of £0.3m.

In 2017, exceptional items comprised restructuring and rationalisation costs associated with the continuation of previously announced programmes (£9.8m) and costs relating to the sale of Ynfiniti Engineering Systems.

4. Income tax expense

	2018 £m	2017 £m
Continuing Group - UK	**3.8**	5.1
Continuing Group - Overseas	**(36.5)**	(19.3)
Income tax credit (expense) in the Consolidated Income Statement for continuing operations	**(32.7)**	(14.2)

The total income tax credit (expense) for continuing operations is disclosed in the Consolidated Income Statement as follows.

	2018 £m	2017 £m
Tax expense - continuing operations before exceptional items & intangibles amortisation	**(78.6)**	(53.2)
- exceptional items	**30.2**	21.9
- intangibles amortisation and impairment	**15.7**	17.1
Income tax credit (expense) in the Consolidated Income Statement for continuing operations	**(32.7)**	(14.2)

The income tax expense included in the Continuing Group's share of results of joint ventures is as follows.

	2018 £m	2017 £m
Joint ventures	**(0.5)**	(1.0)

5. Discontinued operations

On 19 April 2018, the Group announced its intention to sell the Flow Control division and, in line with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', the Group has classified the division as held for sale. On 25 February 2019, the Group announced an agreement had been entered into to sell the division as disclosed in note 18. The Flow Control division designs and manufactures valves and pumps as well as providing specialist support services to the global power generation, industrial and oil and gas sectors.

Previously reported as an individual reporting segment, the division is now reported as a discontinued operation. In compliance with IFRS 5, the results for the year ended 31 December 2018 for the division are disclosed within one line in the income statement, with the comparative periods also restated. In the balance sheet, the assets and liabilities of the division, in the current period only, are reported as current assets/liabilities held for sale. As a discontinued operation, the division is measured at the lower of its carrying amount and fair value less costs to sell. In order to reflect this an impairment of £45.0m in relation to goodwill was recognised in the year. When the sale of the disposal group occurs, a gain or loss will arise. At the time of disposal the foreign currency translation reserve will be recycled to the income statement and included in the gain or loss on disposal.

Prior periods include £0.1m operating profit and in December 2016 a tax credit of £0.1m in relation to finalisation of American Hydro Corporation and Ynfiniti Engineering Services disposals in 2016.

Financial performance and cash flow information for discontinued operations

	Year ended 31 December 2018			Restated (note 1) Year ended 31 December 2017		
	Before exceptional items & intangibles amortisation £m	Exceptional items & intangibles amortisation (note 3) £m	Total £m	Before exceptional items & intangibles amortisation £m	Exceptional items & intangibles amortisation (note 3) £m	Total £m
Revenue	342.7	-	342.7	359.5	-	359.5
Operating profit (loss)	22.9	(52.6)	(29.7)	(7.2)	(13.3)	(20.5)
Finance costs	(0.4)	-	(0.4)	(0.4)	-	(0.4)
Finance income	0.1	-	0.1	0.1	-	0.1
Profit (loss) before tax from discontinued operations	22.6	(52.6)	(30.0)	(7.5)	(13.3)	(20.8)
Tax credit (expense)	(6.3)	1.3	(5.0)	(5.6)	1.7	(3.9)
Profit (loss) after tax from discontinued operations	16.3	(51.3)	(35.0)	(13.1)	(11.6)	(24.7)
Attributable to:						
Equity holders of the Company	16.3	(51.3)	(35.0)	(12.8)	(11.6)	(24.4)
Non-controlling interest	-	-	-	(0.3)	-	(0.3)
Profit (loss) for the year from discontinued operations	16.3	(51.3)	(35.0)	(13.1)	(11.6)	(24.7)

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Cash flows from operating activities	38.7	11.3
Cash flows from investing activities	(5.9)	(3.9)
Cash flows from financing activities	(0.9)	0.5
Net increase in cash & cash equivalents from discontinued operations	31.9	7.9

Loss per share

Loss per share from discontinued operations were as follows.

