Press Release
1 March 2023

The Weir Group PLC reports its Full Year results for the year ended 31 December 2022.

Record orders, strong execution and good strategic progress

Record demand for Weir spares and equipment

- FY AM orders[1] +17%; capitalising on installed base growth and mining production trends
- FY OE orders[1] +3%; delivering Weir's sustainable and brownfield solutions
- Q4 mining markets positive, orders[1] +8% against a very strong comparative

Strong execution: Medium-term targets on track

- FY revenues[1] +21%; outperforming our markets
- FY adjusted operating profit[1,2,3] of £395m, +25%
- Operating margin[2,3] of 16%; +70bps
- Free operating cash conversion of 87%
- Cumulative 17% reduction in absolute scope 1&2 emissions vs. 2019 baseline[2,6]

Increasing balance sheet strength and returns

- Lowered net debt to EBITDA to 1.5x; new £300m debt facility agreed in January 2023
- Return on capital employed[2] of 15.2%, +320bps
- Full year dividend of 32.8p; +38%

Expecting another year of growth in 2023

- Record opening order book and positive mining markets
- Growth in constant currency revenue, profit and operating margins
- On track to deliver target of 17% operating margin in 2023
- Free operating cash conversion of 80% to 90%

	2022	2021	As reported +/-	Constant currency[1] +/-
Continuing Operations[2]				
Orders[1]	**£2,644m**	£2,323m	n/a	+14%
Revenue	**£2,472m**	£1,934m	+28%	+21%
Adjusted operating profit[3]	**£395m**	£296m	+33%	+25%
Adjusted operating margin[3]	**16.0%**	15.3%	+70bps	+60bps
Adjusted profit before tax[3]	**£348m**	£249m	+40%	n/a
Statutory profit before tax	**£260m**	£209m	+24%	n/a
Adjusted earnings per share[3]	**98.4p**	71.3p	+38%	n/a
Return on capital employed	**15.2%**	12.0%	+320bps	n/a
Total Group				
Statutory profit after tax	**£214m**	£259m	-17%	n/a
Statutory earnings per share	**82.5p**	99.7p	-17%	n/a
Free operating cash conversion	**87%**	63%	n/a	n/a
Dividend per share	**32.8p**	23.8p	+38%	n/a
Net debt[4]	**£797m**	£773m	-£24m	n/a

See footnotes on page 5

Jon Stanton, Chief Executive Officer said:

"The value creation opportunity for Weir is compelling. The mining industry is playing a crucial role in meeting the twin demands for decarbonisation and economic growth, resulting in multi-decade demand growth for critical metals. Weir is the focused mining technology leader that is well placed to capitalise. Deeply embedded in our customer operations and offering unique engineering expertise and innovation, our solutions are delivering excellent outcomes for all stakeholders.

This is reflected in the proven performance of our mining businesses through the cycle, and was further evidenced in 2022. We are making mining smarter, more efficient and sustainable. We are growing faster than our markets, strengthening margins and cash and reducing our CO_2 footprint. We are underpinning our continued progress through our commitment to our future technology roadmap with increased investment in R&D, and a sharper focus on execution through Performance Excellence.

So our future is exciting. Reflecting high levels of confidence in this strategy to deliver long-term sustainable profitable growth, the Board has approved a final dividend of 19.3p, an increase of 57% on 2021."

A webcast of the management presentation will begin at 08:00 (GMT) on 1 March 2023 at www.investors.weir. A recording of the webcast will also be available at www.investors.weir.

CHIEF EXECUTIVE OFFICER'S REVIEW

Introduction

2022 was a landmark year for Weir. We demonstrated the benefits of focus: winning share in favourable markets, executing strongly and taking significant steps towards achieving our medium-term targets. We outgrew our markets and delivered significant year-on-year growth in revenue, profit and cash generation.

We also made excellent strategic progress. Highlights included the launch of our redefined mill circuit, our production partnership model in ESCO and the next generation of our proprietary digital platform, Synertrex®. Our safety performance improved with a 13% like-for-like reduction in the rate of total incidents[5] (TIR), while in July, we announced our Performance Excellence programme, which will drive further operational efficiency across the Group. Our recent acquisitions, Motion Metrics and Carriere Industrial Supply (CIS), both performed very well and ahead of initial expectations.

Our strong performance across all metrics reflects the outstanding work of Weir colleagues across the globe, and I would like to take this opportunity to thank them. Collectively, they dealt with the consequences of the horrific Russian invasion of Ukraine, widespread disruption to global supply chains, inflation at the highest level in a generation and the lingering effects of both the Covid-19 pandemic and 2021 cyber incident. To have delivered so strongly in 2022 with all of this going on is a testament to their commitment, passion and resilience. I am extremely proud of the team.

Looking ahead, I am hugely excited about the future of Weir and our commitment to deliver excellent outcomes for all stakeholders. In 2022 we set out a refreshed equity case centred on our leading position in highly attractive markets and our unique capabilities to make mining smart, efficient and sustainable. This overall positioning and focus gives us confidence that we can outgrow our markets, expand our margins and convert our earnings to cash, while remaining resilient and doing the right thing for our people and the planet, all of which was demonstrated in 2022.

Growth: Ore production trends drive strong demand for Weir solutions

Throughout the year, conditions in mining markets were highly favourable. Across most key commodities, market prices were significantly above miners' cost to produce and end market demand was high. This was particularly the case for energy transition metals, such as copper, as physical inventory levels tightened through the year.

With large greenfield expansion projects slow to convert, miners met demand by accelerating production from existing assets and by developing harder and more complex ore deposits. This, coupled with a growing installed base and the effects of declining ore grades, drove record demand for our aftermarket spares and expendables. In OE, we won market share as miners ordered Weir solutions to debottleneck and improve the efficiency of existing assets. In particular, we saw strong demand for our industry-leading Warman® mill circuit pumps that have significant productivity and sustainability benefits relative to competitor solutions.

Demand was strong in all regions, with North America supported by particularly high levels of activity in the Canadian oil sands and Asia Pacific seeing a strong recovery in Australia. Our growing geographical footprint allowed us to capitalise on new demand in ASEAN countries as miners made strategic investments in the region, such as in nickel expansion projects in Indonesia. Our new service centre in Kazakhstan enabled us to support growing demand from customers in Central Asia, including a series of recently developed copper projects.

In infrastructure markets, demand was stable at high levels in the first half of the year. Demand was lower in Europe during the second half as activity levels in end markets fell. Demand also softened, to a lesser extent, in the US during the fourth quarter.

On a constant currency basis, the Group delivered strong year-on-year order growth of 14%.

Demand for AM was particularly strong and constant currency orders grew 17% year-on-year, reaching record levels.

In OE, constant currency orders were up 3% year-on-year. Orders in the prior year included the £36m Ferrexpo HPGR and £32m Indonesia electric pumps orders, and excluding these large orders from the prior year comparator, constant currency orders were up 16%.

Revenue was 21% higher on a constant currency basis as we converted our order book.

Margins and resilience: Strong execution delivers operating margin[3] expansion

In 2022 we were successful in managing a complex operating environment, where rising levels of inflation were a mainstay and bottlenecks in global logistics channels were present for much of the year. Our market leading positions enabled us to increase prices and pass through all input cost inflation, while our vertically integrated regional manufacturing model gave us protection from supply chain challenges, and ensured our customers had continued access to our equipment and spares to keep mines running.

Adjusted operating profit[2,3] was 25% higher than in the prior year on a constant currency basis and operating margins[2,3] were 16.0%, up 70bps on an as reported basis. This expansion reflects movement in Minerals revenue mix towards AM, underlying operational efficiency and the mitigation of inflationary pressures, and represents good progress towards our 2023 target of 17% operating margin.

In July 2022, we launched our Performance Excellence programme outlining our ambition to grow margins above 17% beyond 2023. The programme will drive further operational efficiency across the Group and deliver £30m of annualised run-rate savings in 2025, with an expected one-off cost of up to £45m phased across the three years. Plans to deliver the programme remain on track, and as expected, we will see the early benefits in 2023.

Returns: Free operating cash conversion target achieved

Early in 2022 we introduced a new free operating cash conversion metric, which measures free operating cash flow relative to operating profit[3]. Our target for 2022 was to achieve between 80% and 90%.

Our focus on execution and working capital efficiency delivered significant cash generation, particularly during the final quarter of the year, resulting in full year free operating cash conversion of 87%.

Our strong cash conversion meant net debt to EBITDA fell to within our target range, being 1.5x at the end of December (2021: 1.9x). While, year-on-year, return on capital employed improved by 320bps to 15.2%.

In January 2023 we put in place a new £300m medium-term loan which, combined with our US$800m sustainability linked bond and US$800m multi-currency revolving credit facility, ensures the Group retains substantial levels of liquidity at highly favourable interest rates. This was followed, in February 2023, by the repayment of the final US$200m tranche of the Group's US Private Placement debt.

Reflecting high levels of confidence in our strategy and future prospects, the Board has today announced a final dividend of 19.3 pence per share. This equates to a total full year dividend of 32.8 pence per share, which is 33% of adjusted EPS for the period, in line with our capital allocation policy.

Safety and sustainability: SBTi aligned absolute carbon reduction targets

Sustainability is core to Weir's purpose and is a critical priority for the mining industry. In 2022, we committed to more ambitious SBTi aligned carbon reduction targets. These included an update to absolute, rather than intensity linked, reduction targets for scope 1&2 emissions, and also the introduction of a scope 3 emissions reduction target. Our scope 3 emissions include our customers' scope 1&2 emissions, and Weir solutions and technology are playing a key role in helping our customers reduce their emissions and deliver against their own carbon reduction targets. Indeed, our top ten customers have all set targets to reduce scope 1&2 emissions by between 30% and 50% by 2030.

During the year, we delivered a 3% absolute year-on-year reduction in our scope 1&2 emissions, in the context of revenue growth of over 20%. We also increased the amount of electricity we source from renewables to 22% as we installed new solar panel arrays at our sites in Chile, Malaysia and South Africa. This means we have now delivered a cumulative 17% reduction in our absolute scope 1&2 emissions, relative to our 2019 baseline.

We also started work to quantify scope 4, avoided emissions, for key products in our portfolio. Over time, we anticipate using the outputs of this work to enhance our overall customer value proposition, while creating the potential for Weir to recognise green revenue.

With respect to safety, our TIR[5] for the year was 0.41, representing a 9% improvement on the prior year of 0.45. Excluding the impact from acquired businesses, 2022 TIR[5] reduced by 13% to 0.39. During the year we also enhanced our strategy on safety with the launch of our new Zero Harm Behaviours framework, which will drive further improvements as we seek to eliminate harm in our operations.

Compelling value creation opportunity for all stakeholders

The long-term value creation opportunity for the Group is compelling. Mining has a critical role to play in decarbonisation as, over the coming decades, the world needs significantly more metals to transition to Net Zero, and meet increasing demands driven by continued GDP growth. However, to unlock the supply needed, the mining industry must adopt new technologies and become more sustainable.

Weir's unique world class engineering expertise, coupled with our clear strategic framework focused on People, Customer, Technology and Performance means we are well placed to capitalise on this opportunity.

Critical to this is our technology roadmap and R&D framework. In 2022, we reiterated our commitment to increase our investment in R&D to 2% of revenue, while also increasing the amount of spend allocated to addressing our customers' biggest sustainability challenges. These can be summarised in the five key themes of: Move less rock; Use less energy; Use water wisely; Create less waste; and Boost with digital.

Our technology roadmap aligns to these themes, and in 2022, we launched several new solutions. This included our redefined mill circuit, which is underpinned by our new technology partnerships with STM for stirred mills and Eriez for coarse particle flotation. These technologies, when packaged into an integrated solution with our energy saving High Pressure Grinding Rolls (HPGRs) and our industry leading cyclones and pumps, significantly reduce ore reprocessing, improving mine productivity while reducing energy and water consumption.

We successfully rolled out Motion Metrics™ products through the ESCO sales network and integrated the technology with ESCO hardware to create a packaged productivity solution. This underpins our production partnership model, and has enabled us to explore new ways of working with our customers where our revenue is linked to the productivity benefits we deliver.

Going forward, our ambition is to capitalise on our footprint in both the mining pit and processing plant by connecting and integrating our solutions across the full value chain to deliver compounding benefits.

