The Weir Group PLC reports its financial results for the full year ended 31 December 2019

Mining-focused portfolio delivers a strong performance

- **Mining revenue and profit growth leveraging market leadership positions**
  - Minerals revenues[5] +4%; margin[3] up 50bps to 18.3% supported by favourable product mix
  - ESCO pro forma[2] revenues[5] +4%; margin[3] up 340bps since acquisition to 14.5%
- **Benefiting from our focus on providing smart, efficient and sustainable technology**
  - Strong growth in energy-saving Enduron® HPGRs including £100m Iron Bridge order
  - Net conversions to Nemisys® ground engaging tools up 30%
- **Weir sustainability strategy launched with ambitious targets**
  - Enabling net zero CO2e in mining by supporting the industry's technology transformation
  - 50% reduction in Weir CO2e[7] by 2030
- **£35m annualised cost savings delivered in response to North American oil and gas downturn**
  - Oil & Gas revenues[5] -25%; H2 modestly profitable supported by cost reductions
  - £546m Oil & Gas impairment reflecting ongoing market dynamics
  - Intention to maximise value from Oil & Gas division at the right time
- **Strong second half cash generation**
  - £126m H2 working capital inflow: Net debt/EBITDA 2.4x
- **2020 Outlook: Minerals and ESCO constant currency operating profit growth offset by O&G[8]**

	2019	2018	As reported	Constant Currency[5]	Like for like[1,5]
Continuing Operations[4]					
Orders[5]	£2,792m	£2,592m	n/a	8%	-4%
Revenue	£2,662m	£2,450m	9%	7%	-6%
Operating profit[3]	£352m	£348m	1%	-1%	-17%
Profit before tax[3]	£303m	£310m	-2%	n/a	n/a
Reported (loss)/profit before tax	(£372m)	£86m	-532%	n/a	n/a
Earnings per share[3]	87.9p	94.7p	-7%	n/a	n/a
Total Group					
Reported (loss)/profit after tax	(£379m)	£18m	-2,205%	n/a	n/a
Reported (loss)/earnings per share	(146.4p)	7.4p	-2,078%	n/a	n/a
Cash generated from operations[3]	£408m	£411m	-1%	n/a	n/a
Dividend per share	46.95p	46.2p	2%	n/a	n/a
Net debt	£1,157m	£1,127m	£30m	n/a	n/a
Net debt (excl. IFRS 16 'Leases')	£972m	£1,127m	(£155m)	n/a	n/a

See footnotes on page 4

Jon Stanton, Chief Executive Officer said:
"2019 saw a strong performance from our mining businesses with margin expansion in both Minerals and ESCO. Our innovative technologies are helping mining become more sustainable as shown by the record £100m Iron Bridge order for our energy-saving Enduron® HPGR technology. We have a major role to play in enabling net zero in mining underpinned by our commitment to reduce our own environmental footprint including cutting our CO2 emissions by 50% by 2030.

North American oil and gas market conditions deteriorated significantly through the year and we undertook a major cost reduction programme in response. While the long-term prospects for shale remain positive, current market dynamics mean it now has a very different investment case to our premium mining technology positions. We are therefore taking actions so that we can maximise value for shareholders whenever the right opportunity is identified.

Looking to the year ahead, there is uncertainty over the impact of coronavirus (COVID-19) on the global economy and demand for natural resources. Assuming underlying demand does not change, we expect further good constant currency growth in our mining-focused businesses to be offset by the continued challenges in North American oil and gas markets."

A live webcast of the management presentation will begin at 09:00 (GMT) on 26 February 2020 at www.investors.weir. A recording of the webcast will also be available at www.investors.weir.

CHIEF EXECUTIVE OFFICER'S REVIEW

2019 was a year of significant progress in creating a more focused, premium-quality Weir capable of delivering longer-term sustainable growth opportunities for all stakeholders. We executed the portfolio changes announced in 2018 with the successful sale of Flow Control completing in June and continuing delivery of the ESCO integration benefits significantly ahead of schedule. These changes have transformed Weir into a leading mining equipment business with Minerals and ESCO accounting for nearly 80% of Group revenues and underpinned by robust aftermarket demand and strong original equipment order intake.

In addition, we have made considerable progress in accelerating our core capabilities in our core markets: people, customers, technology and performance. We are building a global family of highly engaged and talented people who are able to become co-owners of the business. We are working more closely with our customers by leveraging our unrivalled site-level presence and strategic technology alliances. This close partnership enables us to develop new technologies that will help our customers operate in a smarter, more efficient and more sustainable way. And we are evolving our high-performance culture that is delivering results for all our stakeholders. I would like to thank all of our 15,000 colleagues for their contribution in 2019, particularly achieving a 40% improvement to our underlying safety performance, making Weir one of the safest industrial businesses in the world. I am looking forward to 2020 as we continue to execute on our 'We are Weir' strategic framework.

A high-quality mining technology business

We continued to strengthen our market-leading position in mining. Weir is the only provider of premium solutions from pit to processing, some of the most mission-critical parts of the mining value chain. Our focus on high abrasion applications, which drive ongoing demand for aftermarket (AM) spares and services, underpins the resilience of our business. In 2019, these higher-margin AM sales represented 79% of Minerals and ESCO revenues. These sales were supported by our unrivalled global service network that means we have a presence in every major mining region. Both ESCO and Minerals made market share gains by leveraging each other's customer relationships and facilities, supporting progress towards our medium-term target of delivering $50m in revenue synergies. Increasingly, we are being asked by customers to co-locate on their mine sites to guarantee security of supply for the technology we provide. In total, revenues from our higher margin mining businesses, Minerals and ESCO, were up 4% (ESCO on a pro forma basis) to more than £2bn, reflecting our increased scale and relevance to customers.

Demand underpinned by long-term growth trends

As the world's population grows and urbanises, there continues to be increased demand for natural resources. The Group's largest mining commodity exposures are copper, iron ore and gold. But as demand increases, new supplies are harder to access with ore grade declines in mining meaning more rock needs to be processed to generate the same amount of ore. This intensifies use of our equipment and increases demand for spares and services. It is one of the key reasons Minerals delivered 5% compound annual growth (CAGR) in aftermarket revenues between 2014 and 2019, a period that included a significant downturn in mining markets. That resilience is also being supported by demand for the enabling materials for lower-carbon energy supplies. Weir technology is used to process the majority of the world's copper, which is a key component in infrastructure for lower carbon electricity generation and electric vehicles, which typically require four times the copper content of internal combustion engine alternatives.

Benefiting from our focus on providing smart, efficient and sustainable solutions

And while mining has an important role to play in providing the essential metals that will enable the transition to lower carbon energy, it also has a challenge to reduce its own environmental impact, while meeting future global demand. To meet this dual challenge, miners are increasingly turning to technology partners like Weir to help them increase productivity and lower emissions. That is why we have focused our technology agenda on making our customers' operations smarter, more efficient and sustainable, with a range of innovations that significantly reduce energy, water and waste. Our Enduron® high pressure grinding rolls are an excellent example of this in action. They reduce energy consumption by 30% compared to traditional alternatives in comminution, which is the screening, crushing and grinding of rock and is one of the most energy-intensive processes in mining. These savings were instrumental in Minerals securing the record £100m Iron Bridge order for a new magnetite iron ore development in Western Australia, where the improved crushing performance supported both the economics and environmental ambitions of our customer.

Maximising value from Oil & Gas at the right time

Since becoming CEO in 2016, the Group's clearly stated priority for capital allocation has been on extending our premium mining technology positions. We have made good progress, including the acquisition and successful integration of ESCO, the sale of Flow Control and continued strengthening of Minerals. The Oil & Gas division shares many of the same underlying characteristics as Minerals and ESCO, but its market dynamics have changed with shorter cycles and higher levels of volatility leading to a very different financial profile to our mining businesses. As a result, we have recognised a £546m impairment in our North American Oil & Gas business. Our focus is now on becoming a mining technology pure play and we are looking for opportunities to maximise value from the Oil & Gas division at the right time. Today, the market backdrop is a challenge, so we will continue to manage the business with a long-term perspective, including taking continued action to optimise our footprint for current market conditions whilst still investing in technology to drive market share gains and support long-term value. However, we are taking actions so that whenever we identify a clear solution to drive value for our shareholders, we will be ready and able to capitalise.

Committing to ambitious sustainability targets

In 2019, we worked with customers, suppliers, investors and employees to complete an extensive materiality assessment to clearly establish where Weir could make the biggest difference to improving sustainability. That work allowed us to identify those key areas where we can make a positive impact from an environmental, social and governance perspective. Our most significant contribution will be in reducing the environmental impact of our customers' operations, but we also want to lead by example in our own business. This includes our ongoing commitment to keeping our people safe and engaged as well as reducing our own carbon footprint. Today, we have set out our ambition to reduce our own relative scope 1 and 2 CO2 emissions by 50% by 2030, supporting the successful execution of our 'We are Weir' strategic framework.

Priority	Target
Creating sustainable solutions	Enabling net zero in mining
Reducing our footprint	50% reduction in relative CO_2e by 2030
Nurturing our unique culture	Leading Employee Net Promotor Score
Championing Zero Harm	Total Incident Rate = 0

Winning through 'We are Weir'

Our 'We are Weir' strategic framework focuses on where we can deliver distinctive value – **People**, **Customers, Technology** and **Performance**. In 2019, we continued to make good progress in strengthening our core capabilities to support our position as a winner in our markets.

	Medium-term KPI	Progress in 2019
People	Improve sustainable engagement and organisational effectiveness	• Safety: 40% like for like reduction in Total Incident Rate • Global all-employee Weir ShareBuilder plan launched • Sector leading employee engagement (eNPS of 7.9/10)
Customers	Increase market share	• £155m in additional orders from Integrated Solutions • £72m of Enduron® HPGR orders in record year • N70 Nemisys® technology gaining market share
Technology	Increase revenues from new solutions[6]	• £177m in revenues from new products • First order for Terraflowing® tailings solution • Launched SPM® QEM 5000 electric frack pump
Performance	Sustainably higher margins through the cycle	• ESCO margins improved by 340bps post acquisition • Annualised £35m Oil & Gas cost savings • Exited lower margin comminution segments

Dividend

The Board is recommending a final dividend of 30.45p, resulting in a total dividend of 46.95p for the year, up 2% from 2018 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 1.9 times. If approved at the Annual General Meeting on 28 April 2020, the final dividend will be paid on 5 June 2020 to shareholders on the register on 24 April 2020.

Board changes

As previously announced, Barbara Jeremiah succeeded Richard Menell as Senior Independent Director on 1 January 2020. This followed the announcement that Richard, who joined the Board in April 2009, will be stepping down from the Board after the 2020 AGM. The Group announced on 12 February 2020 that Chairman Charles Berry was taking a short leave of medical absence, with Barbara fulfilling his duties in the interim.

Segmental analysis

Continuing operations £m[4]	Minerals	ESCO	Oil & Gas	Unallocated expenses	Total	Total OE	Total AM
Orders (constant currency)							
2019	1,647	557	588	n/a	**2,792**	742	2,050
2018	1,500	256	836	n/a	**2,592**	656	1,936
Variance:							
- Constant currency	10%	n/a	-30%		**8%**	13%	6%
- Like for like[1]	n/a	n/a	n/a		**-4%**	11%	-10%
Revenue							
2019	1,478	572	612	n/a	**2,662**	608	2,054
2018 (as reported)	1,417	252	781	n/a	**2,450**	602	1,848
Variance:							
- As reported	4%	n/a	-22%		**9%**	1%	11%
- Constant currency	4%	n/a	-25%		**7%**	0%	9%
- Like for like[1]	n/a	n/a	n/a		**-6%**	-2%	-8%
Operating profit / (loss)[3]							
2019	270	83	37	(38)	**352**		
2018 (as reported)	250	33	96	(31)	**348**		
Variance:							
- As reported	8%	n/a	-62%	23%	**1%**		
- Constant currency	7%	n/a	-64%	23%	**-1%**		
- Like for like[1]	n/a	n/a	n/a	n/a	**-17%**		
Operating margin[3]							
2019	18.3%	14.5%	6.0%	n/a	**13.2%**		
2018 (as reported)	17.7%	13.0%	12.3%	n/a	**14.2%**		
Variance:							
- As reported	60bps	n/a	-630bps		**-100bps**		
- Constant currency	50bps	n/a	-640bps		**-110bps**		
- Like for like[1,5]	n/a	n/a	n/a		**-160bps**		

Notes:

1 Like for like excludes the impact of acquisitions. ESCO was acquired on 12 July 2018.
2 Based on ESCO's adjusted, unaudited US GAAP management accounts.
3 Adjusted to exclude exceptional items and intangibles amortisation. Reported operating (loss) profit from continuing operations was (£322.2m) (2018 profit: £124.1m). Net cash generated from operating activities was £263.5m (2018: £217.9m).
4 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 alternative performance measures are provided in note 1 of the financial statements. Continuing operations excludes the Flow Control division which has been sold and reported in discontinued operations. ESCO was acquired on 12 July 2018 and its results have been included from that date.
5 2018 restated at 2019 average exchange rates.
6 Defined as products or services introduced in last 3 years.
7 CO2e refers to carbon dioxide equivalent, a standard unit for measuring carbon footprint. The 50% target refers to the Group's relative scope 1 and 2 emissions.
8 2019 Operating profits (before exceptional items and intangibles amortisation) restated at January 2020 exchange rates would be £14m lower.

