Press Release
19 April 2018

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR IMMEDIATE RELEASE

US$1,285m acquisition of ESCO Corporation and intention to sell Flow Control
Focusing on core platforms to create an even stronger Weir

Highlights

- Acquisition of ESCO, the global market leader in surface mining Ground Engaging Tools (GET)
- Focusing portfolio on highly abrasive aftermarket-intensive applications in Minerals and Oil & Gas
- Creating a unique mining services provider with mission critical solutions from extraction to concentration
- Significant value creation opportunities across the combined business: base case US$30m cost synergies
- Financial discipline: 12.6x 2018E EV/EBITDA[1]; EPS accretive in the first full year; ROCE >WACC in year 3
- Funding mix includes 41% equity consideration, 7.4% placing and debt: 2018E net debt/EBITDA[1] c.2.0x
- Trading update – strong Weir Group order growth of 22% in Q1, with Minerals orders +13%

Weir Group CEO Jon Stanton said: *"Today we are announcing an important development of our portfolio as we focus on building on our core strengths in Minerals and Oil & Gas. With ESCO we'll be joined by a world-class team and add another leading global brand. Together, Weir Minerals and ESCO will create a unique customer proposition as the premium provider of mission critical surface mining solutions from extraction to concentration, built on proprietary technology, superior wear life and supported by an unrivalled service network.*

The acquisition meets our near-term financial criteria before we pursue the revenue opportunities from bringing ESCO products into new markets through our global network. We are acquiring a high quality business at the right time, with the market in the early stages of its recovery, providing opportunities for long-term growth. We intend to initiate a process to sell Flow Control to reallocate capital to build further on our core platforms.

Weir will be a focused premium brand business with leading technology, increased scale, an improved mix of mining and oil and gas markets, higher aftermarket sales and the financial strength to invest in growth."

ESCO Acquisition

Weir has entered into a binding agreement to acquire ESCO Corporation ("ESCO"), a US company based in Portland, Oregon, for an equity value of US$1,051m and an estimated enterprise value of US$1,285m. ESCO is the global market leader in highly engineered GET for surface mining and construction. Its equipment is used in highly abrasive applications such as hard rock mining and it shares Weir's 'razor/razor blade' aftermarket-focused business model. It has surface mining's most extensive installed base of proprietary lip systems that house short-cycle consumables, such as teeth, shrouds, adaptors, blades and locking systems, with aftermarket sales representing c.90% of ESCO revenues.

In 2017 ESCO delivered revenues of US$632m and pro forma adjusted EBITA of US$68m. Strong growth in 2018 is expected to deliver full year revenues of around US$675m and pro-forma adjusted EBITA of approximately US$80m. Trading in the first quarter of 2018 has followed similar positive trends to Weir Minerals.

An estimated ESCO enterprise value of around US$1,285m equates to a 12.6x 2018 pro forma adjusted EV/EBITDA multiple, or approximately 10x including full run-rate synergies. The acquisition is expected to be EPS accretive in the first full year post completion and ROCE is expected to exceed the Group's WACC by year three. The transaction is expected to complete in early Q3, and at year-end 2018 pro forma leverage is anticipated to be around 2.0x net debt / EBITDA, prior to any impact from a Flow Control disposal.

ESCO shareholders will receive 59% in cash, part funded from the net proceeds from a 7.4% equity placing of Weir shares via an accelerated bookbuild. They will also receive 41% paid in new Weir shares, calculated at completion and currently representing c.6% of the enlarged Weir share capital[2]. The ESCO board has unanimously approved the transaction and support has been received from the required majority of ESCO shareholders.

Intention to sell Flow Control

The Weir strategy is to prioritise opportunities for growth in Minerals and Oil & Gas. This reflects supportive long-term fundamentals for these end markets and Weir's core strengths in highly abrasive aftermarket-intensive applications that require comprehensive global support.

A management presentation will begin at 08:15 (BST) on 19 April 2018. Register at www.investors.Weir

Consistent with this prioritisation the Board of Weir will initiate a process to sell the Flow Control division. This process will focus on maximising value for shareholders, with all options to be considered and no fixed timetable. Proceeds will be used to further reduce leverage and to fund future investment in growth in our core platforms. Our current assumption is that proceeds would not be received before 2019.