Specifically, in our mine of the future, Motion Metrics™ vision technology will ensure only the right rock is moved from the pit to the plant to be processed, and data captured on critical rock characteristics will enable processing to be optimised. Our processing technologies will reduce energy consumption and ensure that water is used wisely, and by having only the right ore entering the process, efforts will be expended on processing higher grade material, rather than waste. For the waste that is produced, our Terraflowing™ solutions will balance water recovery with tailings stability and energy consumption. Furthermore, our proprietary digital systems will capture data across the whole value chain, enabling pre-emption of potential issues and operating conditions to be optimised.

This will further strengthen our position as a critical supplier to the mining industry as it pursues its sustainability ambitions. The combination of this market opportunity, coupled with our unique capabilities, underpins our commitment to deliver excellent outcomes for all our stakeholders.

Outlook

We begin 2023 with a record order book and positive conditions in mining markets, where high levels of activity, coupled with miners' focus on sustainable operations, are driving demand for our AM spares and brownfield OE solutions.

In 2023, we therefore expect to deliver growth in constant currency revenue, profit and operating margin. We are on track to deliver our target of 17% operating margin in 2023, supported by operational efficiencies and early benefits from Performance Excellence, and expect free operating cash conversion of between 80% and 90%.

Further out, the long-term fundamentals for mining and our business are highly attractive, underpinned by decarbonisation, GDP growth and the transition to sustainable mining. We have a clear strategy to grow ahead of our markets, with specific growth initiatives underpinning our ambition to deliver through-cycle mid-to-high single digit percentage revenue growth. Beyond 2023, Performance Excellence will support margin expansion above 17% and we expect free operating cash conversion to increase to between 90% and 100%.

Board changes

After completing her full nine-year term, Mary Jo Jacobi will be stepping down from the Board at the AGM and Ebbie Haan has decided not to seek re-election.

We are Weir strategic framework: 2022 performance

Each year the Group sets strategic and ESG measures aligned to the 'We are Weir' framework of People, Customer, Technology and Performance. The table below summarises our 2022 performance and rating against each of these measures, with full details outlined in our 2022 Annual Report.

	Strategic initiatives	2022 Measures	2022 Performance and rating
People	Deliver on Zero Harm for our people and the environment Accelerate our purpose-driven culture and lead in inclusion, diversity and equity Create talent and capabilities for the future	• Retain our talent	• Voluntary attrition < 11%
		• Build our digital capability	• Growth in core digital team • Senior Leaders trained on Weir Digital Vision
		• Maintain top quartile engagement scores	• Engagement score of 8.5; top quartile of benchmark
		• Improve our Safety Total Incident Rate (TIR)*	• On a like-for-like basis, TIR of 0.39 (2021: 0.45)
		• Improve our gender diversity*	• % of female employees improved by 0.7%
Customer	Outgrow our markets through voice-of-customer led initiatives Solve our customers' biggest smart, efficient and sustainable challenges Show leadership in our industries' pathway to Net Zero	• Execute our top 3 strategic growth initiatives in each division	• Minerals executed its strategy on Integrated Solutions, spares and OE market share gains • ESCO executed its strategy on mining G.E.T., infrastructure G.E.T. and mining buckets
		• Establish new strategic alliances	• CIS acquisition; and new STM & Eriez partnerships
		• Develop our scope 4 value proposition*	• Phase 1 product evaluations completed
Technology	Invest in innovating transformational solutions Digitally enable everything we do Create new business and business models from data and insights	• Secure market acceptance of our top 3 horizon 1 innovations in each division	• Innovations launched; market acceptance ongoing
		• Digitise our current business model	• Minerals: Grew Synertrex installed base • ESCO: CA$26m sales from Motion Metrics
		• Create and deploy Future Back Strategy	• Minimum viable proposition for priority opportunities developed and mobilised
		• Build pipeline and commercialise sustainability focused technologies and solutions*	• Priority projects underway or completed
		• Progress our priority acceleration R&D projects*	• Ore characterisation: equipment on customer site for commencement of trial • Additive manufacturing: technologies successfully integrated
Performance	Drive clear, lean and agile operations and supply chain Deliver high quality, efficient back-office functions Expand margins and deliver strong cash conversion	• Improve our lean scores	• Improved Level 2 & 3 scores
		• Grow the percentage of Group revenue covered by Finance shared services	• >80% Group revenue covered by Finance shared services
		• Reduce scope 1&2 CO_2e vs 2019 base aligned with SBTi*	• 17% absolute CO_2e reduction achieved and verified
		• Evaluate SBTi scope 3 targets*	• Scope target in process of being validated by SBTi and embedded in CO_2e strategy

**ESG measures*

Notes:
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. Adjusted results are for continuing operations before adjusting items as presented in the Consolidated Income Statement. Details of other alternative performance measures are provided in note 2 of the Audited Results contained in this press release.

1. 2021 restated at 2022 average exchange rates.
2. Continuing operations excludes the Oil & Gas Division, which was sold to Caterpillar Inc. in February 2021 and the Saudi-Arabian joint venture, which was sold to Olayan Financing Company in June 2021.
3. Profit figures before adjusting items. Continuing operations statutory operating profit was £308m (2021: £257m). Total operations operating cash flow (cash generated from operations) excludes additional pension contributions, exceptional and other adjusting cash items, and income tax paid. Total operations net cash generated from operating activities was £321m (2021: £156m).
4. 2021 has been restated to reflect the finalisation of the Motion Metrics opening balance sheet. Details of the restatement are provided in note 1 of the Audited Results contained in this press release.
5. Total incident rate is an industry standard indicator that measures lost time and medical treatment injuries per 200,000 hours worked.
6. Market-based absolute CO_2 emissions. 2019 is the baseline year for our SBTi-aligned Scope 1&2 target of 30% reduction in absolute emissions by 2030.

DIVISIONAL REVIEW

Minerals

Minerals is a global leader in products and integrated solutions for smart, efficient and sustainable processing in mining and infrastructure markets.

2022 Summary

- FY: AM orders[1] +18%; demand driven by mining production trends and growth in installed base
- FY: OE orders[1] +2%; demand driven by sustainable and brownfield solutions
- Strong execution: revenue[1] +20%; operating profit[1,2] +24%

2022 Operating Review

The Division benefited from high levels of mining activity and growth in its installed base, which drove strong demand for spares across all product categories, culminating in record annual AM orders. In OE, customers ordered solutions to debottleneck and improve the efficiency of existing assets, and in particular, we saw strong demand for our industry-leading Warman® slurry pumps.

Our focus on execution delivered record levels of divisional revenue and operating profit. Operating momentum built through the year, resulting in strong revenue growth and operating margin expansion in the second half of the year as we converted our growing order book.

People

Safety performance remained a priority for the Division, and this is reflected in a 25% year-on-year reduction in total incident rate (TIR) to 0.27 (2021: 0.36). This performance positions the Division as one of the safest organisations in its sector, and is particularly pleasing in the context of strong revenue growth and increased levels of activity in our facilities.

People development was also in focus, with over 200 customer facing colleagues completing our proprietary 'Mill Circuit University' training programme, while in total around 10,000 learning and development courses were completed by Minerals colleagues during 2022.

Customers

During the year, the Division made good progress in its geographical expansion initiative, particularly in Central and South East Asia. Notable progress included expansion of our installed base across multiple projects in high-grade nickel applications in Indonesia, with £33m of OE orders received through the year for packages of GEHO positive displacement pumps.

Across our core product lines customers continued to recognise the benefits of our leading technology and global service network. This manifested in market share gains across the mill circuit, as the Division converted over 75% of its trials against competitor equipment. Furthermore, good progress was made in delivering our comminution strategy, including our first sale of a pebble crushing plant to a large Tier 1 copper mine in South America.

Technology

Technology highlights in the year included new partnership agreements with Eriez, for course particle flotation technology, and STM, for tower mills. These technologies, combined with Weir’s sustainable solutions, form part of our redefined mill circuit that has significant energy and efficiency benefits relative to traditional technologies.

In Q4, the Division also launched the next generation of its proprietary Synertrex® platform. The system provides data-driven insights on equipment performance, enabling early identification of issues and optimised maintenance planning, thereby improving efficiency and mine productivity.

Performance

The Division continued to drive operational efficiency, supported by investments in both systems and capacity. Significant facility investments included the opening of a new facility in Bangalore, which will drive efficiencies across our operations in India, and also a new rubber mixing facility in Malaysia.

The roll-out of SAP also progressed well, with operations in India successfully migrating in Q3, meaning around 85% of the Division now operates the system. The final stages of the roll-out are scheduled for 2023, with the migration of our Middle East and Africa businesses scheduled for the first half of the year.

2022 Financial Review

Constant currency £m	H1[1]	H2	2022	2021[1]	Growth[1]
Orders OE	265	296	561	547	2%
Orders AM	687	689	1,376	1,170	18%
Orders Total	**952**	**985**	**1,937**	**1,717**	**13%**
Revenue OE	200	258	458	425	8%
Revenue AM	597	725	1,322	1,057	25%
Revenue Total	**797**	**983**	**1,780**	**1,482**	**20%**
Adjusted operating profit[2]	**138**	**186**	**324**	**261**	**24%**
Adjusted operating margin[2]	17.3%	18.9%	18.2%	17.6%	60bps
Operating cash flow[2]	106	280	386	227	70%
Book-to-bill	1.19	1.00	1.09	1.16	

1. 2021 and 2022 H1 restated at 2022 average exchange rates except for operating cash flow.
2. Profit figures before adjusting items. Operating cash flow (cash generated from operations) excludes additional pension contributions, exceptional and other adjusting cash items, and income tax paid. Refer to note 2 of the Audited Results contained in this press release for further details of alternative performance measures.

Orders increased by 13% on a constant currency basis to £1,937m (2021: £1,717m) with a book-to-bill of 1.09 reflecting strong order growth and a focus on execution. OE orders increased 2% year-on-year, with demand predominantly driven by brownfield solutions to debottleneck and improve the efficiency of existing assets, as miners accelerated ore production and large projects remained slow to convert. Through the year, we saw benefits from our geographical expansion strategy, with our increased presence in Central and South East Asia driving strong growth as we supplied equipment to copper and nickel mines in the region. AM orders were up 18% year-on-year as prices of most key commodities remained well above cost of production, incentivising miners to increase activity levels and develop more complex and lower grade ore bodies. Growth also reflects year-on-year price increases. AM orders represented 71% of total orders (2021: 68%). In total, mining end markets accounted for 75% of total orders (2021: 77%).

Revenue was 20% higher on a constant currency basis at £1,780m (2021: £1,482m) as order activity remained strong and the Division's focus on execution converted orders to revenue. Revenue grew through the period, with H2 revenue 23% higher on a sequential basis. Product mix moved slightly towards AM, which accounted for 74% of full year revenue (2021: 71%).

Adjusted operating profit increased 24% on a constant currency basis to £324m (2021: £261m) as the Division benefited from increased volumes, favourable mix and strong operational execution. Costs in the year included an adverse transactional FX impact of £9m, while discretionary spend, such as travel, returned to normal levels following lower spend during the Covid-19 pandemic. Prior year costs also included under-recoveries due to the cyber incident in Q3 and a one-off gain from the sale of a property in China.

Adjusted operating margin on a constant currency basis was 18.2% (2021: 17.6%), with the +60bps improvement driven by favourable mix, operating efficiency and the non-repeat of under-recoveries from the cyber incident in the prior year. Benefits are partially offset by the impact of adverse transactional FX and the normalisation of discretionary spend.

Operating cash flow[2] increased by 70% to £386m (2021: £227m) reflecting growth in operating profit and a reduced working capital outflow of £18m (2021: outflow of £89m). Working capital movements comprised inventory build to support the growing order book and a reduction in receivables as revenue in H2 was more evenly loaded relative to the prior year.

ESCO

ESCO is a global leader in Ground Engaging Tools (G.E.T.), attachments, and artificial intelligence and machine vision technologies that optimise productivity for customers in global mining and infrastructure markets.

2022 Summary

- FY: Orders[1] +17%; demand for expendables driven by high levels of mining activity
- Strong execution: revenue[1] +22%; operating profit[1,2] +18%

2022 Operating Review

The Division benefited from high levels of activity in mining markets, which drove strong demand for expendables. Growth was also supported by a contribution from acquired businesses, with both Motion Metrics and Carriere Industrial Supply (CIS) performing ahead of expectations. The Division’s focus on execution delivered strong year-on-year growth in revenue and operating profit.

