Press Release
6 November 2018

The Weir Group PLC Interim Management Statement for the third quarter ending 30 September 2018[1]

Strong order[2] growth in mining; Temporary slowdown in North American oil and gas

- Third quarter orders from Continuing Operations +16%[3]; +40% including ESCO acquisition
- Strong performance from Minerals with orders +19% in OE and +20% in AM
- ESCO acquisition performing well: orders +8% on a pro forma reported basis
- Oil & Gas orders +10%[3]: sequential slowdown in North America
- Full year Minerals and ESCO expectations unchanged
- O&G EBITA now expected to be £90m – £100m: legacy product warranty exceptional charge of £25m
- Discontinued Operations: Growth trends continued with Flow Control orders +13%; sale process on track

Jon Stanton, Chief Executive, commented:

"Group orders continued to grow strongly in markets that have good long term prospects. In mining, our largest market, we benefited from our global presence as we worked closely with customers to help them increase production and improve productivity within current operations. Quotation activity for expansion projects also remained strong, reinforcing our view that we are in the early stages of a multi-year capex growth cycle.

Strong order momentum in our Minerals division reflects its market-leading position and the benefit of investment in sales and engineering capability. ESCO, our newest division, also had a good quarter, delivering market share gains on large mining machine ground engaging tools. Its integration is progressing very smoothly and is on track to deliver anticipated cost synergy targets. The disposal of the Flow Control division is also developing as planned with a sale process under way.

Oil & Gas delivered good year-on-year order growth but from late August was progressively impacted by the temporary slowdown in activity in North American onshore markets that was prompted by industry capacity constraints in the Permian basin. As we work through the current slowdown, which we and our customers view as a short-term pause in growth, we will continue to invest in our people and technology to ensure we fully benefit from the anticipated upturn in 2019 when E&P budgets replenish, Permian pipeline capacity expands and pressure pumping fleet utilisation increases."

Third quarter review

Third quarter orders for continuing operations excluding acquisitions were 16% higher than the prior year period and 40% higher including ESCO. Excluding acquisitions continuing operations aftermarket orders increased 15% with original equipment up 20%. Revenues, on a constant currency basis, were broadly in line with expectations and ahead of the prior year.

Divisional review

Minerals

There continued to be strong demand from miners for solutions that help to maximise the productivity of their existing assets. Investment was biased towards commodities with the best medium term prospects such as copper, gold and lithium where the division is well represented. The pipeline of expansionary projects continued to develop positively although miners continued to be cautious about making final investment decisions.

All mining regions experienced strong growth in the quarter as customers continued to maximise production and invest in efficiency improvements. Divisional orders were up 20% compared to the prior year with original equipment growth of 19% supported by our focus on brownfield activity through the integrated solutions strategy. The division also benefited from large copper expansion projects in Latin America and continued investment in lithium and gold in Australia.

Aftermarket orders were also up 20% helped by a number of one-off commissioning and multi-period spares orders. There were strong underlying performances for slurry pump spares and mill circuit technology as a result of increased ore production volumes and ore grade declines. Revenue trends were broadly in line with orders.

Full year divisional expectations are unchanged, with full year divisional revenues, on a constant currency basis, expected to show strong growth with operating margins broadly stable. The division's order book, together with an increasing pipeline of future opportunities, continues to support its positive outlook.

ESCO

The division benefited from the positive conditions in mining markets with increased production driving demand for high-wear ground engaging tools that help increase customer productivity. Infrastructure markets, which represent around a third of divisional orders, benefited from increased industrial activity in North America while construction was more subdued.

ESCO's strong market and technology leadership in surface mining delivered an 8% increase in reported third quarter orders on a pro forma basis. Revenue growth was broadly consistent with order trends.

Full year expectations for the division remain unchanged with pro forma revenues and operating profits anticipated to be US$675m and US$80m respectively for the year to December 2018. ESCO joined the Group on 12 July with revenue and profits expected to be delivered broadly evenly pre and post completion.

Oil & Gas

In our September 6 market update we outlined the initial impact of the slowdown in North American activity levels prompted by pipeline capacity constraints in the Permian and the emergence of excess pressure pumping capacity. As the quarter progressed demand for original equipment continued to soften with North American frack fleet utilisation falling to below 60% and the number of drilled but uncompleted wells reaching record levels. Aftermarket demand was impacted by initial signs of cannibalisation of idle fleets and anticipation of extended seasonal breaks by E&P operators. Pressure control markets were more robust, in line with stable US rig count in the period, but were impacted by a reduction in activity in Canada including a major customer suspending their drilling activity as a result of exhausting their 2018 budgets earlier than expected. International markets remained challenging during the quarter although they did continue to show some early signs of recovery with project quotation activity increasing.

Overall, divisional orders for the third quarter were 13% higher than the prior year period and 10% higher on a like-for-like[3] basis. Original equipment orders increased 37%, against a weak comparator, and aftermarket orders were 6% higher. However, there was a sequential decline in North America across both original equipment and aftermarket orders which accelerated late in the quarter. This was partly affected by the temporary impact on orders of a specific legacy product performance issue that is being addressed in the fourth quarter by retrofitting current technology into the legacy design. Previous pricing gains were largely sustained and offset the impact of US-China tariffs, while divisional revenues were broadly in line with order trends.