Acquisition of ESCO Corporation – building on our core strengths

ESCO Chairman and CEO Cal Collins said: *"The foundation of our business for more than 100 years has been delivering value-added proprietary solutions through a proud tradition of quality and customer-driven innovation. This merger is exciting for ESCO as it combines two premium brands and positions us to better serve our customers around the world. The merger of ESCO into Weir is also a great fit, both culturally and strategically."*

A premium brand and global market leader in GET

ESCO will accelerate Weir's portfolio development through the expansion of Minerals aftermarket opportunities. The business designs, and manufactures highly engineered GET used primarily in surface mining, with one-third of ESCO revenues from construction. ESCO's GET includes cutting edge wear parts such as teeth, shrouds, adaptors, blades and locking systems that are installed on the lip systems of mission critical mining equipment. The business has chosen to focus on its core strengths in GET and has divested and exited a number of non-core activities in the last 5 years.

No 1 player with c.40%[3] market share in surface mining

ESCO's customers include the leading global mining companies with ESCO product installed on c.40% of large primary mover machines. ESCO GET typically last significantly longer than rival products and are easier to maintain and replace. The innovative Nemisys® lip system and Ultralok® mining tooth system are more reliable, improve wear life and reduce downtime. For many years, ESCO has collected data on the wear performance of their equipment. This data is now being used on a trial basis as part of a digital proposition to provide predictive maintenance.

Intensive aftermarket with 90% of revenues from consumables

ESCO's extensive GET installed base includes more than 3,000[3] lip systems used on large mining machines. Once engaging equipment is fitted with ESCO's proprietary technology, the abrasive nature of the applications means that regular replacements are required, with typical annual revenues from spares and services equivalent to 100% of the original equipment cost. Consequently, the business currently generates c.90% of annual revenues from aftermarket consumables.

Cultural alignment – a 105 year old business driven by innovation and technology

ESCO is a 105 year old family business that shares Weir's values and priorities. It has achieved a leadership position by consistently delivering high quality products to its customers, underpinned by innovation that has resulted in c.1,800 patents and the development of a world-class innovation centre in Portland. In the last three months, Weir has had extensive access to the ESCO leadership team, facilities and shareholders as part of a highly collaborative process. The equity consideration will enable ESCO shareholders to benefit from the success of the combined business, and the high quality and long-standing ESCO team will join Weir.

Creating a unique mining services provider from extraction to concentration

Mining customers are focused on improving productivity by increasing throughput, debottlenecking, and reducing costly downtime. They want a service provider with a broad portfolio of integrated solutions that can help deliver their priorities sustainably and efficiently.

Materials handling and extraction in the surface mine is adjacent to Weir's position in comminution and concentration, resulting in an expanded Weir portfolio across the mining value chain, supported by unrivalled service and support. Increased touch points with customers will also support better understanding of their needs and provide future opportunities to further increase Weir's relevance. In the past 12 months, Weir has invested in 300 additional mining engineers on customer sites who have completed more than 500 process audits to improve customer productivity and delivered £67m in additional revenues.

The Group will also be better placed to benefit as global mining customers increasingly focus on more strategic relationships with fewer suppliers. With ESCO® and Warman® brands spanning the mining value chain, Weir will be uniquely positioned as a premium provider of mission critical solutions that help customers achieve their objectives.

Significant value creation opportunity across the combined businesses

Improving ESCO margins through US$30m of cost synergies and operational enhancement

Nevis maintained relatively stable gross margins through the mining downturn, reflecting the strength of their brand and the quality of their products. As volumes recover and Weir delivers the synergies from the acquisition, it sees an opportunity to improve the ESCO EBITA margins towards the lower end of Weir Minerals normal range. Annualised cost synergies of US$30m are anticipated by the end of the third full year of ownership, with an associated cost estimated at 1.5x the synergies.