People

In terms of safety, excluding the impact from acquired businesses, TIR was 0.90 (2021: 0.85). While an increase on the prior year, the Division achieved a reduction in incident severity and a decrease in TIR in its North American foundries, both of which were focus areas for the year.

Key learning and development initiatives included training programmes for the next generation of operational leaders and the roll-out of the Division’s foundry process control training. Other highlights included technical training for ESCO sales teams on Motion Metrics™ solutions.

Customers

Across our core mining G.E.T. portfolio, the Division gained market share with positive net conversions in the year. We saw particularly strong conversion rates in Indonesia and Australia, and in due course, expect to see a corresponding increase in demand for expendables in these regions. In addition, customer interest in our mining attachments proposition continued to gain traction, with orders up significantly year-on-year, including the first sale of cable shovel buckets to longstanding G.E.T. customers in Chile and Canada.

The Division also made good progress on its geographical expansion initiative and strategy to have direct channels to market in all major mining regions. This included the acquisition of CIS and the establishment of a direct channel to market, in partnership with Minerals, in Central Asia.

Technology

The performance of Motion Metrics was a technology highlight for the Division. In addition to core range expansions and new module releases, the technology was successfully integrated with ESCO’s hardware to create a packaged productivity solution that underpins ESCO's production partnership model. During the year, the first reference site for this new model was established, whereby our revenue is directly linked to the productivity benefits we deliver. Incremental productivity benefits will be achieved through the Division's proprietary ore characterisation technology, and initial field trials of this commenced in the fourth quarter.

The Division also made progress on a number of new digital tools to support operations. This included the launch of a new digital supply chain tool, and the development of a digital configurator, which customers will use when ordering mining attachments. Both systems will improve customers' buying experience, while also driving operational efficiency.

Performance

Improving operational efficiency of foundry operations is a key priority for the Division. Good progress was made in the year with the roll-out of digital process optimisation tools, and the commencement of the construction of the Division’s new foundry in Xuzhou, China, which will deliver significant efficiency and capacity benefits. Other footprint investments in the period included a new facility in Edmonton, Canada, which will improve the efficiency of the Division’s operations in the region.

2022 Financial Review

Constant currency £m	H1[1]	H2	2022	2021[1]	Growth[1]
Orders OE	25	19	44	39	14%
Orders AM	341	322	663	567	17%
Orders Total	**366**	**341**	**707**	**606**	**17%**
Revenue OE	17	26	43	37	18%
Revenue AM	312	337	649	532	22%
Revenue Total	**329**	**363**	**692**	**569**	**22%**
Adjusted operating profit[2]	**53**	**57**	**110**	**93**	**18%**
Adjusted operating margin[2]	16.1%	15.7%	15.9%	16.3%	-40bps
Operating cash flow[2]	25	68	93	86	8%
Book-to-bill	1.11	0.94	1.02	1.07	

1. 2021 and 2022 H1 restated at 2022 average exchange rates except for operating cash flow.
2. Profit figures before adjusting items. Operating cash flow (cash generated from operations) excludes additional pension contributions, exceptional and other adjusting cash items, and income tax paid. Refer to note 2 of the Audited Results contained in this press release for further details of alternative performance measures.

Orders increased 17% on a constant currency basis to £707m (2021: £606m). This includes a £52m contribution from the acquisitions of Motion Metrics and CIS. Organic order growth of 8% was driven by strong demand for mining expendables, particularly from customers in South America, and year-on-year price increases. In infrastructure markets, demand was stable at high levels in the first half of the year before moving lower in Europe during the second half and also softening, to a lesser extent, in the US during the fourth quarter. The Division's book-to-bill for the year was 1.02 as a result of a combination of growing orders and strong execution. AM represented 94% of orders (2021: 94%) reflecting ESCO's business model as a provider of highly engineered expendables to mining and infrastructure markets.

Revenue increased 22% on a constant currency basis to £692m (2021: £569m). Mining represented 60% of revenues (2021: 56%) and infrastructure was 28% (2021: 31%).

Adjusted operating profit increased 18% on a constant currency basis to £110m (2021: £93m) as the Division benefited from increased volumes. In the prior year, the Division benefited from the favourable phasing of price increases relative to raw material purchase contract renewals, and from temporary cost savings as discretionary spend, such as travel, was at lower levels during the Covid-19 pandemic.

Adjusted operating margin of 15.9% was 40bps lower on a constant currency basis (2021: 16.3%). Offsetting operational efficiencies was the reversal of non-recurring benefits in the prior year and the dilutive effect of Motion Metrics as it delivered significant year-on-year revenue growth and was break even at an operating profit level. This was in line with expectation as the business scaled rapidly while also investing significantly in R&D. In line with the acquisition plan, we expect Motion Metrics to be accretive to ESCO operating margins in 2023.

Operating cash flow[2] increased by 8% to £93m (2021: £86m), reflecting growth in operating profit offset by a higher working capital outflow of £33m (2021: outflow of £13m). Growth in working capital was driven by inventory build and an increase in receivables, reflecting order book and revenue growth respectively.

GROUP FINANCIAL REVIEW

		Constant currency[1]		As reported	
Continuing Operations £m	**2022**	**2021**	**Growth**	**2021**	**Growth**
Orders OE	605	586	3%	n/a	n/a
Orders AM	2,039	1,737	17%	n/a	n/a
Orders Total	**2,644**	**2,323**	**14%**	**n/a**	**n/a**
Revenue OE	501	462	9%	446	12%
Revenue AM	1,971	1,589	24%	1,488	32%
Revenue Total	**2,472**	**2,051**	**21%**	**1,934**	**28%**
Adjusted operating profit[2]	**395**	**316**	**25%**	**296**	**33%**
Adjusted operating margin[2]	16.0%	15.4%	60bps	15.3%	70bps
Book-to-bill	1.07	1.13	n/a	1.14	n/a
Total Group £m					
Operating cash flow[2]	448	n/a	n/a	266	68%
Free operating cash conversion	87%	n/a	n/a	63%	n/a
Net debt	797	n/a	n/a	773	-24

1. 2021 restated at 2022 average exchange rates.
2. Profit figures before adjusting items. Operating cash flow (cash generated from operations) excludes additional pension contributions, exceptional and other adjusting cash items, and income tax paid. Refer to note 2 of the Audited Results contained in this press release for further details of alternative performance measures.

Continuing operations orders at £2,644m increased 14% on a constant currency basis with growth in both Divisions. Minerals orders were up 13% with AM up 18% as prices of most key commodities remained well above cost of production, incentivising miners to increase activity levels and develop more complex and lower grade ore bodies. ESCO orders increased 17% including a £52m contribution from the acquisitions of Motion Metrics and CIS, while organic order growth was driven by strong demand for mining expendables, particularly from customers in South America, and year-on-year price increases. 77% of orders related to aftermarket compared to 75% in the prior year.

Continuing operations revenue of £2,472m increased 21% on a constant currency basis. Minerals revenue grew 20% on a constant currency basis at £1,780m (2021: £1,482m) ESCO revenue increased 22% on a constant currency basis to £692m (2021: £569m). Aftermarket accounted for 80% of revenues, up from 78% in the prior year. Reported revenues increased 28% (2021: £1,934m), impacted by a foreign exchange translation tailwind of £117m. Overall book-to-bill at 1.07 reflects strong order growth and focus on execution, meaning that we enter 2023 with a record order book.

Continuing operations adjusted operating profit increased by £99m (33%) to £395m on a reported basis (2021: £296m). Excluding a £20m foreign currency translation tailwind, the constant currency increase was £79m (25%). As explained further in the Divisional reviews, Minerals adjusted operating profit increased on a constant currency basis to £324m (2021: £261m) and ESCO increased by 18% on a constant currency basis to £110m (2021: £93m). Unallocated costs are £1m higher than the prior year at £39m.

Continuing operations adjusted operating margin of 16.0% is up 60bps versus last year on a constant currency basis and up 70bps as reported. The main drivers of the margin improvement are increased volumes, favourable mix and strong operational execution. These are partially offset by an adverse transactional foreign exchange impact and re-investment in our medium-term strategic priorities, including R&D increasing to 1.9% of sales, and the anticipated year one dilutive effect of Motion Metrics. As expected, we saw a return of discretionary spend, such as travel, to normal levels following lower spend during the Covid-19 pandemic and this was broadly offset by the non-repeat of the prior year cyber under-recoveries.

Continuing operations statutory operating profit of £308m was £51m favourable to the prior year, with the increase in adjusted operating profit of £99m being offset by an increase in adjusting items.

Continuing operations adjusting items increased by £47m to £87m (2021: £40m). Intangibles amortisation increased by £1m to £36m (2021: £35m). Exceptional items increased by £49m to £49m (2021: net nil), primarily due to the wind down of our Russian operations, which totalled £44m. This reflects the loss on disposal of our ESCO Russia business in September 2022, as well as the write down

of our Minerals Russia business and associated assets as trading is wound down. Continuing operations included Russia revenue of £52m and adjusted operating profit of £8m which was slightly ahead of the prior year. Other exceptional items included acquisition and integration costs relating to Motion Metrics and Carriere Industrial Supply of £2m and initial costs relating to our Performance Excellence programme of £3m. Other adjusting items relating to the Group's legacy US asbestos-related provision reduced to £3m (2021: £4m).

Continuing operations net finance costs were £47m (2021: £47m) with a reduction in finance costs of £2m being offset by lower interest income. Finance costs decreased following the settlement of private placement debt in February 2022, which resulted in an improved interest rate mix. This was partially offset by a foreign currency translation headwind of £4m on USD denominated debt.

Continuing operations adjusted profit before tax was £348m (2021: £249m), after a foreign currency translation tailwind of £16m. The statutory profit before tax from continuing operations of £260m compares to £209m in 2021, the increase is primarily due to the increase in adjusted operating profit offset by the increase in adjusting items.

Continuing operations adjusted tax charge for the year of £93m (2021: £64m) on profit before tax from continuing operations (before adjusting items) of £348m (2021: £249m) represents an adjusted effective tax rate (ETR) of 26.6% (2021: 25.6%). 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. A tax credit of £45m has been recognised in relation to continuing operations adjusting items (2021: £9m). This includes an exceptional tax credit of £32m following the recognition of US tax attributes that were previously held off balance sheet.

Continuing operations profit after tax before adjusting items is £255m (2021: £185m). The statutory profit after tax for the year from continuing operations is £213m (2021: £155m).

Discontinued operations statutory profit after tax for the year from discontinued operations was £1m (2021: £104m) reflecting a tax credit related to the Oil & Gas Division which was disposed in the prior year.

Statutory profit for the year after tax from total operations of £214m (2021: £259m) reflects the increase in profit from continuing operations of £58m offset by the reduction in discontinued operations of £103m.

Adjusted earnings per share from continuing operations increased by 38% to 98.4p (2021: 71.3p) reflecting the increased profit offset by higher effective tax rate in the year. Statutory reported earnings per share from total operations is 82.5p (2021: 99.7p). The weighted average number of shares in issue was 258.7m (2021: 259.3m).

Acquisition of Carriere Industrial Supply

The Group completed the acquisition of Carriere Industrial Supply Limited on 8 April 2022 for an enterprise value of CAD$33m (£20m) less customary debt and working capital adjustments, which resulted in initial cash consideration of £16m and deferred consideration of £3m, of which £1m has now been paid. CIS contributed £27m to revenue and adjusted operating profit of £6m in the period from acquisition. These values are inclusive of revenue and margin which would have been earned pre-acquisition on sales from ESCO to CIS under the former distributor model.

Cash flow and net debt

Cash generated from total operations[2] increased by £182m to £448m (2021: £266m) in the year, with the prior year including an outflow of £14m from discontinued operations. The cash generated from continuing operations[2] increased by £168m primarily driven by the increase in adjusted operating profit, coupled with an improvement in working capital of £54m (2022: outflow of £49m vs 2021: £103m). The outflow in working capital in the year reflects our continued investment in growth, with inventory increasing as operations prepare to execute a record closing order book. This was partially offset by a decrease in debtors as we seek to improve our cash cycle, and despite 15% year-on-year revenue growth in the last quarter. As a result, working capital as a percentage of sales decreased to 24% from 28% in the prior year. Continuing operations utilised non-recourse invoice discounting facilities, primarily customers supply chain financing facilities, of £45m (2021: £19m) and suppliers chose to utilise supply chain financing facilities of £54m (2021: £33m). Net cash generated from operations is £321m (2021: £156m).