	2018 pence	2017 pence
Basic	(14.3)	(11.1)
Diluted	(14.3)	(11.0)

These loss per share figures were derived by dividing the net profit attributable to equity holders of the Company from discontinued operations by the weighted average number of ordinary shares, for both basic and diluted amounts, shown in note 6.

5. Discontinued operations (continued)

The following table details the assets and liabilities classified as held for sale in the Consolidated Balance Sheet.

	31 December 2018 £m
ASSETS	
Property, plant & equipment	75.9
Intangible assets	98.8
Deferred tax assets	5.7
Other receivables	0.6
Inventories	71.2
Trade & other receivables	124.7
Derivative financial instruments	0.9
Income tax receivable	0.5
Cash & short-term deposits	16.1
Assets held for sale	394.4
LIABILITIES	
Interest-bearing loans & borrowings	2.2
Trade & other payables	103.5
Derivative financial instruments	1.3
Income tax payable	6.5
Provisions	15.4
Deferred tax liabilities	0.3
Retirement benefit plan deficits	4.8
Liabilities held for sale	134.0
NET ASSETS	260.4

6. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for the effect of dilutive share awards.

The following reflects the earnings and share data used in the calculation of earnings per share.

	2018	Restated (note 1) 2017
Profit attributable to equity holders of the Company		
Total operations* (£m)	**18.0**	159.9
Continuing operations** (£m)	**53.0**	184.3
Continuing operations before exceptional items & intangibles amortisation** (£m)	**231.1**	201.6
Weighted average share capital		
Basic earnings per share (number of shares, million)	**244.1**	219.9
Diluted earnings per share (number of shares, million)	**245.8**	221.3

The difference between the weighted average share capital for the purposes of the basic and the diluted earnings per share calculations is analysed as follows.

	2018 Shares million	2017 Shares million
Weighted average number of ordinary shares for basic earnings per share	**244.1**	219.9
Effect of dilution: LTIP awards	**1.7**	1.4
Adjusted weighted average number of ordinary shares for diluted earnings per share	**245.8**	221.3

The profit attributable to equity holders of the Company used in the calculation of both basic and diluted earnings per share from continuing operations before exceptional items and intangibles amortisation is calculated as follows.

	2018 £m	Restated (note 1) 2017 £m
Net profit attributable to equity holders from continuing operations**	**53.0**	184.3
Exceptional items & intangibles amortisation net of tax	**178.1**	17.3
Net profit attributable to equity holders from continuing operations before exceptional items & intangibles amortisation	**231.1**	201.6

	2018 pence	Restated (note 1) 2017 pence
Basic earnings per share:		
Total operations*	**7.4**	72.7
Continuing operations**	**21.7**	83.8
Continuing operations before exceptional items & intangibles amortisation**	**94.7**	91.7
Diluted earnings per share:		
Total operations*	**7.3**	72.3
Continuing operations**	**21.6**	83.3
Continuing operations before exceptional items & intangibles amortisation**	**94.0**	91.1

*Adjusted for a profit of £0.4m (2017: loss of £0.2m) in respect of non-controlling interests for total operations.

**Adjusted for a profit of £0.4m (2017: profit of £0.1m) in respect of non-controlling interests for continuing operations.

There have been no share options (2017: nil) exercised between the reporting date and the date of signing of these financial statements.

Earnings per share from discontinued operations are disclosed in note 5.