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.

2019 Summary

- +5% aftermarket orders; original equipment +22%
- Operating margins[2] of 18.3%; +50bps reflecting product mix
- Record £100m Iron Bridge order demonstrates strength of differentiated technology offering

2019 Market Review

Mining markets were positive in 2019 supported by commodity prices with copper up 5%, iron ore up 29% and gold up 19%. To take advantage of these conditions, miners remained focused on productivity improvements and cash generation. There was also increased demand for more sustainable solutions that reduce mining's environmental impact while also contributing towards lower total costs. A number of large greenfield developments were given final approval although the majority of expansion projects were focused on brownfield extensions of current assets. All regions saw good growth although Africa was impacted by subdued demand in Central Africa. Macro concerns led to some project delays in the third quarter, but these abated towards the end of the year as the US and China reached a trade agreement.

These market trends were reflected in demand for original equipment which was principally from brownfield opportunities, with particular demand for energy-saving solutions. Aftermarket demand remained robust, supported by long-term structural trends including ore grade declines that mean that miners need to process increased volumes of harder rock to extract the same amount of ore, increasing wear on equipment. Oil sands demand remained robust.

In non-mining markets, industrial, power and infrastructure markets were more challenging.

2019 Operating Review

The division leveraged its strong market positions to take full advantage of the growth opportunities in 2019. This included its Integrated Solutions Strategy, which utilises its engineering expertise and broad product portfolio to improve customer productivity, delivering £155m in orders in 2019.

The division also continued to extend its leading global service network with new openings focused on high growth areas including Russia, Central America, Central Asia, Africa and Asia Pacific. The service network gives the division the ability to rapidly respond to demand for spares and services and is a key differentiator in need-it-now mining markets. The effectiveness of this business model can be seen in the record aftermarket orders received in 2019.

Technology development continued to focus on expanding the product portfolio and working with our customers in developing smarter, more efficient and sustainable solutions. This included the division's energy-saving Enduron® HPGR technology which saw strong growth in demand through the year including the record £100m Iron Bridge order. The division is also working with customers to develop innovative ore hoisting technology that has the potential to significantly improve the efficiency and safety of transporting ore from underground to the processing plant, reducing energy consumption and costs. In addition, the division signed an agreement with a major customer to pilot its Terraflowing® solution that reduces the water content of tailings waste in a cost-effective manner, enabling it to be safely stored.

The division continued to optimise its operating footprint including investment in its larger foundries in Europe, South America and Asia Pacific. It rationalised its comminution offering, closing a number of smaller facilities and exiting lower margin segments to focus on higher margin, hard rock mining opportunities. Longer-term plans continued to be developed to optimise global manufacturing and foundry capacity to take full advantage of positive market conditions and to support future growth and margins. The division also implemented a new customer relationship management system and further automated tracking of its extensive installed base.

2019 Financial review

Constant currency £m	H1[1]	H2	2019	2018[1]	Growth
Orders OE	218	327	545	449	22%
Orders AM	581	521	1,102	1,051	5%
Orders Total	**799**	**848**	**1,647**	**1,500**	**10%**
Revenue OE	179	223	402	400	0%
Revenue AM	528	548	1,076	1,015	6%
Revenue Total	**707**	**771**	**1,478**	**1,415**	**4%**
Operating profit[2]	**122**	**148**	**270**	**253**	**7%**
Operating margin[2]	17.2%	19.3%	18.3%	17.8%	50bps
Operating cash flow[2]	81	214	295	248	19%
Book-to-bill	1.13	1.10	1.11	1.06	

1 2018 and H1 2019 restated at 2019 average exchange rates except for operating cash flow.

2 Adjusted to exclude exceptional items and intangibles amortisation.

Orders increased by 10% on a constant currency basis to £1,647m (2018: £1,500m) with a book-to-bill of 1.11. Original equipment orders were up 22% as a result of the record £100m Iron Bridge Project order in Australia. Excluding this landmark order, underlying OE orders were stable, and the division's pipeline remained strong driven by the long-term structural growth drivers and the strength and breadth of its technology offering.

Aftermarket orders increased by 5%, reaching record levels, with demand for spares and services supported by structural trends including ore grade declines. Aftermarket represented 67% of total orders (2018: 70%), reflecting the booking of Iron Bridge. Mining end-market orders accounted for 78% of the total (2018: 73%).

Revenue was 4% higher on both a constant currency and reported basis at £1,478m (2018: £1,415m), reflecting order trends. Original equipment sales accounted for 27% (2018: 28%) of divisional revenues and were stable on the prior year. Aftermarket revenues were up 6% reflecting order trends.

Operating profit[2] increased by 7% on a constant currency basis to £270m (2018: £253m), driven by good underlying revenue growth and a favourable product mix.

Operating margin[2] on a constant currency basis increased by 50bps to 18.3% (2018: 17.8%), with good revenue growth, favourable product mix and operating leverage more than offsetting the investment in support of the division's project pipeline which increased by 20% in 2019.

Cash generated from operations increased by 19% to £295m (2018: £248m), reflecting the increased profitability.

Capital expenditure was £65m (2018: £47m) an increase of 38% which was driven by investment in heavy bay foundry, machining and rubber manufacturing capacity, notably upgrades in Todmorden, Artarmon, Santiago and Malaysia.

Research & development spend increased by 11% to £20m (2018: £18m) driven by additional investment in developing our ore hoisting and HPGR technology.

2020 Outlook

While the long-term fundamentals of mining markets remain positive there is currently uncertainty over the macro outlook for the global economy, which is heightened by the recent coronavirus (COVID-19) outbreak. Assuming underlying demand does not change, we expect the division to deliver good growth in constant currency revenues supported by delivery of the record Iron Bridge order, with operating margins slightly lower, reflecting product mix.

ESCO

ESCO is a global leader in the provision of Ground Engaging Tools (G.E.T) for large mining machines. Its highly engineered technology improves productivity through extended wear life, increased safety and reduced energy consumption. 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.

2019 Summary

- Market share gains supporting 4% increase in pro forma[3] revenues
- Delivered annualised run rate cost synergies of $27m, ahead of original schedule
- Operating margins[2] of 14.5%; 340bps improvement post acquisition

2019 Market Review

The division benefited from the same macro mining trends as Minerals including increased ore production and the focus by mining customers on optimising productivity. This supported demand for differentiated technology that is proven to sustainably increase efficiency. Regionally, there was good demand growth in North America and Asia Pacific, with most other markets relatively stable with the exception of Africa which was more subdued due to political uncertainty and some customer specific operational challenges.

In infrastructure markets, North American construction slowed as the year progressed and dredge activity was also reduced.

2019 Operating Review

The division continued to focus on differentiating its offering through technology leadership and close customer proximity. This included market share gains by extending its Nemisys® technology to smaller machine classes including front end loaders. The N70 improves customer productivity by increasing wear life by more than a third compared to competitor systems, lowering fuel consumption and reducing maintenance costs.

Additional new technology introductions included GET Detect® which enables customers to better monitor their G.E.T in the field using digital sensors, helping prevent costly unplanned downtime when teeth become detached and enter downstream processing operations. Operator safety is also a big priority for its customers and the division is developing GET Toolhead® an innovative solution that automates G.E.T change-outs reducing the need for personnel to be in the pit, one of the most hazardous parts of the mine.

Investment has been focused on improving safety and upgrading foundry capacity to meet future demand. The division encountered some operational challenges at our Newton, Mississippi, facility during this upgrade process. These are temporary and are being resolved, with significant production improvement seen in Q4.

Annualised run rate cost synergies reached $27m by the end of 2019, well on track to deliver the division's $30m target in 2020, significantly ahead of the original schedule. Good progress was also made toward the medium-term $50m revenue synergy target. This included expanding into new markets, building on Mineral's global network, with both ESCO and Minerals collaborating to grow market share in new or under-served territories.

2019 Financial review

Constant currency £m	H1[1]	H2	2019	Pro forma 2018[1,3]	Pro forma growth
Orders OE	11	16	27	26	2%
Orders AM	282	248	530	538	-2%
Orders Total	**293**	**264**	**557**	**564**	**-1%**
Revenue OE	10	15	25	27	-7%
Revenue AM	274	273	547	522	5%
Revenue Total	**284**	**288**	**572**	**549**	**4%**
Operating profit[2]	**40**	**43**	**83**	**66**	**25%**
Operating margin[2]	14.2%	14.9%	14.5%	12.1%	+240bps
Operating cash flow[2]	32	72	104	n/a	
Book-to-bill	1.03	0.91	0.97	1.03	

1 2018 and H1 2019 restated at 2019 average exchange rates except for operating cash flow.
2 Adjusted to exclude exceptional items and intangibles amortisation.
3 Based on ESCO's adjusted, unaudited US GAAP management accounts.

For comparative purposes below, we have included pro forma figures for 2018, which are based on ESCO's adjusted, unaudited US GAAP management accounts.

Orders decreased 1% on a constant currency pro forma basis to £557m (2018: £564m) with good demand in mining markets underpinned by structural trends including ore grade declines. There was some softening in Africa due to specific customer operational issues and political uncertainty while oil sands demand showed good growth. Positive mining conditions overall were offset by a slowdown in activity in infrastructure markets including North American construction and dredge, which is traditionally lumpier. The fourth quarter also saw the impact of a previous dealer overstocking as customers ran down their inventory levels and the lack of any large capital orders in the period. Aftermarket represented 95% of orders, in line with ESCO's position as a provider of highly engineered consumables to abrasive operating environments.

Revenue increased 4% on a constant currency pro forma basis to £572m (2018: £549m) reflecting previous order growth with the division seeing similar trends to Minerals in its core mining markets with customers focused on maximising production. Construction markets in Europe and North America were stable but showed some signs of softening in H2, while the dredge market remained strong.

Operating profit[2] increased by 25% on a pro forma basis to £83m (2018: £66m), as a result of good revenue growth, operating leverage and benefits from the post-acquisition cost synergies.

Operating margin[2] of 14.5% was up 240bps on a constant currency pro forma basis (2018: 12.1%) and was up 340bps post acquisition.

Cash generated from operations was £104m demonstrating the highly cash generative nature of the business.

Capital expenditure was £24m reflecting the increased investment in the division to provide safety and operational improvements.

Research & development spend was £3m, focused on incremental product improvement, automated GET Toolhead® and GET Detect®.

2020 Outlook

ESCO shares many of the same market drivers as Minerals. Assuming underlying demand does not change, we currently expect the division to deliver good growth in constant currency revenues. Further full year 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 mission-critical solutions to upstream energy markets. Products include pressure pumping and pressure control equipment, supported by Weir EDGE aftermarket spares, equipment repairs, upgrades, certification and asset management, and field services to customers around the world.