Looking to the full year, the division now expects to deliver a strong increase in full year constant currency revenues with operating profit now expected to be in the range of £90m - £100m. Operating margins are expected to be slightly lower than the prior year reflecting the recent decline in volumes and consequent manufacturing under-recoveries, with fourth quarter demand expected to be impacted by E&P operators taking extended seasonal breaks. The costs associated with the legacy product issue warranty, together with associated inventory provisions, will result in an exceptional charge of £25m in 2018.

Industry expectations are for a return to growth in North American completions activity in the first half of 2019. This will be driven by the replenishment of E&P budgets, the availability of a record number of drilled but uncompleted wells, more favourable hedging positions and progressive pipeline capacity additions in the Permian. Most pipeline additions are expected to complete in the second half expanding the region's growth potential by around 1.5m barrels of oil per day by the end of 2019.

Discontinued operations: Flow Control

Divisional orders for the third quarter were up 13%. Original equipment orders were up 21% reflecting good demand in European power markets and the benefits of globalising the divison's pump portfolio and sales and marketing capability. Aftermarket orders increased 3%, the sixth consecutive quarter of growth for the division, with good momentum in downstream markets as the division leveraged its installed base.

The full year outlook for the division remains unchanged. It is expected to deliver broadly stable full year constant currency revenues with mid-single digit full year operating margins.

The process to sell the division has been formally initiated and is progressing as planned.

Foreign Exchange and Net debt

Net debt at 30 September 2018 was higher than that reported at 30 June 2018 primarily related to the funding of the acquisition of ESCO but was in line with expectations and normal seasonal patterns. The Group continues to expect to deliver strong cash generation in the year. Net Debt/EBITDA on a pro forma adjusted basis is anticipated to be slightly above two times reflecting the impact of the decline in North American Oil & Gas activity and associated profitability.

Notes:

1. Financial information is given for the three months ended 30 September 2018 and relates to continuing operations and excludes exceptional items.
2. Orders are reported on a constant currency basis. Third quarter refers to the financial period for the three months ended 30 September 2018.
3. 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.
4. Continuing operations before exceptional items and intangibles amortisation.

Analyst and investor conference call

A conference call for analysts and investors will be held at 0800 GMT on Tuesday 6 November 2018 to discuss this statement. Participants can join the call by registering in advance by visiting www.global.weir/investors and following the link on the page.

A recording of this conference call will be available until Tuesday November 20 2018.

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About The Weir Group PLC

Founded in 1871, Weir is one of the world's leading engineering businesses. We provide mission-critical equipment and aftermarket solutions to mining, infrastructure and energy customers in more than 70 countries. The Group, which employs around 18,000 people is headquartered in Glasgow, Scotland, UK.

Weir's ordinary shares trade on the London Stock Exchange (ticker: **WEIR LN**) and its American Depositary Receipts trade over-the-counter in the USA (ticker: **WEGRY**).

Appendix 1 – quarterly order trends (constant currency)

	Reported growth[3]					Like for like growth[2,3]				
Division	**2017 Q3**	**2017 Q4**	**2018 Q1**	**2018 Q2**	**2018 Q3**	**2017 Q3**	**2017 Q4**	**2018 Q1**	**2018 Q2**	**2018 Q3**
Original Equipment	19%	9%	19%	-	19%	19%	9%	19%	-	19%
Aftermarket	10%	9%	11%	17%	20%	10%	9%	11%	17%	20%
Minerals	**12%**	**9%**	**13%**	**12%**	**20%**	**12%**	**9%**	**13%**	**12%**	**20%**
Original Equipment	-	-	-	-		-	-	-	-	-
Aftermarket	-	-	-	-		-	-	-	-	-
ESCO	-	-	-	-		-	-	-	-	-
Original Equipment	91%	129%	92%	32%	37%	81%	96%	85%	21%	23%
Aftermarket	54%	50%	42%	21%	6%	52%	47%	40%	19%	6%
Oil & Gas	**61%**	**64%**	**52%**	**23%**	**13%**	**57%**	**56%**	**49%**	**19%**	**10%**
Original Equipment	33%	32%	36%	8%	28%	31%	26%	35%	5%	20%
Aftermarket	23%	21%	22%	19%	44%	23%	20%	21%	18%	15%
Continuing Ops[1]	**26%**	**24%**	**25%**	**16%**	**40%**	**25%**	**21%**	**24%**	**14%**	**16%**
Book to Bill	**0.99**	**0.96**	**1.14**	**1.08**	**1.02**	**1.00**	**0.96**	**1.14**	**1.08**	**1.04**
Original Equipment	-8%	-	-2%	111%	21%	-8%	-	-2%	111%	21%
Aftermarket	6%	13%	2%	19%	3%	6%	13%	2%	19%	3%
Discontinued Ops	-2%	6%	-	63%	13%	-2%	6%	-	63%	13%

[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.

[3] Divisional order growth in previous quarters has been restated to reflect final changes to the Flow Control disposal perimeter. The impact of these changes on each division is not considered significant and overall has no Group impact.