7. Dividends paid & proposed

	2018 £m	2017 £m
Declared & paid during the year		
Equity dividends on ordinary shares		
Final dividend for 2017: 29.0p (2016: 29.0p)	**69.9**	63.1
Interim dividend for 2018: 15.75p (2017: 15.0p)	**40.9**	33.6
	110.8	96.7
Proposed for approval by shareholders at the Annual General Meeting		
Final dividend for 2018: 30.45p (2017: 29.0p)	**79.0**	65.0

The Weir Group PLC Scrip Dividend Scheme, in 2017, allowed shareholders on record the opportunity to elect to receive dividends in the form of new fully paid ordinary shares. In the current period, participation in the Scheme resulted in shares with a value of £31.2m being issued and a cash dividend of £38.7m for the 2017 final dividend. In the prior year, for the 2016 final dividend, shares with a value of £6.4m were issued with a cash dividend of £56.7m. The interim dividend for 2018 of £40.9m was a cash dividend (interim dividend for 2017: £16.1m share issue; £17.5m cash).

The proposed dividend is based on the number of shares in issue, excluding treasury shares held, at the date that the financial statements were approved and authorised for issue. The final dividend may differ due to increases or decreases in the number of shares in issue between the date of approval of this Annual Report and Financial Statements and the record date for the final dividend.

Dividends have been maintained in the year with dividend cover of 2.07 times (2017 restated: 2.08 times).

8. Property, plant & equipment & intangible assets

	2018 £m	2017 £m
Additions of property, plant & equipment & intangible assets		
- land & buildings	**3.9**	9.3
- plant & equipment	**79.2**	58.0
- intangible assets	**10.6**	18.4
	93.7	85.7

The above additions relate to the normal course of business and do not include any additions made by way of business combinations.

9. Business combinations

ESCO

On 12 July 2018, the Group completed the acquisition of ESCO Corporation ('ESCO') for an enterprise value of US$1.3bn (£972.3m). In order to part fund the acquisition a placement of 16,699,763 ordinary shares was completed on 23 April 2018, raising £355.5m (net of £7.7m fees). As part of the final consideration, a further 16,779,861 ordinary shares were issued directly to ESCO shareholders on 12 July 2018 valued at £325.3m with an additional equity consideration of £1.4m in relation to pre-acquisition cost of share-based payment awards. ESCO is the world's leading provider of ground engaging tools for surface mining and infrastructure. ESCO forms a new division of The Weir Group, and is reported as a separate segment alongside Minerals and Oil & Gas. The provisional fair values, which are subject to finalisation during the first half of 2019, are disclosed in the table below.

There are certain intangible assets included in the £390.5m of goodwill recognised that cannot be individually separated and reliably measured due to their nature. These items include anticipated business growth, synergies and an assembled workforce.

ESCO provisional fair values	2018 £m
Property, plant & equipment	**102.0**
Intangible assets	
- Customer relationships & distributors	**104.6**
- Brand names	**128.6**
- Technology	**103.8**
Investments in joint ventures	**15.8**
Deferred tax assets	**3.8**
Other receivables	**37.5**
Derivative financial instrument assets	**1.2**
Inventories	**172.2**
Trade & other receivables	**96.1**
Income tax receivable	**7.6**
Cash & cash equivalents	**41.2**
Interest-bearing loans & borrowings	**(120.9)**
Trade & other payables	**(66.0)**
Derivative financial instrument liabilities	**(7.3)**
Income tax payable	**(1.0)**
Provisions	**(88.2)**
Deferred tax liabilities	**(62.1)**
Retirement benefit plan deficits	**(64.2)**
Fair value of net assets	**404.7**
Non-controlling interests	**(3.5)**
Goodwill arising on acquisition	**390.5**
Total consideration	**791.7**
Cash consideration	**464.8**
Equity consideration	**326.7**
Contingent consideration	**0.2**
Total consideration	**791.7**
The total net cash outflow on current year acquisitions was as follows:	
ESCO	
- cash paid	**(464.8)**
- cash & cash equivalents acquired	**41.2**
Other - asset purchases	
- cash paid	**(6.0)**
Total cash outflow (note 14)	**(429.6)**

9. Business combinations (continued)

The gross amount and fair value of ESCO trade receivables amounts to £79.1m. It is expected that virtually all the contractual amounts will be collected.