2019 Summary

- Uncertainty and market volatility led to £546m impairment of North American Oil & Gas
- International markets continued to show further improvement
- H2 modestly profitable supported by £35m annualised costs saving programme

2019 Market Review

In 2019, despite WTI oil prices increasing from $48 to $62 and averaging $57, the North American land rig count fell 27%. E&P operators in North American shifted their focus to cash generation over growth, with constrained capex budgets being exhausted earlier in the year than usual, as operators priorities shifted to cash flow. This led to an accelerated downturn in the second half of the year which compounded already over-supplied pressure pumping markets with frack fleet utilisation estimated to be c.55%. In contrast to the first half of 2018, when oilfield service companies were refurbishing and replacing their frack fleets, 2019 saw significant levels of excess capacity, with fleets being cold-stacked and cannibalised for consumables, impacting both original equipment and aftermarket demand. As a result of these market conditions, a number of major oilfield service companies announced they were significantly reducing their frack fleets with an estimated 5m horsepower (c.20%) withdrawn from the market.

International markets continued their steady recovery with increased demand for services and wellheads.

2019 Operating Review

In response to these challenging market conditions, the division completed a £35m annualised cost savings programme. This included reducing its workforce by c.600 people or approximately 20%, facility consolidations and asset write downs.

The division continued to extend its technology leadership with market share gains including its Simplified Large Bore Frac System that significantly reduces the complexity and improves the safety of frack sites and delivered more than £20m in revenues. It also benefited from its Weir EDGE service offering to extend share in pump consumables. The division also launched the SPM® QEM 5000 pump which is capable of supporting the development of electric and gas turbine frack sites which have the potential to reduce required fleet sizes by 60%.

Internationally, the division made good progress with order wins from international and national oil companies including a four-year contract in Oman to provide wellhead equipment and services. It is also developing plans to further expand its wellhead offering in the Middle East, including increased manufacturing capability in Saudi Arabia.

Operational improvements focused on supply chain enhancements and leveraging shared services to drive increased efficiencies across the division. The division also opened its Permian basin, Texas super centre providing Pressure Pumping and Pressure Control assembly, repair and testing facilities.

2019 Financial review

Constant currency £m	H1[1]	H2	2019	2018[1]	Growth
Orders OE	100	70	170	198	-14%
Orders AM	238	180	418	638	-34%
Orders Total	**338**	**250**	**588**	**836**	**-30%**
Revenue OE	103	78	181	196	-8%
Revenue AM	245	186	431	621	-31%
Revenue Total	**348**	**264**	**612**	**817**	**-25%**
Operating profit[2]	**30**	**7**	**37**	**101**	**-64%**
Operating margin[2]	8.6%	2.7%	6.0%	12.4%	-640bps
Operating cash flow[2]	(16)	59	43	94	-54%
Book-to-bill	0.97	0.95	0.96	1.02	

1 2018 and H1 2019 restated at 2019 average exchange rates except for operating cash flow.

2 Adjusted to exclude exceptional items and intangibles amortisation.

Orders of £588m (2018: £836m) were down 30% on a constant currency basis, reflecting the significant reduction in refurbishment and replacement activity in North America compared to the prior year period. Aftermarket orders, which represented 71% (2018: 76%) of total orders, fell 34% due to the reduced activity levels and cannibalisation in North America. Original equipment orders were 14% lower with declines in pump demand partially offset by increased International activity. Pressure Pumping and Pressure Control orders were down sequentially in the fourth quarter as North American markets continued to soften.

Orders from international markets were higher year on year and increased sequentially as activity levels improved for both original equipment and aftermarket services.

Revenue reduced by 25% on a constant currency basis to £612m (2018: £817m). Original equipment and aftermarket revenues decreased by 8% and 31% respectively, with aftermarket accounting for 70% of total revenues (2018: 76%).

North American revenues fell by 29% compared to the prior year reflecting challenging market conditions. International revenues were higher year on year due to increased project activity, particularly in the Middle East.

Operating profit[2] including joint ventures was £37m (2018: £101m) on a constant currency basis. The decrease was driven by lower activity in North American markets, which also impacted some pricing and operating leverage. H2 was modestly profitable supported by the division's cost saving programme.

Operating margin[2] at 6.0% was down 640bps on a constant currency basis reflecting market conditions.

Cash generated from operations decreased to £43m (2018: £94m) primarily driven by the reduced level of profitability.

Capital expenditure was £15m (2018: £26m) reflecting more normal levels after the elevated spending on a Permian super centre in the prior year and reduced spending on Pressure Control rental assets.

Research & development spend reduced to £8m (2018: £10m) reflecting the significant investments last year in developing our new fluid end technology and the Simplified Large Bore Frac System.

2020 Outlook

There is currently uncertainty over the macro outlook for the global economy and demand for oil which is heightened by the recent coronavirus (COVID-19) outbreak. In North America, industry expectations are for a further reduction in E&P expenditure in 2020, as operators continue to focus on capital discipline over growth. International markets are currently expected to continue their steady recovery. While visibility is limited, and assuming no significant impact from coronavirus, we expect the modest levels of profitability seen in the second half of 2019 to continue in 2020, with lower demand and pricing pressure being offset by the benefits of our restructuring actions.

GROUP FINANCIAL HIGHLIGHTS

Continuing operations order input at £2,792m increased 8% on a constant currency basis (down 4% like for like) reflecting strong growth in Minerals and a full year of ESCO results offset by challenging market conditions for Oil & Gas in North America. Aftermarket and original equipment orders were £2,050m and £742m respectively. Minerals orders increased by 10% on a constant currency basis to £1,647m (2018: £1,500m) with a book-to-bill of 1.11. ESCO orders decreased 1% on a constant currency pro forma basis to £557m (2018: £564m) due to phasing of capital and stocking orders. Oil & Gas orders of £588m (2018: £836m) were down 30% on a constant currency basis, reflecting the significant reduction in refurbishment and replacement activity in North America compared to the prior year period.

Continuing operations revenue of £2,662m showed growth of 7% on a constant currency basis (down 6% like for like) mainly reflecting strong input performance in Minerals and a full year of ESCO, offset by lower revenue in Oil & Gas due to the challenging market downturn conditions. Aftermarket accounted for 77% of revenues which is roughly in line with the prior year. Reported revenues increased 9%, impacted by a foreign exchange translation tailwind of £46m.

Operating profit from continuing operations (before exceptional items and intangibles amortisation) increased by £4m (1%) to £352m. Excluding a £9m foreign currency translation tailwind the constant currency decrease was £5m.

Unallocated costs increased £7m from the prior year to £38m supporting the 'We are Weir' strategy with increased investment in digital and advanced manufacturing technology as well as share-based payments, including the all-employee Weir ShareBuilder plan.

Reported operating loss for the year of £322m was £446m adverse to the prior year due to the increase in exceptional items and intangibles amortisation of £450m, including a £546m impairment of our North American Oil & Gas assets, combined with the £4m increase in underlying operating profit.

Continuing operations net finance costs

Net finance costs were £50m (2018: £38m). The overall increase of £12m compared to 2018 was principally due to the adoption of the IFRS 16 'Leases' standard which resulted in an £8m interest charge in the year.

Continuing operations profit before tax

Profit before tax from continuing operations (before exceptional items and intangibles amortisation) decreased by 2% to £303m (2018: £310m). The reported loss before tax from continuing operations of £372m compares to an £86m profit in 2018 due to an increase in exceptional items, including the £546m non-cash impairment of our Oil & Gas North American assets.

Continuing operations taxation

The tax charge for the year of £74m (2018: £79m) on profit before tax from continuing operations (before exceptional items and intangibles amortisation) of £303m (2018: £310m) represents an underlying effective tax rate (ETR) of 24.4% (2018: 25.3%). Our ETR is principally driven by the geographical mix of profits arising in our business and, to a lesser extent, by the impact of Group financing and transfer pricing arrangements.

Continuing operations exceptional items and intangibles amortisation

Exceptional items increased to £596m (2018: £158m) with intangibles amortisation increasing to £78m (2018: £66m). The increase in amortisation reflects the impact of a full year charge for ESCO.

An impairment charge of £546m was recognised in the Oil & Gas North America cash generating unit (CGU). The current challenging market conditions and uncertainty about the timing of market recovery resulted in estimates of future cash flows featuring lower revenue and margin assumptions. This led to a review of specific assets which were considered to be at risk and resulted in impairment charges relating to brand names of £40m, customer relationships of £144m, inventory of £49m and property, plant & equipment of £25m. Subsequent testing of the remaining goodwill and intangible assets led to a further impairment totalling £288m and this was charged against goodwill.

The current market conditions impacting our Oil & Gas North America business result in significant estimates being required in the impairment testing of the intangible assets associated with the Oil & Gas North America cash generating unit. It is considered appropriate to disclose this as an area of significant estimation due to the size of the balance, the relatively low discount rates applied compared to recent years (due to market driven bond yield data) and the current levels of market uncertainty. Changes to these areas of significant estimation could reasonably lead to changes in the carrying value as a result of future events within the next five years.

Exceptional items include costs of £11m associated with the continued integration of ESCO into the Group following the acquisition in July 2018. These costs and associated benefits are in line with our plans at the time of acquisition.

Restructuring and rationalisation charges in the year of £31m comprise £15m in Oil and Gas and £16m in Minerals. The Oil & Gas costs reflect actions taken to mitigate the challenging market conditions and include a 20% reduction in workforce and closure of a number of sites. Minerals £16m exceptional restructuring and rationalisation costs primarily reflect the decision to exit lower margin North America sand and aggregate comminution markets which included a write down of inventory and tangible assets, and a further £6m charge for the impairment of customer relationships.

The cash impact of the current year exceptional income statement charge of £596m is expected to be £24m, with £17m already incurred in the year. The overall exceptional cash outflow of £41m in 2019 includes £24m related to exceptional items booked to the income statement in prior years.

A tax credit of £92m has been recognised in relation to exceptional items and intangibles amortisation (2018: £46m).

After exceptional items and intangibles amortisation, the reported loss for the year from continuing operations is £353m (2018: profit £53m).

Discontinued operations
The reported loss for the year from discontinued operations is £26m (2018: £35m), including an underlying loss (before exceptional items and intangibles amortisation) of £4m (2018: profit £16m). The Group disposed of the Flow Control division on 28 June 2019 for an enterprise value of £275m and a net consideration of £263m, after customary working capital and debt-like adjustments. In January 2020, the final consideration was determined, as part of the agreed completion accounts process, resulting in the Group making a full and final settlement to First Reserve of £4m. This resulted in a pre-tax loss on disposal of £8m being recognised at December 2019, an increase of around £3m from the position reported in June 2019.

The loss of £8m reflects final cash proceeds of £259m, net assets at the date of disposal of £270m, costs of disposal of £17m and a gain of £20m from the recycling of cumulative foreign exchange differences from the foreign currency translation reserve to the income statement.

The income tax charge of £14m primarily relates to the gain on disposal of the US entities and assets resulting in a total post-tax loss on disposal after tax of £22m.

Earnings per share
Earnings per share from continuing operations (before exceptional items and intangibles amortisation) decreased by 7% to 87.9p (2018: 94.7p). Reported loss per share including exceptional items, intangibles amortisation and loss from discontinued operations was 146.4p (2018 earnings per share: 7.4p). The weighted average number of shares in issue increased to 259.5m (2018: 244.1m) following the issue of 34.9m shares during 2018 in respect of the ESCO acquisition and scrip dividends.

Cash flow and net debt
Cash from operating activities (see note 1) decreased by £3m to £408m in the year which is mainly driven by the downturn in the oil and gas market and the impact from disposal of the discontinued Flow Control business (£75m) offset by a reclassification of lease costs under IFRS 16 'Leases', stronger Minerals cash generation and full year positive impact of ESCO.

Free cash flow from total operations (see note 1) decreased by £188m to an outflow of £79m (2018: inflow £109m), before cash exceptional items of £41m (2018: £142m). The decrease was driven by operating cash flows from discontinued operations of £75m, tax £17m, capital expenditure £19m, and £42m increased dividend payment (as the prior year had a scrip option).

Total Group exceptional cash items of £41m relate to ESCO integration costs, legacy warranty issues in Oil & Gas and restructuring and rationalisation actions taken in both Oil & Gas and Minerals.