Leveraging Weir's unrivalled service centre network

ESCO is a global business with 10 manufacturing facilities, 6 foundries and 22 service and supply centres in 19 countries around the world, with its core strength in North America, representing 52% of its revenue. This compares with Weir's unrivalled global minerals equipment service network, with approximately 100 service centres delivering a presence close to every major mine site in the world. Operating in more than 42 countries covering all key regions, just 22% of Weir Minerals revenue comes from North America.

Leveraging Weir's global network will significantly increase the number of direct customer relationships available to ESCO. The ESCO business will also provide strong support for Weir's growing comminution offering, with an extensive footprint and dealer network in North America representing a clear opportunity for Weir's crusher portfolio.

Complementary technology in materials science and digital platforms

Both companies have strong track records of innovation with global centres of excellence dedicated to materials science and developing solutions for highly abrasive applications. As part of the agreement, Weir has committed to maintain ESCO's Portland centre of excellence and continue to market ESCO products primarily under the ESCO® brand. This reflects Weir's commitment to building on the strengths of both businesses.

In addition, ESCO also provides immediate access to proprietary performance data that can be utilised as both companies focus on accelerating the digitisation of their equipment to benefit customers. Complementary expertise in simulation, methoding and casting of wear parts will also optimise global foundry capability. Bringing together the combined strengths of Weir and ESCO will support Weir's target of delivering increased revenues from new products.

Financial discipline

Right time in the cycle

Multi-year growth is forecasted for mining end markets with strong fundamentals including increasing demand for commodities, resource depletion and ore grade declines. ESCO has started 2018 strongly with first quarter revenue up 12%. ESCO is expected to generate revenues of around US$675m and pro-forma adjusted EBITA of around US$80m in 2018, representing annual EBITA growth of around 18% as the business builds on the recovery that began in 2017.

EPS accretive in first full year and exceeding cost of capital in year three

Beyond 2018, Weir's base case assumption is that ESCO performs in line with the GET market which on average is expected to deliver mid-single digit percentage growth. Over time Weir sees an opportunity to improve ESCO EBITA margins towards the lower end of Weir Minerals normal range, supported by improving volumes and delivery of the cost synergies. On this basis the acquisition is expected to be accretive to Weir Group EPS in the first full year of ownership, with ROCE to exceed Weir's weighted average cost of capital in year three. The value creation opportunities from a unique customer proposition, leveraging Weir's unrivalled service centre network for ESCO products, and the complementary technologies of the combination, are not included in these base assumptions.

ESCO gross assets at 31 December 2017 were US$539m.

Process and timetable

Weir has entered into a binding merger agreement with ESCO pursuant to which it has committed to acquire the ESCO business by way of a merger of ESCO with a wholly-owned subsidiary of Weir.

The acquisition has been approved by the Board of Directors of Weir and is not subject to Weir shareholder approval. The transaction is expected to complete in early Q3 2018.

At completion Weir will pay consideration of US$1,051m, subject to adjustments for any non-agreed leakage between 31 December 2017 and the closing date, and certain other matters (provided that the equity value may not in any circumstances exceed US$1,061m). 41% of the consideration will comprise new Weir shares, the number to be issued at completion (the "Weir Consideration Shares") to be calculated on the basis of the lower of the volume-weighted average Weir share price ("VWAP") over the five business days ending on the second trading day prior to the closing date and the closing spot price on the day before closing. The closing spot £ / $ exchange rate as reported by Bloomberg on the closing date will be used to calculate the number of Weir Consideration Shares to be issued. The remaining 59% of the consideration will be settled in cash. This will be part funded through a combination of the net proceeds of a 7.4% equity placing of new Weir shares executed via an accelerated bookbuild that will commence at 7.00am 19 April 2018, and through Weir's existing debt facilities.

ESCO shareholders will receive their consideration in cash unless they qualify as accredited investors for the purposes of US securities laws. If they are accredited investors they will receive a number of Weir shares equal to their pro rata share of the total number of Weir Consideration Shares, with the balance of their consideration (if any) being paid in cash. ESCO directors and officers, together holding 42% of the ESCO shares, have agreed to lock-up their Weir consideration shares for six months post-closing. Based on the proportion of ESCO shares held by shareholders who are expected to qualify as Accredited Investors at closing (and assuming a constant Weir share price), it is currently anticipated that more than 50% of Weir's issued share capital issued to ESCO shareholders in connection with the transaction will be subject to lock-up restrictions at closing.