ESCO contributed £251.8m to revenue and an operating profit of £32.7m (before exceptional items and amortisation) in the period from acquisition to 31 December 2018. If the acquisition had occurred at the start of 2018, on a pro forma basis, total continuing revenue would amount to £2,722.7m and continuing operating profit £378.9m (before exceptional items and intangibles amortisation). Group exceptional acquisition and integration costs totalled £30.8m in the period (note 3).

The fair values for KOP Surface Products (KOP) acquired in 2017 were finalised in the first half of 2018 and are disclosed in note 1.

Other business combination

On 31 July 2018, the Group completed the acquisition of Ralph A. Hiller Company, a manufacturer of certain valve products for use in nuclear power facilities, for a consideration of $4.0m (£3.1m). The provisional fair values, which are subject to finalisation during the first half of 2019, include property, plant & equipment £0.1m, intangible assets £0.9m, inventory £0.7m and provisions £0.2m, with resulting goodwill arising on consolidation of £1.6m.

Trade and asset purchase

On 18 April 2018, the Group completed a trade and asset purchase of Davidson Sales & Engineering Inc., a provider of marketing, distributing, selling and servicing mining and other industrial equipment, for a consideration of $4.1m (£2.9m). The provisional fair values, which are subject to finalisation during the first half of 2019, include intangible assets £0.1m and inventory £0.3m, with resulting goodwill arising on consolidation of £2.5m.

10. Interest-bearing loans & borrowings

At 31 December 2018, a total of £497.2m equivalent (2017: £293.4m equivalent) was outstanding under the Group's US$1bn commercial paper programme.

At 31 December 2018, £120.0m (2017: £nil) was drawn under the US$950m multi-currency revolving credit facility. The revolving credit facility was increased from US$800m during 2018 and matures in two tranches between September 2020 and September 2021.

At 31 December 2018, a total of £783.7m (2017: £832.7) was outstanding under private placement which includes total unamortised issue costs of £0.9m (2017: £1.5m).

11. Provisions

	Warranties & onerous sales contracts £m	Asbestos-related £m	Employee-related £m	Exceptional rationalisation £m	Other £m	Total £m
At 31 December 2017	**29.6**	**58.0**	**18.5**	**13.6**	**4.9**	**124.6**
IFRS 15 restatement (note 1)	**0.3**	-	-	-	-	**0.3**
At 31 December 2017	**29.9**	**58.0**	**18.5**	**13.6**	**4.9**	**124.9**
Additions	**31.3**	**4.0**	**7.4**	**11.3**	**1.4**	**55.4**
Acquisitions	**2.6**	-	**1.8**	**73.9**	**10.1**	**88.4**
Utilised	**(29.8)**	**(12.5)**	**(7.7)**	**(81.8)**	**(1.8)**	**(133.6)**
Unutilised	**(1.4)**	**(0.4)**	**(1.0)**	**(0.5)**	**(0.3)**	**(3.6)**
Transferred to liabilities held for sale (note 5)	**(11.5)**	-	**(3.4)**	**(0.1)**	**(0.4)**	**(15.4)**
Exchange adjustment	**0.4**	**3.2**	-	**(0.1)**	**0.6**	**4.1**
At 31 December 2018	**21.5**	**52.3**	**15.6**	**16.3**	**14.5**	**120.2**
Current 2018	**18.8**	**9.1**	**6.4**	**12.4**	**3.8**	**50.5**
Non-current 2018	**2.7**	**43.2**	**9.2**	**3.9**	**10.7**	**69.7**
At 31 December 2018	**21.5**	**52.3**	**15.6**	**16.3**	**14.5**	**120.2**
Current 2017	21.6	10.7	5.3	10.7	4.7	53.0
Non-current 2017	8.3	47.3	13.2	2.9	0.2	71.9
At 31 December 2017 (restated note 1)	29.9	58.0	18.5	13.6	4.9	124.9

Warranties & onerous sales contracts

Provision has been made in respect of actual warranty and contract penalty claims on goods sold and services provided and allowance has been made for potential warranty claims based on past experience for goods and services sold with a warranty guarantee. An additional amount has been provided for the legacy product warranty issue in Oil & Gas which has been classed as exceptional. It is expected that all costs related to such claims will have been incurred within five years of the balance sheet date.