Net capital expenditure increased by £19m to £58m (2021: £39m), in part due to the prior year including £12m net proceeds from the sale of a property in China. Lease payments of £31m increased from £28m last year mainly due to the acquisitions of Motion Metrics and Carriere Industrial Supply.

Free operating cash flow increased by £157m to £342m (2021: £185m) resulting in operating cash conversion (refer to note 2 of the Audited Results) of 87% (2021: 63%). This was a result of the above noted improvement in cash generation, partially offset by the increase in capital expenditure in the year. Over the medium-term, we continue to target operating cash conversion of 90% to 100% driven by working capital efficiency and maintaining capex and lease costs close to one times depreciation. Capex is likely to be elevated above this level for the next year as we construct our new ESCO foundry in China and complete our roll-out of SAP and other digital initiatives, resulting in cash conversion between 80% and 90% over 2023.

Free cash flow from total operations was an inflow of £193m (2021: £62m). In addition to the movements noted above, this was primarily impacted by an increase in tax payments of £11m and an £11m decrease in proceeds on settlement of derivative financial instruments.

Net debt increased by £24m to £797m (2021 restated: £773m) and includes £115m (2021: £105m) in respect of IFRS 16 'Leases'. The movement reflects free cash inflow of £193m, offset by foreign exchange retranslation of £101m, dividends of £67m, acquisition of Carriere Industrial Supply of £15m, exceptional cash flows of £26m and other movements of £8m. Net debt to EBITDA on a lender covenant basis was 1.5 times (2021: 1.9 times) compared to a covenant level of 3.5 times.

In April 2022, the Group completed the refinancing of its US$950m Revolving Credit Facility (RCF), which was due to expire in June 2023. This was replaced with a US$800m RCF, which will mature in April 2027, with the option to extend for up to a further two years. The RCF includes a link to the Group's sustainability goals and the covenant terms are unchanged. In January 2023, the Group added a further £300m loan facility, which will expire in January 2024, subject to a one-year extension option. These refinancing actions result in the Group having more than £800m of immediately available committed facilities and cash balances following the maturity of US$200m of US Private placement debt in February 2023.

Pensions

The net IAS 19 funding position improved from a deficit of £57m at December 2021 to a net surplus of £15m at December 2022. This is primarily due to changes in financial assumptions, which resulted in a gain of £303m (2021: £54m), mainly due to the rise in discount rates over the period, partially offset by losses on plan assets of £224m (2021: gain £8m). These movements contributed to a credit of £65m (2021: £96m) being recognised in the Consolidated Statement of Comprehensive Income.

Appendix 1 – 2022 continuing operations[1] quarterly order trends

Reported growth

Division	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2021 FY	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2022 FY
Original Equipment	66%	50%	71%	9%	**45%**	-18%	-3%	13%	19%	**2%**
Aftermarket	-1%	9%	16%	29%	**13%**	23%	18%	25%	6%	**18%**
Minerals	**15%**	**20%**	**30%**	**23%**	**22%**	**9%**	**11%**	**21%**	**10%**	**13%**
Original Equipment	76%	17%	65%	-9%	**36%**	-17%	98%	-6%	14%	**14%**
Aftermarket	-2%	31%	34%	40%	**24%**	37%	19%	14%	1%	**17%**
ESCO	**2%**	**30%**	**36%**	**37%**	**25%**	**32%**	**23%**	**13%**	**2%**	**17%**
Original Equipment	67%	48%	71%	8%	**45%**	-17%	2%	12%	19%	**3%**
Aftermarket	-2%	14%	21%	32%	**16%**	28%	18%	21%	5%	**17%**
Continuing Ops	**11%**	**22%**	**31%**	**26%**	**22%**	**15%**	**14%**	**19%**	**8%**	**14%**
Book-to-bill	**1.22**	**1.20**	**1.14**	**1.01**	**1.14**	**1.22**	**1.13**	**1.02**	**0.95**	**1.07**

Like-for-like growth[2]

Division	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2022 FY
Original Equipment	9%	-18%	-3%	13%	19%	**2%**
Aftermarket	29%	23%	18%	25%	6%	**18%**
Minerals	**23%**	**9%**	**11%**	**21%**	**10%**	**13%**
Original Equipment	-9%	-17%	98%	-6%	14%	**14%**
Aftermarket	39%	31%	9%	5%	-10%	**8%**
ESCO	**36%**	**27%**	**13%**	**4%**	**-9%**	**8%**
Original Equipment	8%	-17%	2%	12%	19%	**3%**
Aftermarket	32%	26%	15%	18%	1%	**14%**
Continuing Ops	**26%**	**14%**	**12%**	**17%**	**5%**	**12%**
Book-to-bill	**1.01**	**1.21**	**1.14**	**1.02**	**0.94**	**1.07**

Quarterly orders[3] £m

Division	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2021 FY	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2022 FY
Original Equipment	136	156	132	123	**547**	113	152	149	147	**561**
Aftermarket	261	309	274	326	**1,170**	322	365	342	347	**1,376**
Minerals	**397**	**465**	**406**	**449**	**1,717**	**435**	**517**	**491**	**494**	**1,937**
Original Equipment	12	8	11	8	**39**	10	15	11	8	**44**
Aftermarket	131	137	142	157	**567**	178	163	162	160	**663**
ESCO	**143**	**145**	**153**	**165**	**606**	**188**	**178**	**173**	**168**	**707**
Original Equipment	148	164	143	131	**586**	123	167	160	155	**605**
Aftermarket	392	446	416	483	**1,737**	500	528	504	507	**2,039**
Continuing Ops	**540**	**610**	**559**	**614**	**2,323**	**623**	**695**	**664**	**662**	**2,644**

Like-for-like orders[2,3] £m

Division	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2022 FY
Original Equipment	123	113	152	149	147	**561**
Aftermarket	326	322	365	342	347	**1,376**
Minerals	**449**	**435**	**517**	**491**	**494**	**1,937**
Original Equipment	8	10	15	11	8	**44**
Aftermarket	157	172	149	149	141	**611**
ESCO	**165**	**182**	**164**	**160**	**149**	**655**
Original Equipment	131	123	167	160	155	**605**
Aftermarket	483	494	514	491	488	**1,987**
Continuing Ops	**614**	**617**	**681**	**651**	**643**	**2,592**

Appendix 1 – 2022 continuing operations[1] quarterly order trends

Reported growth

Division	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2021 FY	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2022 FY
Original Equipment	66%	50%	71%	9%	**45%**	-18%	-3%	13%	19%	**2%**
Aftermarket	-1%	9%	16%	29%	**13%**	23%	18%	25%	6%	**18%**
Minerals	**15%**	**20%**	**30%**	**23%**	**22%**	**9%**	**11%**	**21%**	**10%**	**13%**
Original Equipment	76%	17%	65%	-9%	**36%**	-17%	98%	-6%	14%	**14%**
Aftermarket	-2%	31%	34%	40%	**24%**	37%	19%	14%	1%	**17%**
ESCO	**2%**	**30%**	**36%**	**37%**	**25%**	**32%**	**23%**	**13%**	**2%**	**17%**
Original Equipment	67%	48%	71%	8%	**45%**	-17%	2%	12%	19%	**3%**
Aftermarket	-2%	14%	21%	32%	**16%**	28%	18%	21%	5%	**17%**
Continuing Ops	**11%**	**22%**	**31%**	**26%**	**22%**	**15%**	**14%**	**19%**	**8%**	**14%**
Book-to-bill	**1.22**	**1.20**	**1.14**	**1.01**	**1.14**	**1.22**	**1.13**	**1.02**	**0.95**	**1.07**

Like-for-like growth[2]

Division	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2022 FY
Original Equipment	9%	-18%	-3%	13%	19%	**2%**
Aftermarket	29%	23%	18%	25%	6%	**18%**
Minerals	**23%**	**9%**	**11%**	**21%**	**10%**	**13%**
Original Equipment	-9%	-17%	98%	-6%	14%	**14%**
Aftermarket	39%	31%	9%	5%	-10%	**8%**
ESCO	**36%**	**27%**	**13%**	**4%**	**-9%**	**8%**
Original Equipment	8%	-17%	2%	12%	19%	**3%**
Aftermarket	32%	26%	15%	18%	1%	**14%**
Continuing Ops	**26%**	**14%**	**12%**	**17%**	**5%**	**12%**
Book-to-bill	**1.01**	**1.21**	**1.14**	**1.02**	**0.94**	**1.07**

Quarterly orders[3] £m

Division	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2021 FY	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2022 FY
Original Equipment	136	156	132	123	**547**	113	152	149	147	**561**
Aftermarket	261	309	274	326	**1,170**	322	365	342	347	**1,376**
Minerals	**397**	**465**	**406**	**449**	**1,717**	**435**	**517**	**491**	**494**	**1,937**
Original Equipment	12	8	11	8	**39**	10	15	11	8	**44**
Aftermarket	131	137	142	157	**567**	178	163	162	160	**663**
ESCO	**143**	**145**	**153**	**165**	**606**	**188**	**178**	**173**	**168**	**707**
Original Equipment	148	164	143	131	**586**	123	167	160	155	**605**
Aftermarket	392	446	416	483	**1,737**	500	528	504	507	**2,039**
Continuing Ops	**540**	**610**	**559**	**614**	**2,323**	**623**	**695**	**664**	**662**	**2,644**

	Like-for-like orders[2,3] £m					
Division	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2022 FY
Original Equipment	123	113	152	149	147	**561**
Aftermarket	326	322	365	342	347	**1,376**
Minerals	**449**	**435**	**517**	**491**	**494**	**1,937**
Original Equipment	8	10	15	11	8	**44**
Aftermarket	157	172	149	149	141	**611**
ESCO	**165**	**182**	**164**	**160**	**149**	**655**
Original Equipment	131	123	167	160	155	**605**
Aftermarket	483	494	514	491	488	**1,987**
Continuing Ops	**614**	**617**	**681**	**651**	**643**	**2,592**

Appendix 2 – Foreign exchange (FX) rates and continuing operations[1] profit exposure

	2022 average FX rates	2021 average FX rates	Percentage of FY 2022 operating profits[4]
US Dollar	1.24	1.38	49%
Australian Dollar	1.78	1.83	14%
Euro	1.17	1.16	6%
Canadian Dollar	1.61	1.73	16%
Chilean Peso	1,078.02	1,043.54	14%
South African Rand	20.19	20.34	3%
Brazilian Real	6.39	7.42	3%
Chinese Yuan	8.30	8.88	3%
Indian Rupee	97.06	101.70	2%

1. Continuing operations excludes the Oil & Gas Division, which was sold to Caterpillar Inc. in February 2021 and the Saudi-Arabian joint venture, which was sold to Olayan Financing Company in June 2021.
2. Like-for-like excludes the impact of Motion Metrics acquired on 30 November 2021 and Carriere Industrial Supply Limited acquired on 8 April 2022.
3. 2021 restated at 2022 average exchange rates.
4. Profit figures before adjusting items. Refer to note 2 of the Audited Results contained in this press release for further details of alternative performance measures.

