The Weir Group PLC Interim Management Statement for the quarter ending 31 March 2019[1]

First quarter performance in line with expectations

- First quarter orders[2] from Continuing Operations increased 18% including ESCO
  - Excluding ESCO, orders down 7% reflecting reduced oil and gas refurbishment activity
- Good momentum from mining markets
  - Minerals orders +3%; aftermarket +9% with strong original equipment project pipeline
  - ESCO orders +5% on pro forma reported basis
- Oil & Gas orders down 23%
  - Underlying aftermarket performing in line with expectations; orders slightly higher sequentially
  - Reduced refurbishment and replacement activity relative to strong 2018 comparative
- Sale of Flow Control divison on track for completion in second quarter
- Full-year constant currency revenue and profit expectations unchanged

Jon Stanton, Chief Executive, commented:

"Weir has continued to deliver, with our first quarter performance in line with our expectations. We benefited from our strengthened leadership position in mining where we are helping more customers meet their priorities of optimising current operations and planning for future expansions. ESCO's performance remained ahead of initial expectations with good demand for its premium technology. As expected, oil and gas markets were at similar levels to late 2018 as a result of capital and pipeline capacity constraints in North America and the absence of the strong levels of first half refurbishment activity seen last year. The Group's full year outlook of good constant currency revenue and profit growth remains unchanged."

First quarter review

Growth in Minerals was offset by reduced orders in North American oil and gas where last year's strong growth in replacement and refurbishment activity was not repeated. First quarter orders for continuing operations were 18% higher including ESCO, and 7% lower on a like-for-like basis. Continuing operations aftermarket orders, on a like-for-like[3] basis, reduced by 6% with original equipment down 9%. Group revenues, on a constant currency basis, were in line with expectations and broadly consistent with order trends. The Group generated a positive book-to-bill ratio of 1.09 over the three-month period supporting the growth expected during the balance of the year.

Divisional review

Minerals

Miners remained focused on optimising the production and efficiency of current operations. The division continued to deliver the benefits from its previous investments in mine site engineering and sales capabilities, and its comprehensive global service centre network. The pipeline of expansionary projects continues to develop positively, and while customers remain cautious on final investment decisions, there were some large expansion projects for copper and iron ore approved in the period, with others expected to follow later in the year.

Orders for the first quarter were up 3% compared to the prior year. Aftermarket orders were 9% higher and grew sequentially, as the division took advantage of good market conditions and structural trends such as ore grade declines which lead to increased processing. Original equipment orders, where demand is more lumpy than the aftermarket, were 10% lower reflecting project phasing. Our expectation for strong growth in original equipment orders over the full year is unchanged. The division's order book increased in the quarter with a book-to-bill ratio of 1.11.

Full year divisional expectations are unchanged, with the division anticipated to deliver good growth in constant currency revenues and profits, with broadly stable operating margins.

ESCO

The division benefited from positive mining end markets and its aftermarket focus, with increased production driving demand alongside the early benefits from revenue synergies. In infrastructure, North American construction markets were also positive.

As a result, divisional orders were up 5% on a reported pro forma basis for the first quarter and were also higher sequentially. Revenue growth was consistent with order trends with the delivery of cost synergies remaining ahead of our initial expectations.

There is no change to the division's outlook for the full year with good growth in constant currency revenues and further margin progression expected, supported by the ongoing delivery of integration synergies and operational improvements.

Oil & Gas

As expected, capital and pipeline constraints together with limited forward visibility in North America oil and gas markets led E&P operators to be cautious in their approach to activity despite the oil price improving in the quarter. This impacted capital spending and consequently demand for pressure pumping and pressure control solutions. International markets showed modest sequential growth as project activity increased.