Provision has been made in respect of sales contracts entered into for the sale of goods in the normal course of business where the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received from the contracts. Provision is made immediately when it becomes apparent that expected costs will exceed the expected benefits of the contract. It is expected that the majority of these costs will be incurred within one year of the balance sheet date.

Asbestos-related claims

Certain of the Group's US-based subsidiaries are co-defendants in lawsuits pending in the US in which plaintiffs are claiming damages arising from alleged exposure to products previously manufactured which contained asbestos. The Group has comprehensive insurance cover for cases of this nature with all claims directly managed by the Group's insurers who also meet associated defence costs. The insurers and their legal advisers agree and execute the defence strategy between them. There are currently no related cash flows to or from the Group, and we expect this to continue for the foreseeable future.

There remains inherent uncertainty associated with estimating future costs in respect of asbestos-related diseases. Actuarial estimates of future indemnity and defence costs associated with asbestos-related diseases are subject to significantly greater uncertainty than actuarial estimates for other types of exposures. This uncertainty results from factors that are unique to the asbestos claims litigation and settlement process including but not limited to:

i) the possibility of future state or federal legislation applying to claims for asbestos-related diseases;

ii) the ability of the plaintiff's bar to develop and sustain new legal theory and/or develop new populations of claimants;

iii) changes in focus of the plaintiff's bar;

iv) changes in the Group's defence strategy; and

v) changes in the financial condition of other co-defendants in suits naming the Group and affiliated businesses.

11. Provisions (continued)

A review of both the Group's expected liability for US asbestos-related diseases and the adequacy of the Group's insurance policies to meet future settlement and defence costs was completed in conjunction with external advisers in 2017 as part of our planned triennial actuarial update. This review estimated future claims experience based on an industry standard epidemiological decay model, and the Group's claims settlement history. Due to the inherent uncertainty resulting from the changing nature of the US litigation environment as outlined above, and in conjunction with the actuarial review, the Directors consider 10 years (2017: 10 years) of projected claims to provide a reliable estimate of the future liability. Confirmation was also received from external advisers that the insurance asset remained sufficient to match the Directors' best estimate of the future liability and therefore a corresponding asset was recognised for insurance proceeds.

A review of the claims submitted and those settled during the year confirmed that the actuarial review completed in 2017 remains appropriate. As such the liability provision and corresponding asset have been updated accordingly to reflect the nature of the actuarial decay model and the projected claims profile a year further out. A provision of £48.1m (2017: £53.3m) represents the Directors' best estimate of the future liability, with a corresponding asset remaining appropriate.

There can be no guarantee that the assumptions used to estimate the provision will result in an accurate prediction of the actual costs that may be incurred. Sensitivity analysis reflecting reasonably probable scenarios has been conducted. This involved:

i) increasing/decreasing the number of projected future settled claims and estimated settlement value by 10%; or
ii) increasing/decreasing the basis of provision by two years.

Application of these sensitivities would not lead to a material change in the provision.

In the UK, there are outstanding asbestos-related claims which are not the subject of insurance cover. The extent of the UK asbestos exposure involves a series of legacy employer's liability claims which all relate to former UK operations and employment periods in the 1960s and 1970s. In 1989 the Group's employer's liability insurer (Chester Street Employers Association Ltd) was placed into run-off which effectively generated an uninsured liability exposure for all future long-tail disease claims with an exposure period pre-dating 1 January 1972. All claims with a disease exposure post 1 January 1972 are fully compensated via the Government-established Financial Services Compensation Scheme. Any settlement to a former employee whose service period straddles 1972 is calculated on a pro rata basis. The Group provides for these claims based on management's best estimate of the likely costs given past experience of the volume and cost of similar claims brought against the Group.