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 2022

		Year ended 31 December 2022			Year ended 31 December 2021		
		Adjusted results	**Adjusting items (note 5)**	**Statutory results**	Adjusted results	Adjusting items (note 5)	Statutory results
	Notes	**£m**	**£m**	**£m**	£m	£m	£m
Continuing operations							
Revenue	3	**2,472.1**	**—**	**2,472.1**	1,933.6	—	1,933.6
Continuing operations							
Operating profit before share of results of joint ventures		**392.3**	**(87.3)**	**305.0**	294.5	(39.6)	254.9
Share of results of joint ventures		**2.5**	**—**	**2.5**	1.7	—	1.7
Operating profit		**394.8**	**(87.3)**	**307.5**	296.2	(39.6)	256.6
Finance costs		**(51.0)**	**—**	**(51.0)**	(52.7)	—	(52.7)
Finance income		**3.7**	**—**	**3.7**	5.6	—	5.6
Profit before tax from continuing operations		**347.5**	**(87.3)**	**260.2**	249.1	(39.6)	209.5
Tax (expense) credit	6	**(92.5)**	**44.9**	**(47.6)**	(63.8)	9.4	(54.4)
Profit for the year from continuing operations		**255.0**	**(42.4)**	**212.6**	185.3	(30.2)	155.1
Profit (loss) for the year from discontinued operations	7	**1.2**	**—**	**1.2**	(2.2)	106.1	103.9
Profit (loss) for the year		**256.2**	**(42.4)**	**213.8**	183.1	75.9	259.0
Attributable to:							
Equity holders of the Company		**255.8**	**(42.4)**	**213.4**	182.6	75.9	258.5
Non-controlling interests		**0.4**	**—**	**0.4**	0.5	—	0.5
		256.2	**(42.4)**	**213.8**	183.1	75.9	259.0
Earnings per share	8						
Basic – total operations				**82.5p**			99.7p
Basic – continuing operations		**98.4p**		**82.0p**	71.3p		59.6p
Diluted – total operations				**82.0p**			99.0p
Diluted – continuing operations		**97.8p**		**81.5p**	70.8p		59.2p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Profit for the year	**213.8**	259.0
Other comprehensive income (expense)		
Losses taken to equity on cash flow hedges	**—**	(0.2)
Exchange gains (losses) on translation of foreign operations	**223.1**	(29.9)
Reclassification of foreign currency translation reserve on disposal of operations	**0.1**	(103.4)
Exchange losses on net investment hedges	**(124.9)**	(18.2)
Reclassification adjustments on cash flow hedges	**0.5**	0.1
Tax relating to other comprehensive expense to be reclassified in subsequent periods	**(0.1)**	—
Items that are or may be reclassified to profit or loss in subsequent periods	**98.7**	(151.6)
Other comprehensive income (expense) not to be reclassified to profit or loss in subsequent periods:		
Remeasurements on defined benefit plans	**65.3**	96.3
Tax relating to other comprehensive income not to be reclassified in subsequent periods	**(16.3)**	(21.1)
Items that will not be reclassified to profit or loss in subsequent periods	**49.0**	75.2
Net other comprehensive income (expense)	**147.7**	(76.4)
Total net comprehensive income for the year	**361.5**	182.6
Attributable to:		
Equity holders of the Company	**360.8**	182.5
Non-controlling interests	**0.7**	0.1
	361.5	182.6
Total net comprehensive income (expense) for the year attributable to equity holders of the Company		
Continuing operations	**359.6**	183.3
Discontinued operations	**1.2**	(0.8)
	360.8	182.5

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2022

	Notes	31 December 2022 £m	Restated (note 1) 31 December 2021 £m
ASSETS			
Non-current assets			
Property, plant & equipment		**462.2**	415.9
Intangible assets		**1,409.9**	1,308.4
Investments in joint ventures		**15.1**	12.3
Deferred tax assets		**92.5**	57.0
Other receivables		**76.8**	76.5
Retirement benefit plan assets	14	**50.0**	—
Total non-current assets		**2,106.5**	1,870.1
Current assets			
Inventories		**679.1**	516.5
Trade & other receivables		**528.9**	505.7
Derivative financial instruments	15	**8.9**	7.1
Income tax receivable		**41.3**	33.0
Cash & short-term deposits		**691.2**	564.4
Total current assets		**1,949.4**	1,626.7
Total assets		**4,055.9**	3,496.8
LIABILITIES			
Current liabilities			
Interest-bearing loans & borrowings		**406.3**	524.1
Trade & other payables		**623.5**	491.1
Derivative financial instruments	15	**13.2**	3.8
Income tax payable		**7.4**	7.6
Provisions	12	**35.3**	36.3
Total current liabilities		**1,085.7**	1,062.9
Non-current liabilities			
Interest-bearing loans & borrowings		**1,082.1**	812.8
Other payables		**1.0**	—
Derivative financial instruments	15	**—**	0.1
Provisions	12	**62.9**	69.0
Deferred tax liabilities		**51.4**	40.8
Retirement benefit plan deficits	14	**34.9**	56.7
Total non-current liabilities		**1,232.3**	979.4
Total liabilities		**2,318.0**	2,042.3
NET ASSETS		**1,737.9**	1,454.5
CAPITAL & RESERVES			
Share capital		**32.5**	32.5
Share premium		**582.3**	582.3
Merger reserve		**332.6**	332.6
Treasury shares		**(14.3)**	(5.3)
Capital redemption reserve		**0.5**	0.5
Foreign currency translation reserve		**(108.5)**	(206.5)
Hedge accounting reserve		**1.9**	1.5
Retained earnings		**899.5**	705.9
Shareholders' equity		**1,726.5**	1,443.5
Non-controlling interests		**11.4**	11.0
TOTAL EQUITY		**1,737.9**	1,454.5

The financial statements were approved by the Board of Directors and authorised for issue on 1 March 2023.

JON STANTON
Director

JOHN HEASLEY
Director

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	**Year ended 31 December 2022 £m**	Year ended 31 December 2021 £m
Total operations			
Cash flows from operating activities	16		
Cash generated from operations		**447.8**	266.0
Additional pension contributions paid		**(9.7)**	(7.8)
Exceptional and other adjusting cash items		**(14.2)**	(8.6)
Exceptional cash items - acquired vendor liabilities		**(9.7)**	(11.1)
Income tax paid		**(93.4)**	(82.4)
Net cash generated from operating activities		**320.8**	156.1
Cash flows from investing activities			
Acquisitions of subsidiaries, net of cash acquired	16	**(15.2)**	(67.9)
Purchases of property, plant & equipment		**(56.1)**	(44.4)
Purchases of intangible assets		**(6.6)**	(8.4)
Exceptional cash item – proceeds from sale of property		**—**	15.8
Other proceeds from sale of property, plant & equipment and intangible assets		**4.4**	14.3
Disposals of discontinued operations, net of cash disposed and disposal costs	7,16	**(0.1)**	258.5
Exceptional cash item - disposal of ESCO Russia	16	**(2.0)**	—
Disposals of joint ventures	16	**—**	24.0
Interest received		**4.6**	2.6
Dividends received from joint ventures		**2.7**	0.7
Net cash (used in) generated from investing activities		**(68.3)**	195.2
Cash flows from financing activities			
Proceeds from borrowings		**822.8**	794.1
Repayments of borrowings		**(958.9)**	(903.4)
Lease payments		**(30.5)**	(27.8)
Settlement of derivative financial instruments		**(0.3)**	10.6
Interest paid		**(49.9)**	(45.6)
Dividends paid to equity holders of the Company	9	**(66.7)**	(29.8)
Dividends paid to non-controlling interests		**(0.3)**	(0.4)
Purchase of shares for employee share plans		**(20.0)**	(15.0)
Net cash used in financing activities		**(303.8)**	(217.3)
Net (decrease) increase in cash & cash equivalents		**(51.3)**	134.0
Cash & cash equivalents at the beginning of the year		**500.0**	374.1
Foreign currency translation differences		**28.8**	(8.1)
Cash & cash equivalents at the end of the year	16	**477.5**	500.0

The cash flows from discontinued operations included above are disclosed separately in note 7.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital	Share premium	Merger reserve	Treasury shares	Capital redemption reserve	Foreign currency translation reserve	Hedge accounting reserve	Retained earnings	Attributable to equity holders of the Company	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 31 December 2020	32.5	582.3	332.6	(6.8)	0.5	(55.4)	1.6	408.3	1,295.6	11.3	1,306.9
Profit for the year	—	—	—	—	—	—	—	258.5	258.5	0.5	259.0
Losses taken to equity on cash flow hedges	—	—	—	—	—	—	(0.2)	—	(0.2)	—	(0.2)
Exchange losses on translation of foreign operations	—	—	—	—	—	(29.5)	—	—	(29.5)	(0.4)	(29.9)
Reclassification of exchange gains on discontinued operations	—	—	—	—	—	(103.4)	—	—	(103.4)	—	(103.4)
Exchange losses on net investment hedges	—	—	—	—	—	(18.2)	—	—	(18.2)	—	(18.2)
Reclassification adjustments on cash flow hedges	—	—	—	—	—	—	0.1	—	0.1	—	0.1
Remeasurements on defined benefit plans	—	—	—	—	—	—	—	96.3	96.3	—	96.3
Tax relating to other comprehensive income	—	—	—	—	—	—	—	(21.1)	(21.1)	—	(21.1)
Total net comprehensive (expense) income for the year	—	—	—	—	—	(151.1)	(0.1)	333.7	182.5	0.1	182.6
Cost of share-based payments inclusive of tax charge	—	—	—	—	—	—	—	10.2	10.2	—	10.2
Dividends	—	—	—	—	—	—	—	(29.8)	(29.8)	—	(29.8)
Purchase of shares for employee share plans	—	—	—	(15.0)	—	—	—	—	(15.0)	—	(15.0)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	(0.4)	(0.4)
Exercise of share-based payments	—	—	—	16.5	—	—	—	(16.5)	—	—	—
At 31 December 2021	32.5	582.3	332.6	(5.3)	0.5	(206.5)	1.5	705.9	1,443.5	11.0	1,454.5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital	Share premium	Merger reserve	Treasury shares	Capital redemption reserve	Foreign currency translation reserve	Hedge accounting reserve	Retained earnings	Attributable to equity holders of the Company	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 31 December 2021	32.5	582.3	332.6	(5.3)	0.5	(206.5)	1.5	705.9	1,443.5	11.0	1,454.5
Profit for the year	—	—	—	—	—	—	—	213.4	213.4	0.4	213.8
Exchange gains on translation of foreign operations	—	—	—	—	—	222.8	—	—	222.8	0.3	223.1
Reclassification of foreign currency translation reserve on disposal of operations	—	—	—	—	—	0.1	—	—	0.1	—	0.1
Exchange losses on net investment hedges	—	—	—	—	—	(124.9)	—	—	(124.9)	—	(124.9)
Reclassification adjustments on cash flow hedges	—	—	—	—	—	—	0.5	—	0.5	—	0.5
Remeasurements on defined benefit plans	—	—	—	—	—	—	—	65.3	65.3	—	65.3
Tax relating to other comprehensive income	—	—	—	—	—	—	(0.1)	(16.3)	(16.4)	—	(16.4)
Total net comprehensive income for the year	—	—	—	—	—	98.0	0.4	262.4	360.8	0.7	361.5
Cost of share-based payments inclusive of tax credit	—	—	—	—	—	—	—	8.9	8.9	—	8.9
Dividends	—	—	—	—	—	—	—	(66.7)	(66.7)	—	(66.7)
Purchase of shares for employee share plans	—	—	—	(20.0)	—	—	—	—	(20.0)	—	(20.0)
Dividends to non-controlling interests	—	—	—	—	—	—	—	—	—	(0.3)	(0.3)
Exercise of share-based payments	—	—	—	11.0	—	—	—	(11.0)	—	—	—
At 31 December 2022	32.5	582.3	332.6	(14.3)	0.5	(108.5)	1.9	899.5	1,726.5	11.4	1,737.9

1. Accounting policies

A. Basis of preparation

The audited results for the year ended 31 December 2022 ("2022") have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to those companies reporting under those standards.

The financial information set out in the audited results does not constitute the Group's statutory financial statements for the year ended 31 December 2022 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 2022.

Statutory financial statements for the year ended 31 December 2021 ("2021"), 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 2021 and for the year ended 31 December 2022 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 period ended 31 December 2022 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 financial statements are also prepared on a historic cost basis except where measured at fair value as outlined in the accounting policies.

Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue to operate for a period of at least 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis of preparing the financial statements. In forming this view the Directors have reviewed the Group's budget and sensitivity analysis.

Basis of consolidation

The Consolidated Financial Statements include the results, cash flows and assets and liabilities of The Weir Group PLC and its subsidiaries, and the Group's share of results of its joint venture. For consolidation purposes, subsidiaries and joint ventures prepare financial information for the same reporting period as the Company using consistent accounting policies.

A subsidiary is an entity controlled, either directly or indirectly, by the Company, where control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The results of a subsidiary acquired during the period are included in the Group's results from the effective date on which control is transferred to the Group. The results of a subsidiary sold during the period are included in the Group's results up to the effective date on which control is transferred out of the Group. All intragroup transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries that are not held by the Group and are presented within equity in the Consolidated Balance Sheet, separately from the Company Shareholders' equity.

New accounting standards, amendments and interpretations

The accounting policies that follow are consistent with those of the previous period, with the exception of the following standards, amendments and interpretations which are effective for the year ended 31 December 2022:

i) Property, plant and equipment: Proceeds before intended use - Amendments to IAS 16;
ii) Annual improvements to IFRS standards 2018-2020;
iii) Onerous contracts - Cost of fulfilling a contract - Amendments to IAS 37; and
iv) Reference to conceptual framework amendments to IFRS 3.