The completion of the sale of the Flow Control division on 28 June 2019 resulted in cash proceeds, net of costs paid in the year and cash deposits at the date of disposal of £245m. In January 2020, a final payment of £4m in respect of the sale was paid to reflect the final consideration determined as part of the agreed completion accounts process.

The above movements resulted in closing Group net debt of £1,157m (2018: £1,127m), which includes IFRS 16 lease liabilities of £185m and a favourable foreign exchange movement of £35m. Excluding IFRS 16 ‘Leases’, underlying financial debt reduced by £155m. On a lender covenant basis, the ratio of net debt to EBITDA was 2.4 times (2018: including a pro forma full year of ESCO 2.3 times) compared to a covenant level of 3.5 times. Details of the Group’s committed facilities are included in note 11.

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Appendix 1 – 2019 quarterly order trends (constant currency)

	Reported growth[1]					Like for like[1,2] growth				
Division	**Q1**	**Q2**	**Q3**	**Q4**	**FY**	**Q1**	**Q2**	**Q3**	**Q4**	**FY**
Original Equipment	-10%	7%	72%	20%	**22%**	-10%	7%	72%	20%	**22%**
Aftermarket	9%	7%	-5%	8%	**5%**	9%	7%	-5%	8%	**5%**
Minerals	**3%**	**7%**	**17%**	**12%**	**10%**	**3%**	**7%**	**17%**	**12%**	**10%**
Original Equipment	-	-	83%	54%	**-**	-	-	-	-	**-**
Aftermarket	-	-	22%	-18%	**-**	-	-	-	-	**-**
ESCO	**-**	**-**	**25%**	**-16%**	**-**	**-**	**-**	**-**	**-**	**-**
Original Equipment	-7%	-22%	-26%	7%	**-14%**	-7%	-22%	-26%	7%	**-14%**
Aftermarket	-28%	-34%	-34%	-43%	**-34%**	-28%	-34%	-34%	-43%	**-34%**
Oil & Gas	**-23%**	**-31%**	**-32%**	**-35%**	**-30%**	**-23%**	**-31%**	**-32%**	**-35%**	**-30%**
Original Equipment	-6%	-	41%	18%	**13%**	-9%	-3%	40%	17%	**11%**
Aftermarket	27%	23%	-7%	-13%	**6%**	-6%	-8%	-15%	-11%	**-10%**
Continuing Ops[1]	**18%**	**17%**	**4%**	**-6%**	**8%**	**-7%**	**-7%**	**-**	**-3%**	**-4%**
Book-to-Bill	**1.09**	**1.05**	**1.08**	**0.97**	**1.05**	**1.11**	**1.05**	**1.11**	**1.02**	**1.07**

[1] Continuing operations (excludes the Flow Control division which has been sold).

[2] Like for like excludes the impact of acquisitions, ESCO was acquired on 12 July 2018 and excluded from 2018 and 2019.

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

	2019 average FX rates	**2018 average FX rates**	**Percentage of FY 2019 operating profits**
US Dollar	1.28	1.34	59%
Australian Dollar	1.84	1.79	9%
Canadian Dollar	1.69	1.73	15%
Euro	1.14	1.13	10%
Chilean Peso	897.37	855.87	12%
United Arab Emirates Dirham	4.69	4.89	1%
South African Rand	18.43	17.65	1%
Brazilian Real	5.03	4.87	2%
Russian Rouble	82.53	83.66	3%

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 2019

	Notes	Year ended 31 December 2019 Before exceptional items & intangibles amortisation £m	Exceptional items & intangibles amortisation (note 3) £m	Total £m	Year ended 31 December 2018 Before exceptional items & intangibles amortisation £m	Exceptional items & intangibles amortisation (note 3) £m	Total £m
Continuing operations							
Revenue	2	2,661.9	-	2,661.9	2,449.9	-	2,449.9
Continuing operations							
Operating profit (loss) before share of results of joint ventures		345.9	(674.3)	(328.4)	345.7	(224.0)	121.7
Share of results of joint ventures		6.2	-	6.2	2.4	-	2.4
Operating profit (loss)		352.1	(674.3)	(322.2)	348.1	(224.0)	124.1
Finance costs		(53.9)	-	(53.9)	(40.7)	-	(40.7)
Finance income		4.3	-	4.3	2.7	-	2.7
Profit (loss) before tax from continuing operations		302.5	(674.3)	(371.8)	310.1	(224.0)	86.1
Tax (expense) credit	5	(73.8)	92.2	18.4	(78.6)	45.9	(32.7)
Profit (loss) for the year from continuing operations		228.7	(582.1)	(353.4)	231.5	(178.1)	53.4
(Loss) profit for the year from discontinued operations	6	(3.9)	(22.1)	(26.0)	16.3	(51.3)	(35.0)
Profit (loss) for the year		224.8	(604.2)	(379.4)	247.8	(229.4)	18.4
Attributable to:							
Equity holders of the Company		224.3	(604.2)	(379.9)	247.4	(229.4)	18.0
Non-controlling interests		0.5	-	0.5	0.4	-	0.4
		224.8	(604.2)	(379.4)	247.8	(229.4)	18.4
Earnings (loss) per share	7						
Basic - total operations				(146.4p)			7.4p
Basic - continuing operations		87.9p		(136.4p)	94.7p		21.7p
Diluted - total operations				(146.4p)			7.3p
Diluted - continuing operations		87.4p		(136.4p)	94.0p		21.6p

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2019

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
(Loss) profit for the year	**(379.4)**	18.4
Other comprehensive (expense) income		
(Losses) gains taken to equity on cash flow hedges	**(1.3)**	0.8
Exchange (losses) gains on translation of foreign operations	**(105.3)**	76.1
Reclassification of foreign currency translation reserve on discontinued operations	**(20.5)**	-
Exchange losses on net investment hedges	**(2.4)**	(72.8)
Reclassification adjustments on cash flow hedges	**0.7**	(2.6)
Tax relating to other comprehensive income (expense) to be reclassified in subsequent periods	**(0.2)**	3.0
Items that are or may be reclassified to profit or loss in subsequent periods	**(129.0)**	4.5
Remeasurements on defined benefit plans	**(5.2)**	53.7
Remeasurements on other benefit plans	**(0.1)**	0.3
Tax relating to other comprehensive (expense) income not to be reclassified in subsequent periods	**0.8**	(8.9)
Items that will not be reclassified to profit or loss in subsequent periods	**(4.5)**	45.1
Net other comprehensive (expense) income	**(133.5)**	49.6
Total net comprehensive (expense) income for the year	**(512.9)**	68.0
Attributable to:		
Equity holders of the Company	**(513.2)**	67.5
Non-controlling interests	**0.3**	0.5
	(512.9)	68.0
Total net comprehensive (expense) income for the year attributable to equity holders of the Company		
Continuing operations	**(466.5)**	153.3
Discontinued operations	**(46.7)**	(85.8)
	(513.2)	67.5

Consolidated Balance Sheet
at 31 December 2019

	Notes	31 December 2019 £m	31 December 2018 £m
ASSETS			
Non-current assets			
Property, plant & equipment		**571.2**	427.1
Intangible assets		**1,573.0**	2,166.6
Investments in joint ventures		**36.6**	36.6
Deferred tax assets		**61.2**	36.0
Other receivables		**77.1**	78.5
Derivative financial instruments	13	**4.4**	1.4
Total non-current assets		**2,323.5**	2,746.2
Current assets			
Inventories		**642.9**	692.7
Trade & other receivables		**557.9**	597.7
Derivative financial instruments	13	**16.5**	18.3
Income tax receivable		**37.6**	32.5
Cash & short-term deposits		**273.8**	263.0
Assets held for sale	6	**-**	394.4
Total current assets		**1,528.7**	1,998.6
Total assets		**3,852.2**	4,744.8
LIABILITIES			
Current liabilities			
Interest-bearing loans & borrowings		**534.1**	662.5
Trade & other payables		**589.6**	629.9
Derivative financial instruments	13	**24.8**	40.8
Income tax payable		**22.6**	25.3
Provisions		**42.2**	50.5
Liabilities held for sale	6	**-**	134.0
Total current liabilities		**1,213.3**	1,543.0
Non-current liabilities			
Interest-bearing loans & borrowings		**896.2**	740.9
Other payables		**-**	0.8
Derivative financial instruments	13	**0.3**	0.2
Provisions		**61.3**	69.7
Deferred tax liabilities		**29.0**	92.2
Retirement benefit plan deficits	12	**138.7**	149.1
Total non-current liabilities		**1,125.5**	1,052.9
Total liabilities		**2,338.8**	2,595.9
NET ASSETS		**1,513.4**	2,148.9
CAPITAL & RESERVES			
Share capital		**32.5**	32.5
Share premium		**582.3**	582.3
Merger reserve		**332.6**	332.6
Treasury shares		**(0.5)**	(2.1)
Capital redemption reserve		**0.5**	0.5
Foreign currency translation reserve		**(26.7)**	101.3
Hedge accounting reserve		**0.7**	1.5
Retained earnings		**590.6**	1,095.0
Shareholders' equity		**1,512.0**	2,143.6
Non-controlling interests		**1.4**	5.3
TOTAL EQUITY		**1,513.4**	2,148.9

The financial statements were approved by the Board of Directors and authorised for issue on 26 February 2020.

Jon Stanton
Director

John Heasley
Director

Consolidated Cash Flow Statement
for the year ended 31 December 2019

	Notes	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Total operations			
Cash flows from operating activities	14		
Cash generated from operations		**407.6**	410.8
Additional pension contributions paid		**(12.9)**	(5.6)
Exceptional cash items		**(41.0)**	(114.0)
Income tax paid		**(90.2)**	(73.3)
Net cash generated from operating activities		**263.5**	217.9
Cash flows from investing activities			
Acquisitions of subsidiaries, net of cash acquired	14	**(0.1)**	(429.6)
Purchases of property, plant & equipment		**(93.3)**	(77.7)
Purchases of intangible assets		**(23.3)**	(11.4)
Other proceeds from sale of property, plant & equipment and intangible assets		**12.3**	3.9
Disposals of discontinued operations, net of cash disposed and disposal costs	14	**244.7**	0.3
Interest received		**2.7**	3.0
Dividends received from joint ventures		**3.5**	1.6
Net cash generated from (used in) investing activities		**146.5**	(509.9)
Cash flows from financing activities			
Proceeds from borrowings		**1,673.7**	1,438.4
Repayments of borrowings		**(1,782.8)**	(1,335.5)
Lease payments		**(44.3)**	-
Settlement of derivative financial instruments		**(62.2)**	(22.1)
Exceptional cash items – settlement of derivative financial instruments		**-**	(27.8)
Interest paid		**(47.3)**	(39.6)
Dividends paid to equity holders of the Company	8	**(121.7)**	(79.6)
Issue of shares, net of transaction costs		**-**	355.5
Purchase of shares for employee share plans		**(10.0)**	(0.8)
Net cash (used in) generated from financing activities		**(394.6)**	288.5
Net increase (decrease) in cash & cash equivalents		**15.4**	(3.5)
Cash & cash equivalents at the beginning of the year		**277.2**	284.5
Foreign currency translation differences		**(20.5)**	(3.8)
Cash & cash equivalents at the end of the year	14	**272.1**	277.2

The cash flows from discontinued operations included above are disclosed separately in note 6.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2019

	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 2017	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**
(Loss) profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(379.9)**	**(379.9)**	**0.5**	**(379.4)**
Losses taken to equity on cash flow hedges	**-**	**-**	**-**	**-**	**-**	**-**	**(1.3)**	**-**	**(1.3)**	**-**	**(1.3)**
Exchange losses on translation of foreign operations	**-**	**-**	**-**	**-**	**-**	**(105.1)**	**-**	**-**	**(105.1)**	**(0.2)**	**(105.3)**
Reclassification of exchange gains on discontinued operations	**-**	**-**	**-**	**-**	**-**	**(20.5)**	**-**	**-**	**(20.5)**	**-**	**(20.5)**
Exchange losses on net investment hedges	**-**	**-**	**-**	**-**	**-**	**(2.4)**	**-**	**-**	**(2.4)**	**-**	**(2.4)**
Reclassification adjustments on cash flow hedges	**-**	**-**	**-**	**-**	**-**	**-**	**0.7**	**-**	**0.7**	**-**	**0.7**
Remeasurements on defined benefit plans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5.2)**	**(5.2)**	**-**	**(5.2)**
Remeasurements on other benefit plans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(0.1)**	**(0.1)**	**-**	**(0.1)**
Tax relating to other comprehensive income (expense)	**-**	**-**	**-**	**-**	**-**	**-**	**(0.2)**	**0.8**	**0.6**	**-**	**0.6**
Total net comprehensive (expense) income for the year	**-**	**-**	**-**	**-**	**-**	**(128.0)**	**(0.8)**	**(384.4)**	**(513.2)**	**0.3**	**(512.9)**
Cost of share-based payments inclusive of tax charge	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13.3**	**13.3**	**-**	**13.3**
Dividends	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(121.7)**	**(121.7)**	**-**	**(121.7)**
Purchase of shares	**-**	**-**	**-**	**(10.0)**	**-**	**-**	**-**	**-**	**(10.0)**	**-**	**(10.0)**
Reduction in non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4.2)**	**(4.2)**
Exercise of share-based payments	**-**	**-**	**-**	**11.6**	**-**	**-**	**-**	**(11.6)**	**-**	**-**	**-**
At 31 December 2019	**32.5**	**582.3**	**332.6**	**(0.5)**	**0.5**	**(26.7)**	**0.7**	**590.6**	**1,512.0**	**1.4**	**1,513.4**

Notes to the Audited Results

1. Accounting policies

Basis of preparation

The audited results for the year ended 31 December 2019 ("2019") 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 2019 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 2019.