The UK provision was reviewed and adjusted accordingly for claims experience in the year, resulting in a provision of £4.2m (2017: £4.7m).

Employee-related

Employee-related provisions arise from legal obligations, the majority of which relate to compensation associated with periods of service.

Exceptional rationalisation

Restructuring and rationalisation charges during the year led to additions of £2.5m due to new projects in Minerals, £2.2m for combining our Middle East and Asia Oil & Gas businesses and £1.9m relating to the continuation of existing projects. A further £4.5m was provided for costs in relation to the acquisition and integration of ESCO and £0.2m relating to legacy legal claims.

Exceptional provisions of £73.9m were acquired during the year, including £67.0m which was utilised predominately to settle legacy share-based payments and transaction costs associated with ESCO.

The closing provision of £16.3m includes £8.0m which has been retained for costs incurred to date on the acquisition and integration of ESCO.

Other

Other provisions include environmental obligations, penalties, duties due, legal claims and other exposures across the Group. A provision has been recognised on the acquisition of ESCO in respect of environmental obligations. These balances typically include estimates based on multiple sources of information and reports from third party advisers. Where certain outcomes are unknown, a range of possible scenarios is calculated, with the most likely being reflected in the provision.

12. Pensions & other post-employment benefit plans

	2018 £m	2017 £m
Plans in deficit	**(149.1)**	(137.7)

The net Group deficit for retirement benefit obligations at the year end was £149.1m (2017: £137.7m). The increase in deficit is a result of the Group taking on the assets and obligations for funded defined benefit pension plans in the US and Canada, and certain unfunded post-employment healthcare and pension benefits for employees in the US, following the acquisition of ESCO. This has largely been offset by actuarial gains on the liability side due to changes in financial conditions, demographic assumptions and experience adjustments.

13. Derivative financial instruments

The Group enters into derivative financial instruments in the normal course of business in order to hedge its exposure to foreign exchange risk. Derivatives are only used for economic hedging purposes and no speculative positions are taken. Derivatives are recognised as held for trading and at fair value through profit and loss unless they are designated in IFRS 9 compliant hedge relationships.

The table below summarises the types of derivative financial instrument included within each balance sheet category.

	2018 £m	2017 £m
Included in non-current assets		
Cross currency swaps designated as net investment hedges	**1.4**	-
Other forward foreign currency contracts	-	0.3
	1.4	0.3
Included in current assets		
Forward foreign currency contracts designated as cash flow hedges	-	0.3
Forward foreign currency contracts designated as net investment hedges	**0.5**	7.5
Other forward foreign currency contracts	**17.8**	8.9
	18.3	16.7
Included in current liabilities		
Forward foreign currency contracts designated as cash flow hedges	-	(0.1)
Forward foreign currency contracts designated as net investment hedges	**(26.4)**	(1.6)
Cross currency swaps designated as net investment hedges	-	(8.9)
Other forward foreign currency contracts	**(14.4)**	(15.2)
	(40.8)	(25.8)
Included in non-current liabilities		
Cross currency swaps designated as net investment hedges	-	(0.7)
Other forward foreign currency contracts	**(0.2)**	-
	(0.2)	(0.7)
Net derivative financial liabilities - continuing operations	**(21.3)**	(9.5)
Net derivative financial liabilities held for sale (note 5)	**(0.4)**	-
Net derivative financial liabilities - total Group	**(21.7)**	(9.5)