The amendments listed above are not considered to have a material impact on the Consolidated Financial Statements of the Group.

The following new accounting standards and interpretations have been published but are not mandatory for 31 December 2022:

i) Amendments to IAS 1 - Classification of liabilities as current or non-current;
ii) Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;
iii) Amendment to IFRS 16 - Leases on sale and leaseback;
iv) Amendment to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction; and
v) IFRS 17 'Insurance contracts' as amended in December 2021.

These amendments have not been early adopted by the Group. The impact assessment is ongoing, however, from initial review these standards are not expected to have a material impact on the Group in the current or future reporting periods or on foreseeable future transactions.

1. Accounting policies (continued)

Climate change

Climate change is considered to be a key element of our overall sustainability roadmap. As well as considering the impact of climate change across our business model, the Directors have considered the impact on the financial statements in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Climate change is not considered to have a material impact on the financial reporting judgements and estimates arising from our considerations. Overall, sustainability is recognised in the market as a growth driver for Weir and a key part of our investment case. This is consistent with our assessment that climate change is not expected to have a detrimental impact on the viability of the Group in the medium-term. Specifically we note the following:

- The impact of climate change has been included in the modelling to assess the viability and going concern status of the Group, both in terms of the preparation of our Strategic Plan, which underpins our viability statement modelling, and the modelling of our severe, but plausible downside scenarios;
- Our assessment of the carrying value of goodwill and intangible assets included consideration of scenario analysis of potential climate change on our end markets and this did not introduce a set of circumstances that were considered could reasonably lead to an impairment;
- The impact on the carrying value and useful lives of tangible assets has been considered and while we continue to invest in projects to reduce our carbon impact, there is not considered to be a material impact on our existing asset base; and
- In May 2021, the Group successfully completed the issuance of five-year US$800m Sustainability-Linked Notes. The cost of meeting our linked targets in 2024 has been considered within the above modelling and the impact is not material.

Further detail on our science-based targets and performance against them is included in the Emissions Strategy in the Strategic Report section of the Annual Report.

B. Prior year restatement

Following the acquisition of Motion Metrics during the year ended 31 December 2021, the Group has completed the review of the opening balance sheet (OBS) position acquired. As part of this process, the Group has identified the adjustments below that are required to the opening balance sheet, which was reported in the 2021 Annual Report.

Restated Consolidated Balance Sheet (extract)
at 31 December 2021

	As previously reported	Adjustment to OBS	Restated
	£m	£m	£m
Non-current assets			
Property, plant & equipment	415.3	0.6	415.9
Intangible assets	1,308.3	0.1	1,308.4
Current assets			
Inventories	517.1	(0.6)	516.5
Income tax receivable	32.0	1.0	33.0
Current liabilities			
Interest-bearing loans & borrowings	523.9	0.2	524.1
Trade & other payables	490.6	0.5	491.1
Provisions	36.5	(0.2)	36.3
Non-current liabilities			
Interest-bearing loans & borrowings	812.3	0.5	812.8
Deferred tax liabilities	40.7	0.1	40.8
NET ASSETS	1,454.5	—	1,454.5

C. 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.

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.

1. Accounting policies (continued)

Critical judgments and estimates

The areas where management considers critical judgements and estimates to be required, which are areas more likely to be materially adjusted within the next 12 months due to inherent uncertainty regarding estimates and assumptions, are those in respect of the following:

i) 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.

ii) Provisions (judgement/estimate)

Management judgement is used to determine when a provision is recognised, taking into account the commercial drivers that gave rise to it, 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 judgement and estimate is the US asbestos provision and associated insurance asset, details of which are included in note 12.

iii) Deferred 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 time limits imposed by the relevant tax legislation. The value of the recognised US deferred tax asset in relation to US tax attributes is based on expected future US taxable profits with reference to the Group's ten-year forecast period and assumptions over the intended use of these tax attributes during this period. The application of this model and its underlying assumptions may result in future changes to the deferred tax asset recognised. In particular, the recognition of US deferred tax assets relating to deferred intra-group interest deductions is based upon the current policy and modelling demonstrating full utilisation of that attribute over the ten-year forecast period. If the current policy were to change then the utilisation of this tax attribute, as demonstrated by the model, may reduce resulting in a reduction in US deferred tax asset recognised of a maximum of £41.2m.

Other estimates

iii) Taxation (estimate)

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 or the expected value for each liability. Provisions for uncertain tax positions are included in current tax liabilities and total £7.1m at 31 December 2022.

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 6.

D. Accounting policies
Adjusting items

In order to provide the users of the Consolidated Financial Statements with a more relevant presentation of the Group's performance, statutory results for each year have been analysed between:

i) adjusted results; and

ii) the effect of adjusting items.

The principal adjusting items are summarised below. These specific items are presented on the face of the Consolidated Income Statement, along with the related adjusting items' taxation, 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 business performance is measured internally.

i) Intangibles amortisation

Intangibles amortisation is expensed in line with the other intangible assets policy, with separate disclosure provided to allow visibility of the impact of both:

a) intangible assets recognised via acquisition, which primarily relate to items that would not normally be capitalised unless identified as part of an acquisition opening balance sheet. The ongoing costs associated with these assets are expensed; and

b) ongoing multi-year investment activities, which currently include our IT transformation strategy and digitalisation strategy.

During the year, amortisation of £5.7m (2021: £5.3m) is included within adjusted operating profit in relation to assets which are no longer part of ongoing multi-year investment activities.

1. Accounting policies (continued)

ii) Exceptional items

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. 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; acquisitions and other items deemed exceptional due to their significance, size or nature.

iii) Other adjusting items

Other adjusting items are those that do not relate to the Group's current ongoing trading and, due to their nature, are treated as adjusting items. For example these may include, but are not restricted to, movements in the provision for asbestos-related claims or the associated insurance assets, which relate to the Flow Control Division that was sold in 2019, but the provision remains with the Group and is in run-off, or past service costs related to pension liabilities.

Further analysis of the items included in the column 'Adjusting items' in the Consolidated Income Statement is provided in note 5.

2. Alternative performance measures

The Consolidated Financial Statements of The Weir Group PLC have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to those companies reporting under those standards. 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.

Adjusted results and adjusting items

The Consolidated Income Statement presents Statutory results, which are provided on a GAAP basis, and Adjusted results (non-GAAP), which are management's primary area of focus when reviewing the performance of the business. Adjusting items represent the difference between Statutory results and Adjusted results and are defined within the accounting policies section above. The accounting policy for Adjusting items should be read in conjunction with this note. Details of each adjusting item are provided in note 5. We consider this presentation to be helpful as it allows greater comparability of the underlying performance of the business from year to year.

EBITDA

EBITDA is operating profit from continuing operations, before exceptional items, other adjusting items, intangibles amortisation, and excluding depreciation of owned assets and right-of-use assets. EBITDA is a widely used measure of a company's profitability of its operations before any effects of indebtedness, taxes or costs required to maintain its asset base. EBITDA is used in conjunction with other GAAP and non-GAAP financial measures to assess our operational performance. A reconciliation of EBITDA to the closest equivalent GAAP measure, operating profit, is provided.

	2022 £m	2021 £m
Continuing operations		
Operating profit	307.5	256.6
Adjusted for:		
Exceptional and other adjusting items (note 5)	51.4	4.7
Adjusting amortisation (note 5)	35.9	34.9
Adjusted operating profit	394.8	296.2
Non-adjusting amortisation	5.7	5.3
Adjusted Earnings before interest, tax and amortisation (EBITA)	400.5	301.5
Depreciation of owned property, plant & equipment	47.0	43.0
Depreciation of right-of-use property, plant & equipment	31.4	27.6
Adjusted Earnings before interest, tax, depreciation and amortisation (EBITDA)	478.9	372.1

Operating cash flow (cash generated from operations)

Operating cash flow excludes additional pension contributions, exceptional and other adjusting cash items and income tax paid. This is a useful measure to view or assess the underlying cash generation of the business from its operating activities. A reconciliation to the GAAP measure 'Net cash generated from operating activities' is provided in the Consolidated Cash Flow Statement.

2. Alternative performance measures (continued)

Free operating cash flow and free cash flow

Free operating cash flow (FOCF) is defined as operating cash flow (cash generated from operations), adjusted for net capital expenditure, lease payments, dividends received from joint ventures and purchase of shares for employee share plans. FOCF provides a useful measure of the cash flows generated directly from the operational activities after taking into account other cash flows closely associated with maintaining daily operations.
Free cash flow (FCF) is defined as FOCF further adjusted for net interest, income taxes, settlement of derivative financial instruments, additional pension contributions and non-controlling interest dividends. FCF reflects an additional way of viewing our available funds that we believe is useful to investors as it represents cash flows that could be used for repayment of debt, dividends, exceptional and other adjusting items, or to fund our strategic initiatives, including acquisitions, if any.

The reconciliation of operating cash flows (cash generated from operations) to FOCF and subsequently FCF is as follows.

	2022 £m	2021 £m
Operating cash flow (cash generated from operations)	447.8	266.0
Net capital expenditure from purchase & disposal of property, plant & equipment and intangibles	(58.3)	(38.5)
Lease payments	(30.5)	(27.8)
Dividends received from joint ventures	2.7	0.7
Purchase of shares for employee share plans	(20.0)	(15.0)
Free operating cash flow (FOCF)	**341.7**	185.4
Net interest paid	(45.3)	(43.0)
Income tax paid	(93.4)	(82.4)
Settlement of derivative financial instruments	(0.3)	10.6
Additional pension contributions paid	(9.7)	(7.8)
Non-controlling interest dividends	(0.3)	(0.4)
Free cash flow (FCF)	**192.7**	62.4

Free operating cash conversion

Free operating cash conversion is a non-GAAP key performance measure defined as free operating cash flow divided by adjusted operating profit on a total Group basis. The measure is used by management to monitor the Group's ability to generate cash relative to operating profits.

	2022 £m	2021 £m
Continuing operations	394.8	296.2
Discontinued operations (note 7)	—	(0.3)
Adjusted operating profit – Total Group	**394.8**	295.9
Free operating cash flow	**341.7**	185.4
Free operating cash conversion %	**87%**	63%

2. Alternative performance measures (continued)

Working capital as a percentage of sales

Working capital as a percentage of sales is calculated based on working capital as reflected below, divided by revenue, as included in the Consolidated Income Statement. It is a measure used by management to monitor how efficiently the Group is managing its investment in working capital relative to revenue growth.

	2022 £m	Restated (note 1) 2021 £m
Working capital as included in the Consolidated Balance Sheet		
Other receivables	**76.8**	76.5
Inventories	**679.1**	516.5
Trade & other receivables	**528.9**	505.7
Derivative financial instruments (note 15)	**(4.3)**	3.2
Trade & other payables	**(623.5)**	(491.1)
Other payables	**(1.0)**	—
	656.0	610.8
Adjusted for:		
Insurance contract assets	**(77.9)**	(82.4)
Interest accruals	**5.3**	10.9
Deferred consideration	**2.0**	—
	(70.6)	(71.5)
Working capital	**585.4**	539.3
Revenue	**2,472.1**	1,933.6
Working capital as a percentage of sales	**24%**	28%

Net debt

Net debt is a widely used liquidity metric calculated by taking cash and cash equivalents less total current and non-current debt. A reconciliation of net debt to cash and short-term deposits and interest-bearing loans and borrowings is provided in note 16. It is a useful measure used by management and investors when monitoring the capital management of the Group. Net debt, excluding lease liabilities and converted at the exchange rates used in the preparation of the Consolidated Income Statement, is also the basis for covenant reporting.

3. Segment information

Continuing operations includes two operating Divisions: Minerals and ESCO. These two 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 'Operating Segments'. The operating and reportable segments were determined based on the reports reviewed by the Chief Executive Officer, which are used to make operational decisions.

The Minerals segment is a global leader in engineering, manufacturing and service processing technology used in abrasive, high-wear mining applications. Its differentiated technology is also used in infrastructure and general industrial markets. The ESCO segment is a global leader in the provision of Ground Engaging Tools (G.E.T.) for large mining machines. It operates predominantly in mining and infrastructure markets where its highly engineered technology improves productivity through extended wear life, increased safety and reduced energy consumption.