Overall, divisional orders for the first quarter were 23% lower than the prior year period reflecting the significantly reduced levels of demand for refurbishment and replacement among North American oilfield service companies relative to 2018. Original equipment orders were down 7%, driven by reduced demand for new pumps offset by strong demand for our new large bore SPM© Simplified Frac System. Aftermarket orders were 28% lower, reflecting reduced refurbishment demand with underlying activity in line with expectations. On a sequential basis orders were slightly higher than Q4 2018, reflecting the broadly stable level of completions activity. As expected pricing was mixed, with softness in certain product lines largely offset by gains in technology-driven solutions. The division's book-to-bill ratio in the first quarter was 1.10. The division reinforced its position as a leading provider of equipment and services to major shale pressure pumpers with the opening in April of a new state-of-the-art customer service facility in the Permian basin.

There is no change to the division's expectations for 2019 with operating profit expected to be in the £55m-£95m range, assuming market conditions remain consistent with the assumptions set out in our full year results presentation in February 2019.

Discontinued operations: Flow Control

Divisional orders for the first quarter were up 46%, primarily driven by strong growth in downstream oil and gas markets. Original equipment orders were up 60% as a result of a number of large project wins. Aftermarket orders increased 33% reflecting a large one-off spares order and a continued focus on leveraging the division's installed base.

An agreement to sell the Flow Control division was announced on 25 February 2019. We continue to expect the sale to complete in the second quarter.

Net debt

Net debt at 31 March 2019, excluding the impact from IFRS16 lease liability obligations of c. £200m, was slightly higher than that reported at 31 December 2018, reflecting normal seasonal patterns. The Group expects strong cash generation and further balance sheet deleveraging in 2019.

Notes:

1. Financial information is given for the three months ended 31 March 2019.
2. Orders are reported on a constant currency basis.
3. Like-for-like excludes the impact of acquisitions. ESCO was acquired on 12 July 2018 and excluded for 2018 and 2019.

Analyst and investor conference call

A conference call for analysts and investors will be held at 0800 BST on Tuesday 30 April 2019 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 14 May 2019.

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About The Weir Group PLC

We are one of the world's leading engineering businesses working in partnership with customers to solve their toughest operating challenges safely, efficiently and sustainably. Our market-leading solutions are used in high abrasion mining, infrastructure and upstream oil and gas applications, supporting the essential resources needed by a growing world.

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 – Continuing Operations[1] quarterly order trends (constant currency)

	Reported growth					Like for like growth[2]				
Division	**2018 Q1**	**2018 Q2**	**2018 Q3**	**2018 Q4**	**2019 Q1**	**2018 Q1**	**2018 Q2**	**2018 Q3**	**2018 Q4**	**2019 Q1**
Original Equipment	19%	-	19%	30%	-10%	19%	-	19%	30%	-10%
Aftermarket	11%	17%	20%	3%	9%	11%	17%	20%	3%	9%
Minerals	**13%**	**12%**	**20%**	**10%**	**3%**	**13%**	**12%**	**20%**	**10%**	**3%**
Original Equipment	-	-	-	-	-	-	-	-	-	-
Aftermarket	-	-	-	-	-	-	-	-	-	-
ESCO	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Original Equipment	92%	32%	37%	-38%	-7%	85%	21%	23%	-14%	-7%
Aftermarket	42%	21%	6%	-4%	-28%	40%	19%	6%	-4%	-28%
Oil & Gas	**52%**	**23%**	**13%**	**-12%**	**-23%**	**49%**	**19%**	**10%**	**-6%**	**-23%**
Original Equipment	36%	8%	28%	11%	-6%	35%	5%	20%	17%	-9%
Aftermarket	22%	19%	44%	34%	27%	21%	18%	15%	-	-6%
Continuing Ops	**25%**	**16%**	**40%**	**28%**	**18%**	**24%**	**14%**	**16%**	**4%**	**-7%**
Book to Bill	1.14	1.08	1.02	0.94	**1.09**	1.14	1.08	1.04	0.94	**1.11**

[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 2018. ESCO was acquired on 12 July 2018 and excluded from 2018 and 2019.