14. Additional cash flow information

	Note	2018 £m	Restated (note 1) 2017 £m
Total operations			
Net cash generated from operations			
Operating profit - continuing operations		**124.1**	240.8
Operating loss - discontinued operations		**(29.7)**	(20.5)
Operating profit - total operations		**94.4**	220.3
Exceptional items	3,5	**209.3**	23.8
Amortisation of intangible assets	3	**67.3**	55.4
Share of results of joint ventures		**(2.4)**	(10.9)
Depreciation of property, plant & equipment		**64.5**	58.2
Impairment of property, plant & equipment		**-**	0.1
Grants received		**(1.5)**	(1.2)
Losses (gains) on disposal of property, plant & equipment		**0.2**	(0.1)
Exceptional item - gains on disposal of joint ventures	3	**-**	(10.4)
Funding of pension & post-retirement costs		**(2.5)**	(4.8)
Employee share schemes		**8.6**	7.0
Transactional foreign exchange		**15.3**	(0.4)
Decrease in provisions		**(2.9)**	(0.3)
Cash generated from operations before working capital cash flows		**450.3**	336.7
Increase in inventories		**(53.2)**	(65.6)
Decrease (increase) in trade & other receivables		**36.5**	(113.0)
(Decrease) increase in trade & other payables		**(22.8)**	62.4
Cash generated from operations before exceptional cash items		**410.8**	220.5
Additional pension contributions paid		**(5.6)**	(3.0)
Exceptional cash items		**(114.0)**	(28.6)
Income tax paid		**(73.3)**	(60.5)
Net cash generated from operating activities		**217.9**	128.4

Cash flows from discontinued operations included above are disclosed separately in note 5.

Exceptional items are detailed in note 3.

The employee-related provision and associated insurance asset in relation to US asbestos-related claims disclosed in note 11 will not result in any cash flows either to or from the Group and therefore they have been excluded from the table above.

The following tables summarise the cash flows arising on acquisitions and disposals (note 9).

14. Additional cash flow information (continued)

	2018 £m	2017 £m
Acquisitions of subsidiaries		
Acquisition of subsidiaries - cash paid	**(470.8)**	(92.5)
Cash & cash equivalents acquired	**41.2**	3.2
Acquisition of subsidiaries - current period acquisitions	**(429.6)**	(89.3)
Prior period acquisitions contingent consideration paid	**-**	(0.8)
Total cash outflow relating to acquisitions	**(429.6)**	(90.1)
Net cash inflow arising on prior period disposals		
Prior period disposals completion adjustment	**0.3**	3.5
Total cash inflow relating to prior period disposals	**0.3**	3.5

	2018 £m	2017 £m
Net debt comprises the following		
Cash & short-term deposits	**263.0**	284.6
Current interest-bearing loans & borrowings	**(662.5)**	(388.4)
Non-current interest-bearing loans & borrowings	**(740.9)**	(739.4)
Assets and liabilities held for sale (note 5)	**13.9**	-
	(1,126.5)	(843.2)

Reconciliation of financing cash flows to movement in net debt

	Opening balance at 31 December 2017 £m	Cash movements £m	Additions/ acquisitions £m	FX £m	Non-cash movements £m	Closing balance at 31 December 2018 £m	Transferred to assets/liabilities held for sale £m	Total continuing operations £m
Cash & cash equivalents	284.5	**(3.5)**	**-**	**(3.8)**	**-**	**277.2**	**14.2**	**263.0**
Third-party loans	(1,128.2)	**(103.7)**	**(118.6)**	**(51.6)**	**-**	**(1,402.1)**	**(0.3)**	**(1,401.8)**
Leases	(1.0)	**0.8**	**(2.3)**	**-**	**-**	**(2.5)**	**-**	**(2.5)**
Unamortised issue costs	1.5	**-**	**-**	**-**	**(0.6)**	**0.9**	**-**	**0.9**
Amounts included in gross debt	(1,127.7)	**(102.9)**	**(120.9)**	**(51.6)**	**(0.6)**	**(1,403.7)**	**(0.3)**	**(1,403.4)**
Amounts included in net debt	(843.2)	**(106.4)**	**(120.9)**	**(55.4)**	**(0.6)**	**(1,126.5)**	**13.9**	**(1,140.4)**
Financing derivatives	(9.2)	**(49.9)**	**-**	**-**	**40.8**	**(18.3)**	**-**	**(18.3)**
Contingent consideration	(3.4)	**-**	**(0.2)**	**(0.1)**	**3.5**	**(0.2)**	**-**	**(0.2)**
Other liabilities relating to financing activities	(12.6)	**(49.9)**	**(0.2)**	**(0.1)**	**44.3**	**(18.5)**	**-**	**(18.5)**
Total financing liabilities*	(1,140.3)	**(152.8)**	**(121.1)**	**(51.7)**	**43.7**	**(1,422.2)**	**(0.3)**	**(1,421.9)**