Following the acquisition of Motion Metrics on 30 November 2021 and Carriere Industrial Supply Limited (CIS) on 8 April 2022, these entities have been included in the ESCO segment. Motion Metrics is a mining technology business, which is the market-leading developer of innovative artificial intelligence (AI) and 3D rugged Machine Vision Technology, used in mines worldwide. CIS is a premier manufacturer and distributor of highly engineered wear parts and aftermarket service provider to the Canadian mining industry.

During 2021, the Group completed the disposal of its Oil & Gas Division and, in line with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', the Group classified the Division as a discontinued operation as disclosed in note 7.

The Chief Executive Officer assesses the performance of the operating segments based on operating profit from continuing operations before exceptional and other adjusting items ('segment result'). Finance income and expenditure and associated interest-bearing liabilities and financing 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.

The segment information for the reportable segments for 2022 and 2021 is disclosed below. Information for the former Oil & Gas Division is included in note 7.

	Minerals		**ESCO**		**Total continuing operations**	
	2022	2021	**2022**	2021	**2022**	2021
	£m	£m	**£m**	£m	**£m**	£m
Revenue						
Sales to external customers	**1,780.5**	1,422.1	**691.6**	511.5	**2,472.1**	1,933.6
Inter-segment sales	**0.1**	—	**3.2**	2.1	**3.3**	2.1
Segment revenue	**1,780.6**	1,422.1	**694.8**	513.6	**2,475.4**	1,935.7
Eliminations					**(3.3)**	(2.1)
					2,472.1	1,933.6
Sales to external customers – 2021 at 2022 average exchange rates						
Sales to external customers	**1,780.5**	1,481.6	**691.6**	569.0	**2,472.1**	2,050.6
Segment result						
Segment result before share of results of joint ventures	**323.5**	251.0	**107.5**	81.6	**431.0**	332.6
Share of results of joint ventures	**—**	—	**2.5**	1.7	**2.5**	1.7
Segment result	**323.5**	251.0	**110.0**	83.3	**433.5**	334.3
Unallocated expenses					**(38.7)**	(38.1)
Adjusted operating profit					**394.8**	296.2
Adjusting items					**(87.3)**	(39.6)
Net finance costs					**(47.3)**	(47.1)
Profit before tax from continuing operations					**260.2**	209.5
Segment result – 2021 at 2022 average exchange rates						
Segment result before share of results of joint ventures	**323.5**	260.8	**107.5**	91.0	**431.0**	351.8
Share of results of joint ventures	**—**	—	**2.5**	1.9	**2.5**	1.9
Segment result	**323.5**	260.8	**110.0**	92.9	**433.5**	353.7
Unallocated expenses					**(38.7)**	(38.1)
Adjusted operating profit					**394.8**	315.6

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

3. Segment information (continued)

	Minerals		ESCO		Discontinued operations		Total Group	
				Restated (note 1)				Restated (note 1)
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m
Assets & liabilities								
Intangible assets	**600.8**	563.8	**809.0**	741.8	**—**	—	**1,409.8**	1,305.6
Property, plant & equipment	**303.4**	280.1	**147.6**	124.3	**—**	—	**451.0**	404.4
Working capital assets	**902.0**	773.2	**307.3**	238.4	**—**	—	**1,209.3**	1,011.6
	1,806.2	1,617.1	**1,263.9**	1,104.5	**—**	—	**3,070.1**	2,721.6
Investments in joint ventures	**—**	—	**15.1**	12.3	**—**	—	**15.1**	12.3
Segment assets	**1,806.2**	1,617.1	**1,279.0**	1,116.8	**—**	—	**3,085.2**	2,733.9
Unallocated assets							**970.7**	762.9
Total assets							**4,055.9**	3,496.8
Working capital liabilities	**543.7**	406.9	**139.9**	119.9	**—**	—	**683.6**	526.8
Segment liabilities	**543.7**	406.9	**139.9**	119.9	**—**	—	**683.6**	526.8
Unallocated liabilities							**1,634.4**	1,515.5
Total liabilities							**2,318.0**	2,042.3
Other segment information - total Group								
Segment additions to non-current assets	**68.7**	60.2	**29.4**	16.8	**—**	0.4	**98.1**	77.4
Unallocated additions to non-current assets							**1.1**	0.2
Total additions to non-current assets							**99.2**	77.6
Other segment information - total Group								
Segment depreciation & amortisation	**73.8**	66.4	**43.1**	34.8	**—**	—	**116.9**	101.2
Segment impairment of property, plant & equipment	**1.3**	(1.4)	**—**	—	**—**	—	**1.3**	(1.4)
Segment impairment of intangible assets	**0.3**	0.1	**—**	—	**—**	—	**0.3**	0.1
Unallocated depreciation & amortisation							**3.1**	9.6
Total depreciation, amortisation & impairment							**121.6**	109.5

The asset and liability balances include right-of-use assets and lease liabilities.

Unallocated assets primarily comprise cash and short-term deposits, asbestos-related insurance asset, Trust Owned Life Insurance policy investments, derivative financial instruments, income tax receivable, deferred tax assets and elimination of intercompany as well as those assets which are used for general head office purposes. Unallocated liabilities primarily comprise interest-bearing loans and borrowings and related interest accruals, derivative financial instruments, income tax payable, provisions, deferred tax liabilities, elimination of intercompany and retirement benefit deficits as well as liabilities relating to general head office activities. Segment additions to non-current assets include right-of-use assets.

3. Segment information (continued)

Geographical information

Geographical information in respect of revenue and non-current assets for 2022 and 2021 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 2022	UK £m	US £m	Canada £m	Asia Pacific £m	Australasia £m	South America £m	Middle East & Africa £m	Europe & FSU £m	Total £m
Revenue from continuing operations									
Sales to external customers	**34.8**	**418.1**	**378.3**	**288.2**	**336.3**	**540.8**	**295.3**	**180.3**	**2,472.1**
Non-current assets	**310.3**	**765.5**	**177.7**	**184.6**	**210.5**	**82.9**	**105.1**	**50.6**	**1,887.2**

Year ended 31 December 2021	UK £m	US £m	Canada £m	Asia Pacific £m	Australasia £m	South America £m	Middle East & Africa £m	Europe & FSU £m	Total £m
Revenue from continuing operations									
Sales to external customers	23.8	315.9	266.0	237.9	304.0	387.5	224.1	174.4	1,933.6
Non-current assets (restated note 1)	314.1	699.3	159.6	150.0	201.5	71.1	86.9	54.1	1,736.6

The following disclosures are given in relation to continuing operations.

	2022 £m	2021 £m
An analysis of the Group's revenue is as follows:		
Original equipment	**456.0**	386.9
Aftermarket parts	**1,825.7**	1,366.6
Sales of goods	**2,281.7**	1,753.5
Provision of services – aftermarket	**141.9**	121.0
Construction contracts – original equipment	**45.5**	59.1
Subscription services	**3.0**	—
Revenue	**2,472.1**	1,933.6

	Minerals		ESCO		Total continuing operations	
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Timing of revenue recognition						
At a point in time	**1,682.7**	1,290.6	**681.9**	508.3	**2,364.6**	1,798.9
Over time	**97.9**	131.5	**12.9**	5.3	**110.8**	136.8
Segment revenue	**1,780.6**	1,422.1	**694.8**	513.6	**2,475.4**	1,935.7
Eliminations					**(3.3)**	(2.1)
					2,472.1	1,933.6

4. Revenue & expenses

The following disclosures are given in relation to continuing operations.

	Year ended 31 December 2022			Year ended 31 December 2021		
	Adjusted results £m	**Adjusting items £m**	**Statutory results £m**	Adjusted results £m	Adjusting items £m	Statutory results £m
A reconciliation of revenue to operating profit is as follows:						
Revenue	**2,472.1**	**—**	**2,472.1**	1,933.6	—	1,933.6
Cost of sales	**(1,573.4)**	**(24.8)**	**(1,598.2)**	(1,237.2)	(4.4)	(1,241.6)
Gross profit	**898.7**	**(24.8)**	**873.9**	696.4	(4.4)	692.0
Other operating income	**10.4**	**—**	**10.4**	14.6	4.8	19.4
Selling & distribution costs	**(279.8)**	**(4.2)**	**(284.0)**	(218.9)	—	(218.9)
Administrative expenses	**(237.0)**	**(58.3)**	**(295.3)**	(197.6)	(40.0)	(237.6)
Share of results of joint ventures	**2.5**	**—**	**2.5**	1.7	—	1.7
Operating profit	**394.8**	**(87.3)**	**307.5**	296.2	(39.6)	256.6

Details of adjusting items are included in note 5.

5. Adjusting items

	2022 £m	2021 £m
Recognised in arriving at operating profit from continuing operations		
Intangibles amortisation	**(35.9)**	(34.9)
Exceptional items		
Acquisition and integration related costs	**(2.4)**	(1.9)
Russian operations wind down	**(44.0)**	—
Cybersecurity incident response	**—**	(4.7)
Performance Excellence programme	**(2.9)**	—
Other restructuring and rationalisation activities	**0.4**	6.3
	(48.9)	(0.3)
Other adjusting items		
Asbestos-related provision	**(2.5)**	(4.4)
Total adjusting items	**(87.3)**	(39.6)
Recognised in arriving at operating profit from discontinued operations		
Exceptional items		
Onerous purchase contracts	**—**	0.9
Total adjusting items (note 7)	**—**	0.9

Continuing operations

Intangibles amortisation

Intangibles amortisation of £35.9m (2021: £34.9m) relates to acquisition related assets and ongoing multi-year investment activities, as outlined in the accounting policy in note 1.

Exceptional items

Exceptional items in the year include £2.4m of acquisition and integration related costs, of which £1.6m relates to the acquisition of Carriere Industrial Supply Limited (CIS) which completed on 8 April 2022 (note 11). The charge includes an unwind of a fair value adjustment of £0.6m, recorded in the opening balance sheet in relation to fabricated inventory products and costs of £1.0m related to adviser fees, due diligence and initial integration costs which were fully cash settled in the year. The remaining £0.8m (2021: £2.8m) expense relates to further acquisition and integration costs for the prior year acquisition of Motion Metrics, which completed on 30 November 2021 (note 11). The prior year also included an accrual reversal of £0.9m in relation to ESCO integration costs, which were initially expensed in 2019. In total, acquisition and integration costs have resulted in a £3.7m exceptional cash outflow in the year, including items expensed in the prior year. We anticipate final integration costs of approximately £2.0m in 2023 in respect of Motion Metrics and CIS.

In March 2022, the Group announced the suspension of its business and operations in Russia and commenced the wind down of these. In the ESCO Division, the business transferred ownership of its Russia business to the local management team. The legal transfer and disposal completed on 15 September 2022, which resulted in an exceptional charge of £4.9m. The net assets, including cash balances of £1.9m, at the date of disposal were £4.7m. Costs of disposal totalled £0.1m for legal fees. A further loss of £0.1m has been recognised in respect of recycling the cumulative foreign exchange gains and losses from the foreign currency translation reserve to the income statement, which is recognised only at the time of disposal. In the Minerals Division, the process of winding down operations of its Russian subsidiary is complex and ongoing. An exceptional charge of £25.4m has been recognised, which represents provision for assets on the subsidiary's balance sheet at December 2022 of £19.5m, of which £10.2m relates to inventory and £5.5m relates to trade receivables, where recoverability is deemed uncertain, severance costs of £3.3m, customer penalties of £1.8m and other costs of £0.8m mainly relating to staff retention. Exceptional charges have also been recognised across other Minerals entities, including provisions for inventory of £7.0m, primarily for 'made to order' items that are currently unable to be shipped to Russia, and provision for receivables of £2.8m, primarily due from sanctioned customers. Exiting the Russian market also led to other costs across Europe, which totalled £3.9m and primarily reflects severance and incremental warehousing costs as a result of delayed or cancelled shipments. This has resulted in a total exceptional charge of £39.1m, of which £29.5m is non-cash related. Exceptional cash outflows in respect of the Russia wind down are £5.3m in the year, with the remainder expected to be paid in 2023.

An initial exceptional charge in respect of the Group's Performance Excellence programme of £2.9m has been recognised in the year. The three-year programme aims to transform the way we work with more agile and efficient business processes, with a focus on customer and service-delivery. The programme includes capacity optimisation, lean processes and global business services. The charge in the year includes advisory fees of £0.7m in relation to the Performance Excellence programme scoping and £2.2m in Australia for a service centre restructuring, which is part of the capacity optimisation element of the strategy. This has resulted in an exceptional cash outflow, in respect of the Performance Excellence programme, in the year of £2.2m with a remaining £0.6m expected in H1 2023.