The transaction is subject to majority ESCO shareholder consent. ESCO shareholders holding a majority of the outstanding ESCO shares of each class have given undertakings to Weir to vote in favour of the merger at a meeting, which is expected to be held on or around 7 May 2018.

The transaction is conditional on certain antitrust approvals and other customary conditions. In connection with the acquisition, ESCO has entered into customary non-solicitation provisions and has agreed to pay a break fee of $36,750,000 in certain customary circumstances, including in the event that the ESCO shareholders vote down the merger following the ESCO board's change of recommendation of the transaction or ESCO breaches its non-solicitation obligations. In the event the Weir share price declines below £15 (calculated in accordance with the lower of the 5 day VWAP of Weir shares ending on the second business day prior to closing and the spot price on the day immediately prior to closing): Weir may elect (i) to close the deal; (ii) to extend the closing date by up to two months; or (iii) to terminate the merger agreement, on payment of a $36,750,000 break fee.

As part of the agreement, for a period of 5 years from completion, Weir has committed to: (i) retain the use of the name ESCO Corporation, (ii) maintain ESCO's presence in Portland, which will include a global R&D and product development centre and may include other functions and operations, and (iii) continue to market ESCO products under the ESCO® trade name and existing brands.

Post-closing, Weir intends to run ESCO as a stand-alone business for the remainder of 2018. Cal Collins, current Chairman and CEO of ESCO, will step down from his role after closing, and join the Board of The Weir Group PLC as a Non-Executive Director. ESCO will be led by Jon Owens, current President and Chief Operating Officer, and will retain the current ESCO leadership team and, sales and supply chain structures. During this integration period, additional work will be done to identify the optimal operating model for the Weir Minerals business and ESCO going forward.

Equity Placing

The placing of 7.4% of Weir issued capital via an accelerated bookbuild will commence at 7.00am 19 April 2018, with the shares to be settled on 23 April 2018. Full details are provided in a separate announcement.

Current trading

Weir today issued a trading update on its performance in the first quarter 2018. First quarter Group orders were +22% with Minerals orders +13%, Oil & Gas orders +50% and Flow control orders +2%. Full year constant currency revenue and profit expectations are unchanged. This full version of the trading update is available at www.investors.weir.

NOTES:

1. Pro forma adjusted.
2. Based on Weir closing share price of 2118p on 18 April 2018.
3. ESCO Corporation estimates.

The person making this notification on behalf of The Weir Group PLC is Christopher Morgan, Company Secretary.

A management presentation will take place at 08.15 BST 19 April 2018. Participants can register for the call at www.investors.weir or join via the following dial-in details: UK: 020 3936 2999 / All other locations: +44 20 3936 2999, participant access code: 13 55 11.

About The Weir Group PLC

Founded in 1871, Weir is one of the world's leading engineering businesses providing mission-critical equipment and aftermarket solutions to energy and natural resources customers in more than 70 countries. The group, which employs around 15,000 people, comprises three divisions: Minerals; Oil & Gas; and Flow Control, and is headquartered in Glasgow, Scotland, UK. Weir's ordinary shares trade on the London Stock Exchange (ticker: WEIR.LN) and its American Depositary Receipts trade over-the-counter in the USA (ticker: WEGRY).

Enquiries

Investors: Stephen Christie +44 779 511 0456
Media: Raymond Buchanan +44 771 326 1447
Brunswick: Patrick Handley / Nick Cosgrove +44 20 7396 5395

Goldman Sachs International (Financial Adviser & Joint Corporate Broker)

+44 20 7774 1000
Brett Olsher / Owain Evans
Phil Raper / Bertie Whitehead (Corporate Broking)

UBS Limited (Financial Adviser & Joint Corporate Broker)

+44 20 7567 8000
David James
David Roberts / Alistair Smith (Corporate Broking)