Statutory financial statements for the year ended 31 December 2018 ("2018"), 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 2018 and for the year ended 31 December 2019 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 2019 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 which follow are consistent with those of the previous period with the exception of the following new standard which applies for the first time in 2019:

IFRS 16 'Leases'

The Group adopted IFRS 16 on 1 January 2019. The standard has resulted in many operating leases being recognised as right-of-use assets and lease liabilities on the balance sheet, as the distinction between operating and finance leases is removed. The Group has applied the modified retrospective transition method, and consequently comparative information is not restated.

Within opening balances as at 1 January 2019, the Group has recognised £176.9m of continuing right-of-use assets. A corresponding continuing IFRS 16 lease liability of £181.1m has been recognised, representing the obligation to make lease payments. Right-of-use assets were initially valued as equal to lease liabilities, then adjusted to reflect prepayments, rent free periods and provisions including onerous lease contracts recognised on balance sheet at 31 December 2018.

The balance sheet transition impact by line item on the closing 2018 Consolidated Balance Sheet is shown in the below table. Further IFRS 16 data review completed during the year identified additional transition adjustments which have also been reflected in the table.

Impact of IFRS 16 transition on 2018 Consolidated Balance Sheet

	31 December 2018 £m	IFRS 16 impact* £m	1 January 2019 £m
Property, plant & equipment	427.1	176.9	604.0
Trade & other receivables	597.7	(1.2)	596.5
Assets held for sale	394.4	13.0	407.4
Interest-bearing loans and borrowings (total)	(1,403.4)	(181.1)	(1,584.5)
Trade & other payables	(629.9)	2.8	(627.1)
Provisions (current) (note 10)	(50.5)	2.6	(47.9)
Liabilities held for sale	(134.0)	(13.0)	(147.0)
Other	2,947.5	-	2,947.5
NET ASSETS	2,148.9	-	2,148.9

*The IFRS 16 impact includes adjustments to the position disclosed in the 2019 interim results. These adjustments are not considered material.

For each lease, the lease term has been calculated as the non-cancellable period of the lease contract, except where the Group is reasonably certain that it will exercise contractual extension options.

1. Accounting policies (continued)

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;

iii) IFRS 16 has only been applied to contracts that were previously classified as leases;

iv) reliance on previous assessments on whether leases are onerous instead of performing an impairment review; and

v) leases where the lease term ends within 12 months of the date of initial application of IFRS 16 are classified as short-term.

- Lease payments for contracts with a duration of 12 months or less and contracts for which the underlying asset is of a low value continue to be expensed in the income statement.

For operating leases now recognised on the balance sheet, the operating lease expenses have been 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 is used. The Group's incremental borrowing rate is calculated by taking the government borrowing rate in any given currency and adding the estimated Group credit spreads for a variety of tenors. An interpolation is performed to obtain one rate for each of the major lease currencies based on the weighted average life of the lease book. The incremental borrowing rates applied at transition were:

- Leases in AUD: 3.52%
- Leases in CAD: 3.50%
- Leases in GBP: 2.45%
- Leases in USD and other currencies: 4.20%

The adoption of IFRS 16 in the year to 31 December 2019 for continuing operations resulted in an increase in depreciation of £42.4m and finance costs of £7.6m. Operating expenses decreased by £36.4m, with 2018 lease expenses of £53.6m offset by £15.1m of short-term lease costs, £1.7m of low value asset costs and £0.4m of variable lease payments not included in liabilities.

Excluding the impact of ESCO acquired in H2 2018 for continuing operations, there was an increase in depreciation of £36.7m and finance costs of £6.8m. Operating expenses decreased by £35.5m, with 2018 lease expenses of £49.8m offset by £13.1m of short-term lease costs, £1.0m of low value asset costs and £0.2m of variable lease payments not included in liabilities. There is also a change in presentation of cash flows for leases previously accounted for as operating leases, which are now presented as cash flows from financing activities rather than cash flows from operating activities. The overall impact of lease cash flows on total operations for both the current and prior years, including the change in presentation described, is shown in the table below.

Cash flow impact on total operations of IFRS 16

	2019 £m	2018 £m	Variance £m
Right-of-use depreciation	(42.4)	-	(42.4)
Operating lease expenses	(18.1)	(58.4)	40.3
Operating profit - total operations	(60.5)	(58.4)	(2.1)
Add back: right-of-use depreciation	42.4	-	42.4
Net cash generated from operating activities	**(18.1)**	**(58.4)**	**40.3**
Lease payments	(44.3)	-	(44.3)
IFRS 16 interest lease payments (included in 'Interest paid')	(7.7)	-	(7.7)
2018 finance lease payments (included in 'Repayments of borrowings')	-	(0.8)	0.8
Net cash used in financing activities	**(52.0)**	**(0.8)**	**(51.2)**
Net decrease in cash and cash equivalents	**(70.1)**	**(59.2)**	**(10.9)**

1. Accounting policies (continued)

The reconciliation from operating commitments disclosed under IAS 17 'Leases' to the lease liability recognised on the balance sheet at 1 January 2019 is as follows.

Reconciliation from IAS 17 disclosure to IFRS 16 at 1 January 2019

	Total operations £m	Discontinued operations £m	Continuing operations £m
Operating lease commitments at 31 December 2018 disclosed in Group Annual Report	(212.3)	(15.0)	(197.3)
Transfer of operating lease commitments	-	1.3	(1.3)
Impact of IFRS 16 data review*	(14.4)	(0.7)	(13.7)
Operating lease commitments at 31 December 2018	(226.7)	(14.4)	(212.3)
Impact of discounting	29.4	1.1	28.3
Discounted operating lease commitments at 1 January 2019	(197.3)	(13.3)	(184.0)
Finance lease liabilities recognised as at 31 December 2018	(2.5)	-	(2.5)
Recognition exemption for short-term leases	8.6	0.5	8.1
Recognition exemption for leases of low value assets	3.2	0.2	3.0
Extension and termination options reasonably certain	(8.6)	(0.4)	(8.2)
Lease liabilities reported at 1 January 2019	(196.6)	(13.0)	(183.6)

*As part of the transition to IFRS 16, a number of operating lease commitments were identified that had not been included in the 2018 Annual Report operating lease commitments disclosure.

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:

- profit before exceptional items & intangibles amortisation; and
- 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 is expensed in line with the other intangible assets policy and is shown separately to provide visibility over the impact of both:

i) intangible assets recognised via acquisition, which primarily relate to items which would not normally be capitalised unless identified as part of an acquisition opening balance sheet. The ongoing costs associated with these assets are expensed.
ii) ongoing multi year investment activities, which currently include our IT transformation strategy and IoT product development as part of the Group's Industry 4.0 adoption and digitisation strategy.

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

Use of estimates and judgements

The Group's significant accounting policies are set out below. The preparation of the Consolidated Financial Statements, in conformity with IFRS, requires management to make judgements that affect the application of accounting policies and estimates that impact the reported amounts of assets, liabilities, income and expense.

1. Accounting policies (continued)

Management bases these judgements on a combination of past experience, professional expert advice and other evidence that is relevant to each individual circumstance. Actual results may differ from these judgements and the resulting estimates which are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised.

Areas requiring significant judgement in the current year and on a recurring basis are presented to the Audit Committee.

The areas where management considers critical judgements and estimates to be required, which are areas more likely to be materially adjusted due to estimates and assumptions turning out to be wrong, are those in respect of the following:

- **Retirement benefits (estimate)**

The assumptions underlying the valuation of retirement benefit assets and liabilities include discount rates, inflation rates and mortality assumptions which are based on actuarial advice. Changes in these assumptions could have a material impact on the measurement of the Group's retirement benefit obligations.

- **Valuation of intangible assets and impairment (estimate)**

IFRS requires companies to carry out impairment testing on any assets that show indications of impairment, as well as annually for goodwill and other intangible assets with indefinite useful lives and so not subject to amortisation. This testing includes exercising management judgement in estimating future revenues, margin, cash flows, discount rates, growth rates and other events which are, by their nature, uncertain. During 2019 impairment testing over the Group's cash generating units (CGUs) was performed and appropriate sensitivities are reported in note 4.

- **Provisions (estimate)**

Management judgement is used to determine when a provision is recognised, taking into account the commercial drivers which gave rise to them, the Group's previous experience of similar obligations and the progress of any associated legal proceedings. The calculation of provisions typically involves management estimates of associated cash flows and discount rates. The key provision which currently requires a greater degree of management estimate is the US asbestos provision, details of which are included in note 10.

- **Taxation (estimate)**

The level of current and deferred tax recognised in the financial statements is dependent on subjective judgements as to the interpretation of complex international tax regulations and, in some cases, the outcome of decisions by tax authorities in various jurisdictions around the world, together with the ability of the Group to utilise tax attributes within the limits imposed by the relevant tax legislation.

The Group faces a variety of tax risks which result from operating in a complex global environment, including the ongoing reform of both international and domestic tax rules in some of the Group's larger markets and the challenge to fulfil ongoing tax compliance filing and transfer pricing obligations given the scale and diversity of the Group's global operations.

The Group makes provision for open tax issues where it is probable that an exposure will arise including, in a number of jurisdictions, ongoing tax audits and uncertain tax positions including transfer pricing which are by nature complex and can take a number of years to resolve. In all cases, provisions are based on management's interpretation of tax law in each country, as supported where appropriate by discussion and analysis undertaken by the Group's external advisers, and reflect the single best estimate of the likely outcome for each liability. Provisions for uncertain tax positions are included in current tax liabilities and total £20.2m at 31 December 2019.

The Group believes it has made adequate provision for such matters although it is possible that amounts ultimately paid will be different from the amounts provided, but not materially within the next 12 months.

Tax disclosures are provided in note 5.

- **Other**

Acquisition accounting and discontinued operations were areas in the prior year that required significant estimate and judgement for the acquisition of ESCO and the recognition of the Flow Control Division as a discontinued operation in 2018. The finalisation of the ESCO opening balance sheet and the completion of the Flow Control disposal in 2019 did not give rise to any significant estimates or judgements in the year.

1. Accounting policies (continued)

Alternative performance 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 alternative performance 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. Alternative performance measures should not be considered in isolation from, or as a substitute for, financial information in compliance with GAAP. Alternative performance 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 alternative performance 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, lease payments, net interest payments, dividends paid, settlement of derivatives, purchase of shares for employee share plans and other awards 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.