* Total financing liabilities comprise gross debt plus other liabilities relating to financing activities.

15. Related party disclosure

The following table provides the total amount of significant transactions which have been entered into by total operations with related parties for the relevant financial year and outstanding balances at the year end.

Related party		Sales to related parties - goods £m	Sales to related parties - services £m	Purchases from related parties - goods £m	Purchases from related parties - services £m	Amounts owed to related parties £m
Joint ventures	**2018**	**4.5**	**0.4**	**10.1**	**0.8**	**-**
	2017	48.7	0.5	0.2	0.3	-
Group pension plans	**2018**	**-**	**-**	**-**	**-**	**6.3**
	2017	-	-	-	-	4.3

16. Legal claims

The Company and certain subsidiaries are, from time to time, parties to legal proceedings and claims which arise in the normal course of business. Provisions have been made where the Directors have assessed that a cash outflow is likely and they believe all other claims are remote.

17. Exchange rates

The principal exchange rates applied in the preparation of these financial statements were as follows.

	2018	2017
Average rate (per £)		
US Dollar	**1.34**	1.29
Australian Dollar	**1.79**	1.68
Euro	**1.13**	1.14
Canadian Dollar	**1.73**	1.67
United Arab Emirates Dirham	**4.89**	4.73
Chilean Peso	**855.87**	835.52
South African Rand	**17.65**	17.15
Brazilian Real	**4.87**	4.11
Russian Rouble	**83.66**	75.17
Closing rate (per £)		
US Dollar	**1.27**	1.35
Australian Dollar	**1.81**	1.73
Euro	**1.11**	1.13
Canadian Dollar	**1.74**	1.69
United Arab Emirates Dirham	**4.68**	4.97
Chilean Peso	**884.36**	832.26
South African Rand	**18.33**	16.76
Brazilian Real	**4.95**	4.48
Russian Rouble	**88.40**	77.86

17. Exchange rates (continued)

Translational foreign exchange	2018 £m	Restated (note 1) 2017 £m
US Dollar	**224.6**	168.0
Australian Dollar	**29.8**	29.0
Euro	**22.1**	16.1
Canadian Dollar	**48.7**	31.9
United Arab Emirates Dirham	**7.3**	4.1
Chilean Peso	**40.5**	37.7
South African Rand	**5.9**	8.8
Brazilian Real	**4.7**	4.9
Russian Rouble	**4.9**	5.2
UK Sterling	**(44.0)**	(15.2)
Other	**3.6**	5.8
Operating profit from continuing operations before exceptional items & intangibles amortisation	**348.1**	296.3

18. Post balance sheet events

On 25 February 2019, the Group announced an agreement had been entered into to sell its Flow Control division to First Reserve, a leading global private equity investment firm focused exclusively on energy, for an enterprise value of £275m, payable in cash and subject to customary working capital and debt-like adjustments at closing. The transaction remains subject to certain regulatory and other approvals, with completion expected in Q2 2019. Flow Control has been classified as held for sale since the announcement on 19 April 2018 of the Group’s intention to sell the Division. Previously reported as an individual reporting segment, the division is now reported as a discontinued operation and the prior period comparatives have been restated accordingly.