	2019 £m	2018 £m
Cash generated from operations before exceptional cash items (note 14)*	**407.6**	410.8
Income tax paid	**(90.2)**	(73.3)
Net capital expenditure from purchase & disposal of property, plant & equipment and intangibles	**(104.3)**	(85.2)
Lease payments*	**(44.3)**	-
Net interest paid*	**(44.6)**	(36.6)
Dividends paid to equity holders of the Company	**(121.7)**	(79.6)
Dividends received from joint ventures	**3.5**	1.6
Settlement of derivative financial instruments	**(62.2)**	(22.1)
Purchase of shares for employee share plans	**(10.0)**	(0.8)
Additional pension contributions paid	**(12.9)**	(5.6)
Free cash flow	**(79.1)**	109.2

*Only short-term and low value lease cash outflows are included in cash generated from operations before exceptional cash items in 2019 compared to all operating lease cash flows in 2018. Due to the adoption of IFRS 16 'Leases', lease cash flows are reported under the financing activities of the Group in the Consolidated Cash Flow Statement. Furthermore, net interest paid includes interest paid in relation to leases. The full cash flow impact of IFRS 16 is disclosed in the basis of preparation.

Cash flows from operating activities (operating cash flow)

Operating cash flow excludes additional pension contributions, exceptional cash items and income tax paid. This reflects our view of the underlying cash generation of the business. A reconciliation to the GAAP measure 'Net cash generated from operating activities' is provided on the Consolidated Cash Flow Statement.

Working capital as a percentage of sales

Working capital includes inventories, trade & other receivables, trade & other payables and derivative financial instruments as included in the Consolidated Balance Sheet, adjusted to exclude insurance contract assets totalling £81.1m and £12.1m of interest accruals. This working capital measure reflects the figure used by management to monitor the performance of the business and is divided by revenue, as included in the Consolidated Income Statement, to arrive at working capital as a percentage of sales.

1. Accounting policies (continued)

Underlying 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.

	2019 £m	2018 £m
Continuing operations		
Operating (loss) profit	**(322.2)**	124.1
Adjusted for:		
Exceptional items (note 3)	**596.0**	157.7
Underlying Earnings before interest and tax (EBIT)	**273.8**	281.8
Intangibles amortisation (note 3)	**78.3**	66.3
Underlying Earnings before interest, tax and amortisation (EBITA)	**352.1**	348.1
Depreciation of owned property, plant & equipment*	**62.4**	61.8
Underlying EBITDA	**414.5**	409.9

*2019 Underlying EBITDA excludes depreciation (£42.4m) and interest (£7.7m) costs related to the right-of-use assets following the adoption of IFRS 16 'Leases'.

Net debt

A reconciliation of net debt to cash & short-term deposits, interest-bearing loans and borrowings is provided in note 14. This includes the impact of IFRS 16 'Leases' which was adopted in the year.

2. Segment information

For management purposes, the Group is organised into three operating divisions: Minerals, ESCO and Oil & Gas. 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. In 2019, for strategic reasons, a procurement entity was moved from Unallocated expenses into the Oil & Gas division and prior year comparatives in Minerals and Oil & Gas have been restated to reflect transactions between the segments.

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 ESCO segment is the world's leading provider of ground engaging tools for surface mining and infrastructure. The Oil & Gas segment provides products and service solutions to upstream, production, transportation and related industries.

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 2019 and 2018 is disclosed below. Information for Flow Control is included in note 6.

	Minerals		ESCO		Oil & Gas		Total continuing operations	
	2019 £m	Restated 2018 £m	**2019 £m**	2018 £m	**2019 £m**	Restated 2018 £m	**2019 £m**	Restated 2018 £m
Revenue								
Sales to external customers	**1,477.8**	1,416.7	**572.0**	251.8	**612.1**	781.4	**2,661.9**	2,449.9
Inter-segment sales	**2.8**	2.5	**0.5**	-	**27.7**	26.6	**31.0**	29.1
Segment revenue	**1,480.6**	1,419.2	**572.5**	251.8	**639.8**	808.0	**2,692.9**	2,479.0
Eliminations							**(31.0)**	(29.1)
							2,661.9	2,449.9
Sales to external customers - 2018 at 2019 average exchange rates								
Sales to external customers	**1,477.8**	1,415.4	**572.0**	263.6	**612.1**	817.4	**2,661.9**	2,496.4
Segment result								
Segment result before share of results of joint ventures	**270.3**	250.2	**81.6**	32.5	**32.1**	94.0	**384.0**	376.7
Share of results of joint ventures	-	-	**1.5**	0.2	**4.7**	2.2	**6.2**	2.4
Segment result	**270.3**	250.2	**83.1**	32.7	**36.8**	96.2	**390.2**	379.1
Unallocated expenses							**(38.1)**	(31.0)
Operating profit before exceptional items & intangibles amortisation							**352.1**	348.1
Total exceptional items & intangibles amortisation							**(674.3)**	(224.0)
Net finance costs							**(49.6)**	(38.0)
Profit before tax from continuing operations							**(371.8)**	86.1
Segment result - 2018 at 2019 average exchange rates								
Segment result before share of results of joint ventures	**270.3**	252.6	**81.6**	34.2	**32.1**	98.8	**384.0**	385.6
Share of results of joint ventures	-	-	**1.5**	0.2	**4.7**	2.4	**6.2**	2.6
Segment result	**270.3**	252.6	**83.1**	34.4	**36.8**	101.2	**390.2**	388.2
Unallocated expenses							**(38.1)**	(31.1)
Operating profit before exceptional items & intangibles amortisation							**352.1**	357.1

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

2. Segment information (continued)

	Minerals		ESCO		Oil & Gas		Total Group	
	2019	2018	**2019**	2018	**2019**	Restated 2018	**2019**	Restated 2018
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m
Assets & liabilities								
Intangible assets	**579.5**	606.3	**700.9**	747.5	**268.0**	773.9	**1,548.4**	2,127.7
Property, plant & equipment	**293.5**	218.1	**122.2**	106.1	**137.5**	94.0	**553.2**	418.2
Working capital assets	**701.1**	682.9	**217.0**	215.8	**297.8**	399.6	**1,215.9**	1,298.3
	1,574.1	1,507.3	**1,040.1**	1,069.4	**703.3**	1,267.5	**3,317.5**	3,844.2
Investments in joint ventures	**-**	-	**15.2**	15.6	**21.4**	21.0	**36.6**	36.6
Segment assets	**1,574.1**	1,507.3	**1,055.3**	1,085.0	**724.7**	1,288.5	**3,354.1**	3,880.8
Unallocated assets							**498.1**	469.6
Continuing operations							**3,852.2**	4,350.4
Discontinued operations							**-**	394.4
Total assets							**3,852.2**	4,744.8
Working capital liabilities	**408.2**	402.2	**87.8**	80.0	**133.5**	197.2	**629.5**	679.4
Unallocated liabilities							**1,709.3**	1,782.5
Continuing operations							**2,338.8**	2,461.9
Discontinued operations							**-**	134.0
Total liabilities							**2,338.8**	2,595.9
Other segment information - total Group								
Segment additions to non-current assets	**85.5**	47.5	**28.6**	9.5	**41.5**	26.9	**155.6**	83.9
Unallocated additions to non-current assets							**7.5**	3.9
Continuing operations							**163.1**	87.8
Discontinued operations							**7.4**	5.9
Total additions to non-current assets							**170.5**	93.7
Other segment information - total Group								
Segment depreciation & amortisation	**63.4**	44.1	**37.1**	16.8	**67.6**	54.6	**168.1**	115.5
Segment impairment of property, plant & equipment	**1.9**	12.9	**-**	-	**28.6**	0.4	**30.5**	13.3
Segment impairment of intangible assets	**6.3**	3.1	**-**	-	**472.9**	-	**479.2**	3.1
Unallocated depreciation & amortisation							**15.0**	12.6
Continuing operations							**692.8**	144.5
Discontinued operations							**-**	49.0
Total depreciation, amortisation & impairment							**692.8**	193.5

The assets and liabilities balances now include right-of-use assets and lease liabilities. The year on year movements have been impacted by IFRS 16 bringing all leases on balance sheet.

Unallocated assets primarily comprise cash and short-term deposits, derivative financial instruments, income tax receivable and deferred tax assets as well as those assets which are used for general head office purposes. Unallocated liabilities primarily comprise interest-bearing loans and borrowings, derivative financial instruments, income tax payable, provisions, deferred tax liabilities, contingent consideration 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, but do include right-of-use assets in the current year.

2. Segment information (continued)

Geographical information

Geographical information in respect of revenue and non-current assets for 2019 and 2018 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 and equipment, intangible assets and investments in joint ventures.

Year ended 31 December 2019	UK £m	US £m	Canada £m	Asia Pacific £m	Australia £m	South America £m	Middle East & Africa £m	Europe & FSU £m	Total £m
Revenue from continuing operations									
Sales to external customers	**28.7**	**742.0**	**366.6**	**298.0**	**263.1**	**445.6**	**331.0**	**186.9**	**2,661.9**
Non-current assets	**343.3**	**1,061.1**	**86.2**	**234.3**	**181.4**	**91.9**	**136.7**	**45.9**	**2,180.8**

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

The following disclosures are given in relation to continuing operations.

	2019 £m	2018 £m
An analysis of the Group's revenue is as follows:		
Original equipment	**552.5**	578.2
Aftermarket parts	**1,740.2**	1,536.6
Sales of goods	**2,292.7**	2,114.8
Provision of services	**313.4**	310.9
Construction contracts	**55.8**	24.2
Revenue	**2,661.9**	2,449.9

	Minerals		ESCO		Oil & Gas		Total continuing operations	
	2019 £m	Restated 2018 £m	2019 £m	2018 £m	2019 £m	Restated 2018 £m	2019 £m	Restated 2018 £m
Timing of revenue recognition								
At a point in time	**1,376.3**	1,343.2	**560.4**	251.8	**628.8**	798.8	**2,565.5**	2,393.8
Over time	**104.3**	76.0	**12.1**	-	**11.0**	9.2	**127.4**	85.2
Segment revenue	**1,480.6**	1,419.2	**572.5**	251.8	**639.8**	808.0	**2,692.9**	2,479.0
Eliminations							**(31.0)**	(29.1)
							2,661.9	2,449.9

3. Exceptional items & intangibles amortisation

	2019 £m	2018 £m
Recognised in arriving at operating profit from continuing operations		
Intangibles amortisation	**(78.3)**	(66.3)
Exceptional item - Oil & Gas North America impairment - intangibles and goodwill	**(472.9)**	-
Exceptional item - Oil & Gas North America impairment - tangible assets	**(73.3)**	-
Exceptional item - other intangibles impairment	**(6.3)**	(3.1)
Exceptional item - ESCO inventory unwind	**-**	(63.1)
Exceptional item - ESCO acquisition and integration related costs	**(10.7)**	(30.8)
Exceptional item - legacy product warranty	**(2.3)**	(24.4)
Exceptional item - restructuring and rationalisation charges	**(30.8)**	(29.2)
Exceptional item - pension equalisation	**-**	(6.3)
Exceptional item - legal claims	**0.3**	(0.7)
Exceptional item - fair value adjustment to contingent consideration asset/liability	**-**	(0.1)
	(674.3)	(224.0)
Recognised in arriving at operating profit from discontinued operations		
Intangibles amortisation	**-**	(1.0)
Exceptional item - intangibles impairment	**-**	(45.0)
Exceptional item - disposal related costs	**-**	(5.0)
Exceptional item - restructuring charges	**(0.4)**	0.1
Exceptional item - legal claims	**-**	(2.0)
Exceptional item - related to prior disposal	**-**	0.3
	(0.4)	(52.6)

Continuing operations

Due to challenging current market conditions in the North American oil and gas market and uncertainty over the timing of market recovery, an impairment totalling £546.2m has been recognised within the Oil & Gas North America Cash Generating Unit (CGU). A review was performed of the carrying value of specific 'at-risk' tangible and intangible assets within the CGU resulting in write-downs to inventory of £48.6m, property, plant & equipment of £24.7m, brand names of £39.7m, customer relationships of £144.3m and purchased software of £0.9m. Following completion of the review, testing was completed in respect of the remaining goodwill and intangible assets held in the CGU leading to an additional impairment of £288.0m charged against goodwill.

Exceptional items in the year for continuing operations include costs of £10.7m associated with the integration of ESCO into the Group following the acquisition in July 2018. The majority of costs relate to restructuring activities and project support staff costs. These costs are in line with estimates made at the time of acquisition. The integration activities and associated costs are expected to complete during the year ended 31 December 2020.

An additional inventory provision of £2.3m was incurred in the year to reflect the final closing inventory position relating to the prior year Oil & Gas legacy product warranty issue.

The total restructuring charge of £30.8m relates to strategic restructuring and rationalisation activities in Minerals of £17.8m and Oil & Gas of £14.6m partially offset by credits of £1.6m in Minerals relating to prior year unutilised provisions and property disposals. The Minerals charge relates to costs of £2.0m associated with political and social events in South America and £15.8m following withdrawal from the lower margin sand and aggregates comminution market in North America including £9.4m inventory and £2.4m total property, plant & equipment impairments. A charge of £6.3m is also included within intangibles impairment for the full write-down of customer relationships asset value which relates to the North American sand and aggregates market. The Oil & Gas charges relate to restructuring efforts in response to current challenging market conditions in North America. Efforts include a c. 20% reduction in the workforce and a number of strategic initiatives which mainly cover the costs and associated total property, plant & equipment impairments of £3.9m to consolidate and close a number of sites.

The legal claim credit of £0.3m is for the successful resolution of a legal claim associated with legacy Trio issues.

3. Exceptional items & intangibles amortisation (continued)

In the prior year, exceptional items comprised costs associated with the acquisition and integration of ESCO totalling £30.8m and an unwind to the inventory fair value uplift in the ESCO opening balance sheet of £63.1m, Oil & Gas legacy product warranty issue of £24.4m and restructuring and rationalisation charges of £29.2m relating to actions in Minerals North America and China as well as the exit from the Minerals Malaysia foundry operations. Other exceptional charges included £6.3m in relation to UK pension GMP equalisation and £0.8m for legacy legal claims and finalisation of contingent consideration.

Discontinued operations

Exceptional items in the current year before tax and the loss on sale of £0.4m relate to the impairment of inventory due to restructuring. In 2018, exceptional items included the write-down to Flow Control's carrying value of £45.0m to reflect the agreed transaction enterprise value less future costs to sell. A further £5.0m of disposal related costs was incurred along with legal claims of £2.0m partially offset by £0.4m for a receipt in relation to a prior year disposal and a net release of exceptional provision.

4. Impairment testing and sensitivity analysis

The challenging current market conditions in the North American oil and gas market and uncertainty over the timing of market recovery has had a substantial impact on the long-term forecast cash flows for our Oil & Gas North America CGU. This led to a specific review of the carrying value of assets within the CGU and the impairment of both tangible and intangible assets as reflected in note 3. This included the impairment of specific indefinite life intangible assets (brand names) totalling £39.7m.

Subsequent to these asset impairments the testing of the remaining goodwill and intangible assets with indefinite lives indicated an impairment charge of £288.0m, resulting in a recoverable amount for goodwill and intangible assets with indefinite lives of £109.2m based on the value in use. The full impairment charge has been allocated against goodwill.

At the balance sheet date, the estimated recoverable amount of the Oil & Gas North America CGU is equal to its carrying value. Consequently any adverse change in assumptions would, in isolation, cause further impairment loss to be recognised.

The discount rate has reduced 220bps in 2019 primarily as a result of low bond yields. An increase in the discount rate of 100bps would lead to an increase in the impairment recognised of £49m. A reduction in the terminal growth rate by 100bps would lead to a further impairment of £39m.

Long-term future cash flows included in the impairment analysis reflect recent results and assume the market conditions seen through 2019 endure for longer. If these assumptions for future periods did not materialise or performance worsened then a further impairment could result.

The Group has already reacted to market conditions through the implementation of the Oil & Gas restructuring and rationalisation actions and management continue to review the operational structure and business model to ensure we remain well placed to fully respond to the current market, while remaining prepared for any upturn.

The Directors consider that the assumptions made represent their best estimate of the future cash flows generated by the CGU, and that the discount rate used is appropriate given the risks associated with the specific cash flows. It is considered appropriate to disclose this as an area of significant estimation due to the size of the balance, the relatively low discount rates compared to recent years and the current levels of market uncertainty which could reasonably lead to changes in the carrying value as a result of future events within the next five years.

Forecasts for the Minerals, ESCO and Oil & Gas International CGUs show significant headroom above carrying value. No sensitivity analysis has been undertaken for these CGUs as there is no reasonable possible change in key assumptions that would cause the carrying values to exceed recoverable amounts.

5. Income tax expense

	2019 £m	2018 £m
Continuing Group - UK	**(0.9)**	3.8
Continuing Group - Overseas	**19.3**	(36.5)
Income tax credit (expense) in the Consolidated Income Statement for continuing operations	**18.4**	(32.7)

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

Tax expense - continuing operations before exceptional items & intangibles amortisation	**(73.8)**	(78.6)
- exceptional items	**24.8**	30.2
- intangibles amortisation and impairment	**67.4**	15.7
Income tax credit (expense) in the Consolidated Income Statement for continuing operations	**18.4**	(32.7)

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

Joint ventures	**(1.3)**	(0.4)

On 25 April 2019 the European Commission (EC) released its full decision in relation to its State Aid investigation into the Group Financing Exemption (GFE) included within the UK's controlled foreign company (CFC) legislation. While it is narrower than the original concerns raised and confirms that the CFC legislation as amended with effect from 1 January 2019 is compliant with EU State Aid rules, the decision concludes that, up to 31 December 2018, aspects of the legislation constitute State Aid. In common with other international groups, the Group has benefited from the GFE contained within the CFC legislation and may therefore be affected by the decision should it ultimately be upheld. The estimated maximum contingent liability, excluding interest, is approximately £19m.

The UK Government, together with a number of affected taxpayers, including the Group, have lodged annulment applications with the General Court of the European Union in response to this decision and there remains considerable uncertainty as to the outcome of both the appeals process and any recovery mechanism. The Group considers that no provision is required in respect of this issue at present and will continue to review this position.

6. 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 classified the division as held for sale. Whilst part of the Group, the Flow Control division designed and manufactured valves and pumps as well as providing specialist support services to the global power generation, industrial and oil and gas sectors.

The Group disposed of the Flow Control division on 28 June 2019 for an enterprise value of £275.0m and a net consideration of £263.4m, after customary working capital and debt-like adjustments. In January 2020 the Group paid £4.5m to First Reserve and wrote off £0.2m receivable from First Reserve to reflect the final consideration of £258.7m determined as part of the agreed completion accounts process. Previously reported as an individual reporting segment, the results of the division are presented in the financial statements as discontinued operations.

Financial information relating to discontinued operations for the period to the date of disposal is set out in the table below.

6. Discontinued operations (continued)

Financial performance and cash flow information for discontinued operations

	Year ended 31 December 2019			Year ended 31 December 2018		
	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	**150.0**	-	**150.0**	342.7	-	342.7
Operating (loss) profit	**(2.9)**	**(0.4)**	**(3.3)**	22.9	(52.6)	(29.7)
Finance costs	**(0.5)**	-	**(0.5)**	(0.4)	-	(0.4)
Finance income	-	-	-	0.1	-	0.1
(Loss) profit before tax from discontinued operations	**(3.4)**	**(0.4)**	**(3.8)**	22.6	(52.6)	(30.0)
Tax (expense) credit	**(0.5)**	-	**(0.5)**	(6.3)	1.3	(5.0)
(Loss) profit after tax from discontinued operations	**(3.9)**	**(0.4)**	**(4.3)**	16.3	(51.3)	(35.0)
Loss on sale of the subsidiaries after income tax (see below)	-	**(21.7)**	**(21.7)**	-	-	-
(Loss) profit for the period from discontinued operations	**(3.9)**	**(22.1)**	**(26.0)**	16.3	(51.3)	(35.0)
Reclassification of foreign currency translation reserve	**(20.5)**	-	**(20.5)**	-	-	-
Other comprehensive expense from discontinued operations	**(0.2)**	-	**(0.2)**	-	-	-
Net other comprehensive expense from discontinued operations	**(20.7)**	-	**(20.7)**	-	-	-

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Cash flows from operating activities	**(29.0)**	38.7
Cash flows from investing activities	**(7.5)**	(5.9)
Cash flows from financing activities	**(2.2)**	(0.9)
Net (decrease) increase in cash & cash equivalents from discontinued operations	**(38.7)**	31.9

Details of the sale of the subsidiaries

	Year ended 31 December 2019 £m
Consideration received	
Cash received	**263.4**
Completion accounts settlement	**(4.7)**
Total disposal consideration	**258.7**
Carrying amount of net assets sold	**(270.1)**
Costs of disposal	**(17.1)**
Loss on sale before income tax and reclassification of foreign currency translation reserve	**(28.5)**
Reclassification of foreign currency translation reserve	**20.5**
Loss on sale before income tax	**(8.0)**
Income tax charge	**(13.7)**
Loss on sale after income tax	**(21.7)**

6. Discontinued operations (continued)

The carrying amount of assets and liabilities as at the date of sale were as follows.

	Period ended 28 June 2019 £m	Year ended 31 December 2018 £m
Property, plant & equipment	**95.7**	75.9
Intangible assets	**98.4**	98.8
Inventories	**79.1**	71.2
Trade & other receivables	**150.7**	132.4
Cash & short-term deposits	**2.1**	16.1
Trade & other payables	**(140.5)**	(118.6)
Provisions	**(14.9)**	(15.4)
Net assets	**270.6**	260.4
Non-controlling interest	**(0.5)**	(0.5)
Net assets attributable to Equity holders of the Company	**270.1**	259.9

Loss per share

Loss per share from discontinued operations was as follows.

	2019 pence	2018 pence
Basic	**(10.0)**	(14.3)
Diluted	**(10.0)**	(14.3)

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 7.

7. Earnings (loss) per share

Basic earnings (loss) per share amounts are calculated by dividing net profit (loss) for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings (loss) per share is calculated by dividing the net profit (loss) 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 (loss) and share data used in the calculation of earnings (loss) per share.

	2019	2018
(Loss) profit attributable to equity holders of the Company		
Total operations* (£m)	(379.9)	18.0
Continuing operations** (£m)	(353.9)	53.0
Continuing operations before exceptional items & intangibles amortisation** (£m)	228.2	231.1
Weighted average share capital		
Basic earnings (loss) per share (number of shares, million)	259.5	244.1
Diluted earnings (loss) per share (number of shares, million)	261.2	245.8

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

	2019 Shares million	2018 Shares million
Weighted average number of ordinary shares for basic earnings (loss) per share	259.5	244.1
Effect of dilution: employee share awards	1.7	1.7
Adjusted weighted average number of ordinary shares for diluted earnings (loss) per share	261.2	245.8

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

	2019 £m	2018 £m
Net (loss) profit attributable to equity holders from continuing operations**	(353.9)	53.0
Exceptional items & intangibles amortisation net of tax	582.1	178.1
Net profit attributable to equity holders from continuing operations before exceptional items & intangibles amortisation	228.2	231.1

	2019 pence	2018 pence
Basic (loss) earnings per share:		
Total operations*	(146.4)	7.4
Continuing operations**	(136.4)	21.7
Continuing operations before exceptional items & intangibles amortisation**	87.9	94.7
Diluted (loss) earnings per share:		
Total operations*	(146.4)	7.3
Continuing operations**	(136.4)	21.6
Continuing operations before exceptional items & intangibles amortisation**	87.4	94.0

*Adjusted for a profit of £0.5m (2018: profit of £0.4m) in respect of non-controlling interests for total operations.

**Adjusted for a profit of £0.5m (2018: profit of £0.4m) in respect of non-controlling interests for continuing operations.

There have been no share options (2018: nil) exercised between the reporting date and the date of signing of the financial statements.

Loss per share from discontinued operations is disclosed in note 6.

8. Dividends paid & proposed

	2019 £m	2018 £m
Declared & paid during the year		
Equity dividends on ordinary shares		
Final dividend for 2018: 30.45p (2017: 29.0p)	78.9	69.9
Interim dividend for 2019: 16.5p (2018: 15.75p)	42.8	40.9
	121.7	110.8
Proposed for approval by shareholders at the Annual General Meeting		
Final dividend for 2019: 30.45p (2018: 30.45p)	79.1	79.0

Up until May 2018, The Weir Group PLC Scrip Dividend Scheme allowed shareholders on record the opportunity to elect to receive dividends in the form of new fully paid ordinary shares. In 2018, 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. The 2018 interim and final dividends were only issued in cash following closure of the Scrip Dividend Scheme.

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 the financial statements and the record date for the final dividend.

Dividends have been maintained in the year with dividend cover of 1.9 times (2018: 2.1 times).

9. Property, plant & equipment, intangible & right-of-use assets

	2019 £m	2018 £m
Additions of property, plant & equipment, intangible & right-of-use assets		
- land & buildings	5.6	3.9
- plant & equipment	86.9	79.2
- intangible assets	23.7	10.6
- right-of-use assets	46.9	-
	163.1	93.7

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

10. Provisions

	Warranties & onerous sales contracts £m	Asbestos-related £m	Employee-related £m	Exceptional rationalisation £m	Other £m	Total £m
At 31 December 2018	**21.5**	**52.3**	**15.6**	**16.3**	**14.5**	**120.2**
Additions	**14.4**	**7.0**	**14.3**	**26.2**	**0.4**	**62.3**
Utilised	**(18.1)**	**(8.9)**	**(10.2)**	**(26.9)**	**(1.3)**	**(65.4)**
Unutilised	**(3.6)**	**(1.0)**	**(1.1)**	**(0.8)**	**(0.3)**	**(6.8)**
Transition adjustment (note 1)	-	-	-	**(1.5)**	**(1.1)**	**(2.6)**
Exchange adjustment	**(0.7)**	**(1.8)**	**(0.8)**	**(0.5)**	**(0.4)**	**(4.2)**
At 31 December 2019	**13.5**	**47.6**	**17.8**	**12.8**	**11.8**	**103.5**
Current 2019	**12.4**	**7.2**	**7.7**	**12.0**	**2.9**	**42.2**
Non-current 2019	**1.1**	**40.4**	**10.1**	**0.8**	**8.9**	**61.3**
At 31 December 2019	**13.5**	**47.6**	**17.8**	**12.8**	**11.8**	**103.5**
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

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.

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. Due to the expiration of one of the Group's insurance policies in the year, which provided insurance cover for claims with a post-1980 first date of exposure, the Group has provided £1.0m in the year to reflect the small number of claims experienced to date. There are currently no cash flows to or from the Group related to claims with an exposure date pre-1981 due to insurance cover, 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.

10. 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 Weir'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 (2018: 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 subject to the additional provision for claims with an exposure date post-1980. 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 £44.4m (2018: £48.1m) 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 £3.2m (2018: £4.2m).

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 £26.2m which included £5.2m relating withdrawal from the lower margin sand and aggregates comminution market in North America and costs associated with political and social events in South America, £10.8m for Oil & Gas restructuring activities and £10.2m for ESCO integration costs.

The closing provision of £12.8m includes £6.5m which has been retained for costs incurred to date on Oil & Gas restructuring and £2.3m for Minerals.

Other
Other provisions include environmental obligations, penalties, duties due, legal claims and other exposures across the Group. 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.

11. Interest-bearing loans and borrowings

The Group utilises a number of sources of funding including private placement debt, issuance of Euro commercial paper, a term loan and uncommitted facilities.

At 31 December 2019, £158.3m (2018: £120.0m) was drawn under the US$950.0m multi-currency revolving credit facility which matures in two tranches between September 2020 and September 2021.

At 31 December 2019, £299.6m (2018: £nil) was drawn under a new term loan facility opened during 2019 and includes unamortised issue costs of £0.4m. The term loan facility matures in December 2020.

11. Interest-bearing loans and borrowings (continued)

At 31 December 2019, a total of £190.5m equivalent (2018: £497.2m equivalent) was outstanding under the Group's US$1bn commercial paper programme.

At 31 December 2019, a total of £595.1m (2018: £783.7m) was outstanding under private placement which includes total unamortised issue costs of £0.5m (2018: £0.9m).

12. Pensions & other post-employment benefit plans

	2019 £m	2018 £m
Plans in deficit	**138.7**	149.1
Net liability	**138.7**	149.1

The net Group deficit for retirement benefit obligations at the year end was £138.7m (2018: £149.1m). The decrease in deficit is a result of gains on the asset side and updates to the mortality assumptions, largely offset by the impact of changes in market conditions.

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.

	2019 £m	2018 £m
Included in non-current assets		
Cross currency swaps designated as net investment hedges	**4.1**	1.4
Other forward foreign currency contracts	**0.3**	-
	4.4	1.4
Included in current assets		
Forward foreign currency contracts designated as cash flow hedges	**0.3**	-
Forward foreign currency contracts designated as net investment hedges	**1.5**	0.5
Other forward foreign currency contracts	**14.7**	17.8
	16.5	18.3
Included in current liabilities		
Forward foreign currency contracts designated as cash flow hedges	**(10.3)**	-
Forward foreign currency contracts designated as net investment hedges	**(0.6)**	(26.4)
Other forward foreign currency contracts	**(13.9)**	(14.4)
	(24.8)	(40.8)
Included in non-current liabilities		
Other forward foreign currency contracts	**(0.3)**	(0.2)
	(0.3)	(0.2)
Net derivative financial liabilities - continuing operations	**(4.2)**	(21.3)
Net derivative financial liabilities held for sale	**-**	(0.4)
Net derivative financial liabilities - total Group	**(4.2)**	(21.7)

14. Additional cash flow information

	Note	2019 £m	2018 £m
Total operations			
Net cash generated from operations			
Operating (loss) profit – continuing operations		**(322.2)**	124.1
Operating loss – discontinued operations		**(3.3)**	(29.7)
Operating (loss) profit - total operations		**(325.5)**	94.4
Exceptional items	3	**596.4**	209.3
Amortisation of intangible assets	3	**78.3**	67.3
Share of results of joint ventures		**(6.2)**	(2.4)
Depreciation of property, plant & equipment		**62.4**	64.5
Depreciation of right-of-use assets		**42.4**	-
Grants received		**(1.1)**	(1.5)
(Gains) losses on disposal of property, plant & equipment		**(2.0)**	0.2
Funding of pension & post-retirement costs		**(4.9)**	(2.5)
Employee share schemes		**12.9**	8.6
Transactional foreign exchange		**12.1**	15.3
Decrease in provisions		**(1.8)**	(2.9)
Cash generated from operations before working capital cash flows		**463.0**	450.3
Increase in inventories		**(36.8)**	(53.2)
Decrease in trade & other receivables & construction contracts		**64.5**	36.5
Decrease in trade & other payables & construction contracts		**(83.1)**	(22.8)
Cash generated from operations before exceptional cash items		**407.6**	410.8
Additional pension contributions paid		**(12.9)**	(5.6)
Exceptional cash items		**(41.0)**	(114.0)
Income tax paid		**(90.2)**	(73.3)
Net cash generated from operating activities		**263.5**	217.9

Cash flows from discontinued operations included above are disclosed separately in note 6.

Exceptional items are detailed in note 3.

The employee-related provision and associated insurance asset in relation to US asbestos-related claims with an exposure date pre-1981 disclosed in note 10 will not result in any cash flows either to or from the Group and therefore they have been excluded from the table above.

14. Additional cash flow information (continued)

The following tables summarise the cash flows arising on acquisitions and disposals.

	2019 £m	2018 £m
Acquisitions of subsidiaries		
Acquisition of subsidiaries - cash paid	**(0.1)**	(470.8)
Cash & cash equivalents acquired	**-**	41.2
Total cash outflow relating to acquisitions	**(0.1)**	(429.6)
Net cash inflow arising on disposals		
Consideration received net of costs paid & cash disposed of	**244.6**	-
Prior period disposals completion adjustment	**0.1**	0.3
Total cash inflow relating to disposals	**244.7**	0.3

Cash & cash equivalents comprise the following.

	2019 £m	2018 £m
Cash & cash equivalents		
Cash & short-term deposits	**273.8**	263.0
Bank overdrafts & short-term borrowings	**(1.7)**	-
Cash & short-term deposits held for sale	**-**	16.1
Bank overdrafts & short-term borrowings held for sale	**-**	(1.9)
	272.1	277.2

The following tables summarise the net debt position.

	2019 £m	2018 £m
Net debt comprises the following		
Cash & short-term deposits	**273.8**	263.0
Current interest-bearing loans & borrowings	**(534.1)**	(662.5)
Non-current interest-bearing loans & borrowings	**(896.2)**	(740.9)
Assets and liabilities held for sale	**-**	13.9
	(1,156.5)	(1,126.5)

14. Additional cash flow information (continued)

Reconciliation of financing cash flows to movement in net debt

	Opening balance at 31 December 2018 £m	Cash movements £m	Additions** £m	Disposals £m	FX £m	Non-cash movements £m	Closing balance at 31 December 2019 £m	Transferred to assets/liabilities held for sale £m	Total continuing operations £m
Cash & cash equivalents	277.2	15.4	-	-	(20.5)	-	272.1	-	272.1
Third-party loans	(1,402.1)	108.3	-	-	49.3	-	(1,244.5)	-	(1,244.5)
Leases	(2.5)	44.3	(244.7)	11.8	5.9	0.2	(185.0)	-	(185.0)
Unamortised issue costs	0.9	0.8	-	-	-	(0.8)	0.9	-	0.9
Amounts included in gross debt	(1,403.7)	153.4	(244.7)	11.8	55.2	(0.6)	(1,428.6)	-	(1,428.6)
Amounts included in net debt	(1,126.5)	168.8	(244.7)	11.8	34.7	(0.6)	(1,156.5)	-	(1,156.5)
Financing derivatives	(18.3)	62.2	-	-	-	(47.7)	(3.8)	-	(3.8)
Contingent consideration	(0.2)	0.1	-	-	0.1	-	-	-	-
Other liabilities relating to financing activities	(18.5)	62.3	-	-	0.1	(47.7)	(3.8)	-	(3.8)
Total financing liabilities*	(1,422.2)	215.7	(244.7)	11.8	55.3	(48.3)	(1,432.4)	-	(1,432.4)

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

**Additions in the period include the transition impact of IFRS 16 'Leases' in the opening balance sheet, totalling £194.1m (note 1).

	Opening balance at 31 December 2017 £m	Cash movements £m	Additions/ acquisitions £m	Disposals £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	**2019**	**9.6**	**0.2**	**21.4**	**0.8**	**-**
	2018	4.5	0.4	10.1	0.8	-
Group pension plans	**2019**	**-**	**-**	**-**	**-**	**6.1**
	2018	-	-	-	-	6.3

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.

	2019	2018
Average rate (per £)		
US Dollar	**1.28**	1.34
Australian Dollar	**1.84**	1.79
Euro	**1.14**	1.13
Canadian Dollar	**1.69**	1.73
United Arab Emirates Dirham	**4.69**	4.89
Chilean Peso	**897.37**	855.87
South African Rand	**18.43**	17.65
Brazilian Real	**5.03**	4.87
Russian Rouble	**82.53**	83.66
Closing rate (per £)		
US Dollar	**1.33**	1.27
Australian Dollar	**1.89**	1.81
Euro	**1.18**	1.11
Canadian Dollar	**1.72**	1.74
United Arab Emirates Dirham	**4.87**	4.68
Chilean Peso	**994.76**	884.36
South African Rand	**18.54**	18.33
Brazilian Real	**5.33**	4.95
Russian Rouble	**82.29**	88.40

17. Exchange rates (continued)

The Group's operating profit from continuing operations before exceptional items and intangibles amortisation was denominated in the following currencies.

	2019 £m	2018 £m
US Dollar	**206.7**	224.6
Canadian Dollar	**53.9**	48.7
Chilean Peso	**43.2**	40.5
Euro	**34.2**	22.1
Australian Dollar	**30.1**	29.8
Russian Rouble	**9.9**	4.9
Indian Rupee	**8.9**	7.2
Brazilian Real	**6.2**	4.7
South African Rand	**4.1**	5.9
United Arab Emirates Dirham	**2.3**	7.3
UK Sterling	**(51.7)**	(44.0)
Other	**4.3**	(3.6)
Operating profit from continuing operations before exceptional items & intangibles amortisation	**352.1**	348.1