5. Adjusting items (continued)

An exceptional credit for other restructuring and rationalisation activities of £0.4m represents releases of unutilised prior year provisions in China, Malaysia and Peru.

In the prior year, restructuring and rationalisation activities primarily represented a land sale in Sendayan, Malaysia. The land sold was part of our restructuring decision to exit Minerals Malaysia foundry operations in 2018 and resulted in a net gain of £4.8m and an exceptional cash inflow of £15.8m. The remaining credit of £1.5m related to a partial reversal of charges recognised in North America and China in prior years. Other exceptional items included cybersecurity costs of £4.7m that were incurred as a direct result of the cybersecurity incident in September 2021. These costs primarily related to specialist advisory fees incurred centrally to investigate and respond to the incident, incremental hardware costs expensed to facilitate business continuity and impairment of existing hardware. This resulted in a £2.2m exceptional cash outflow in the prior year. In 2022, a further £2.4m was paid in relation to cybersecurity costs expensed in 2021. A further £0.6m exceptional cash was paid in the year in relation to items expensed in the prior year.

Other adjusting items
A charge of £2.5m (2021: £4.4m) has been recorded in respect of movements in the US asbestos-related liability and associated insurance asset, plus settlements for post-1981 US asbestos-related claims that relate to legacy Group products. Further details of this are included in note 12.

Discontinued operations

Exceptional items
The prior year exceptional item for discontinued operations of £0.9m related to final adjustments to an onerous purchase contracts provision.

6. Income tax expense

	2022	2021
	£m	£m
Continuing Group - UK	**(11.8)**	(5.2)
Continuing Group - Overseas	**(35.8)**	(49.2)
Income tax expense in the Consolidated Income Statement for continuing operations	**(47.6)**	(54.4)

The total income tax expense is disclosed in the Consolidated Income Statement as follows.

		2022	2021
		£m	£m
Tax (expense) credit	- adjusted results	**(92.5)**	(63.8)
	- adjusting items	**44.9**	9.4
Continuing operations income tax expense in the Consolidated Income Statement		**(47.6)**	(54.4)
Discontinued operations income tax credit (expense) in the Consolidated Income Statement		**1.2**	(6.1)
Total income tax expense in the Consolidated Income Statement		**(46.4)**	(60.5)

The tax credit of £44.9m (2021: £9.4m) which has been recognised in adjusting items includes £8.6m (2021: £7.9m) in respect of adjusting intangibles amortisation and impairment. The remaining £36.3m (2021: £1.5m) relates to exceptional and other adjusting items and includes a credit of £32.0m which arose on the recognition of US tax attributes that were previously held off balance sheet. These attributes relate primarily to the deferral of current tax relief on intra-group payments of interest by the US group. Recognition is supported by the application of detailed modelling of US taxable income over a ten-year forecast period and, in particular, the anticipated full utilisation of these attributes over the same period.

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

	2022	2021
	£m	£m
Joint ventures	**(0.2)**	(0.2)

7. Discontinued operations

In the prior year, the Group disposed of the Oil & Gas Division (excluding the Group's joint venture, Arabian Metals Company (AMCO)) on 1 February 2021 to Caterpillar Inc. (CAT) for an enterprise value of US$375.0m and a final consideration of £282.8m. On 30 June 2021, the Group completed the sale of the remaining Oil & Gas joint venture AMCO to Olayan Financing Company (Olayan). A consideration of US$37.8m (£27.4m) was received compared to the original fair market value of US$30.0m agreed with CAT. The agreement with CAT in respect of the joint venture sale was that any proceeds received from Olayan above the fair market value would be split 90:10 in favour of CAT, subject to certain capital gains tax and dividend retentions. This resulted in a payment to CAT of US$4.7m (£3.4m) in July 2021 and a payment of capital gains tax to the Saudi authorities of US$6.3m (£4.6m) in August 2021.

In the current year, a current tax credit of £1.2m has been recognised following the filing of the 2021 US tax return for Oil & Gas Division related activity.

Financial information relating to the above rebate is set out in the table below with prior year comparatives for reference. For full disclosure of the disposals refer to note 8 of the Group's 2021 Annual Report.

	Year ended 31 December 2022			Year ended 31 December 2021		
	Adjusted results	**Adjusting items (note 5)**	**Statutory results**	Adjusted results	Adjusting items (note 5)	Statutory results
	£m	**£m**	**£m**	£m	£m	£m
Revenue	**—**	**—**	**—**	25.1	—	25.1
Operating (loss) profit before share of results of joint ventures	**—**	**—**	**—**	(1.9)	0.9	(1.0)
Share of results of joint ventures	**—**	**—**	**—**	1.6	—	1.6
Operating (loss) profit	**—**	**—**	**—**	(0.3)	0.9	0.6
Finance costs	**—**	**—**	**—**	(0.2)	—	(0.2)
Finance income	**—**	**—**	**—**	—	—	—
(Loss) profit before tax from discontinued operations	**—**	**—**	**—**	(0.5)	0.9	0.4
Tax credit (expense)	**1.2**	**—**	**1.2**	(1.7)	—	(1.7)
Profit (loss) after tax from discontinued operations	**1.2**	**—**	**1.2**	(2.2)	0.9	(1.3)
Gain on sale of Oil & Gas Division (see below)	**—**	**—**	**—**	—	99.2	99.2
Gain on sale of joint venture (see below)	**—**	**—**	**—**	—	6.0	6.0
Profit (loss) for the year from discontinued operations	**1.2**	**—**	**1.2**	(2.2)	106.1	103.9
Reclassification of foreign currency translation reserve			**—**			(103.4)
Other comprehensive expense from discontinued operations			**—**			(1.3)
Total net comprehensive income (expense) from discontinued operations			**1.2**			(0.8)

The prior year reconciliation from revenue to operating profit included cost of sales of £21.8m, other operating income of £0.3m, selling and distribution costs of £1.4m, administrative expenses of £4.1m and share of result of joint venture of £1.6m.
The prior year gain on sale is largely attributable to the recycling of cumulative foreign exchange gains and losses from the foreign currency translation reserve to the income statement, which is recognised only at the time of sale. In total, £103.4m was recycled from the foreign currency translation reserve for the Oil & Gas Division, including AMCO.

	Year ended 31 December 2022	Year ended 31 December 2021
	£m	£m
Cash flows from operating activities	**—**	(16.3)
Cash flows from investing activities	**(0.1)**	(0.2)
Cash flows from financing activities	**—**	(1.1)
Net decrease in cash & cash equivalents from discontinued operations	**(0.1)**	(17.6)

Earnings per share

Earnings per share from discontinued operations were as follows.

	2022	2021
	pence	pence
Basic	**0.5**	40.1
Diluted	**0.5**	39.8

The earnings per share figures were derived by dividing the net profit (loss) 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 8.

8. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue after deducting the own shares held by employee share ownership trusts and treasury shares. Diluted earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for the effect of dilutive share awards.

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

	2022	2021
Profit attributable to equity holders of the Company		
Total operations[1] (£m)	**213.4**	258.5
Continuing operations[2] (£m)	**212.2**	154.6
Continuing operations before adjusting items[2] (£m)	**254.6**	184.8

The following reflects the share numbers used in the calculation of earnings per share, and the difference between the weighted average share capital for the purposes of the basic and the diluted earnings per share calculations.

	2022	2021
	Shares million	Shares million
Weighted average number of ordinary shares for basic earnings per share	**258.7**	259.3
Effect of dilution: employee share awards	**1.6**	1.7
Adjusted weighted average number of ordinary shares for diluted earnings per share	**260.3**	261.0

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

	2022	2021
	£m	£m
Net profit attributable to equity holders from continuing operations[2]	**212.2**	154.6
Adjusting items net of tax	**42.4**	30.2
Net profit attributable to equity holders from continuing operations before adjusting items	**254.6**	184.8

	2022	2021
	pence	pence
Basic earnings per share		
Total operations[1]	**82.5**	99.7
Continuing operations[2]	**82.0**	59.6
Continuing operations before adjusting items[2]	**98.4**	71.3
Diluted earnings per share		
Total operations[1]	**82.0**	99.0
Continuing operations[2]	**81.5**	59.2
Continuing operations before adjusting items[2]	**97.8**	70.8

1. Adjusted for a profit of £0.4m (2021: profit of £0.5m) in respect of non-controlling interests for total operations.

2. Adjusted for a profit of £0.4m (2021: profit of £0.5m) in respect of non-controlling interests for continuing operations.

There have been 839 share awards (2021: 6,258) exercised between the reporting date and the date of signing of these financial statements. They were settled out of existing shares held in trust.

Earnings per share from discontinued operations is disclosed in note 7.

9. Dividends paid & proposed

	2022 £m	2021 £m
Declared & paid during the year		
Equity dividends on ordinary shares		
Final dividend for 2021: 12.30p (2020: 0.00p)	**31.8**	—
Interim dividend for 2022: 13.50p (2021: 11.50p)	**34.9**	29.8
	66.7	29.8
Proposed for approval by Shareholders at the Annual General Meeting		
Final dividend for 2022: 19.30p (2021: 12.30p)	**49.9**	31.9

The current year dividend is in line with the capital allocation policy announced in our 2020 Annual Report and Financial Statements, under which the Group intends to distribute 33% of adjusted earnings by way of dividend. As a result, dividend cover in 2022 is 3.0 times.

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

10. Property, plant & equipment and intangible assets

	2022 £m	2021 £m
Additions of property, plant & equipment and intangible assets		
- owned land & buildings	**4.8**	4.0
- owned plant & equipment	**55.9**	44.3
- right-of-use land & buildings	**24.9**	12.4
- right-of-use plant & equipment	**6.8**	8.9
- intangible assets	**6.8**	8.0
	99.2	77.6

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

11. Business combinations

Carriere Industrial Supply Limited

On 8 April 2022, the Group completed the acquisition of 100% of the voting rights of Carriere Industrial Supply Limited (CIS) for an enterprise value of CAD$32.5m (£20.2m). CIS is a Canadian-based manufacturer and distributor of wear parts, and an aftermarket service provider to the mining industry, with exposure across both surface and underground mining in Ontario and Quebec. The acquisition has joined the ESCO Division and reporting segment as CIS is already an established distributor of ESCO's core Ground Engaging Tools (G.E.T.) products. This acquisition will maintain ESCO's leading core G.E.T. presence in Ontario and provide opportunities to expand into fabricated hardware and underground capabilities.

Initial consideration of £16.2m was paid on completion, with a further deferred consideration of £2.5m recognised reflecting indemnification and working capital hold backs. In October 2022, the Group paid a further £0.1m in relation to the finalisation of the completion accounts process and settled £0.5m of the deferred consideration in relation to the working capital completion mechanism. The remaining deferred consideration of £2.0m for indemnification is payable in two instalments; on the first and second anniversary of the acquisition date. The final adjusted purchase price of CAD$30.3m (£18.8m) represents the enterprise value adjusted for certain working capital, net debt and transaction fee adjustments.

The provisional fair values, which are subject to finalisation within 12 months of acquisition, are disclosed in the table below. There are certain intangible assets included in the £3.7m of goodwill recognised that cannot be individually separated and reliably measured due to their nature. These items include the future growth of the business, synergies and an assembled workforce.

Carriere Industrial Supply Limited provisional fair values	2022 £m
Property, plant & equipment - owned assets	3.6
Intangible assets - customer and distributor relationships	3.1
Inventories	10.5
Trade & other receivables	7.5
Income tax receivable	0.1
Cash & cash equivalents	1.6
Interest-bearing loans & borrowings	(0.4)
Trade & other payables	(9.3)
Deferred tax liabilities	(1.6)
Provisional fair value of net assets	15.1
Goodwill arising on acquisition	3.7
Total consideration	18.8
Cash consideration	16.3
Deferred consideration	2.5
Total consideration	18.8
The total net cash outflow on current year acquisitions was as follows:	
cash consideration paid	(16.3)
deferred consideration paid	(0.5)
cash & cash equivalents acquired	1.6
Total cash outflow (note 16)	(15.2)

The gross amount and fair value of CIS trade receivables amount to £7.5m. It is expected that virtually all the contractual amounts will be collected.

CIS contributed £26.9m to revenue and an operating profit of £6.0m (before adjusting items) in the period from acquisition to 31 December 2022. These values are inclusive of revenue and margin which would have been earned pre-acquisition on sales from ESCO to CIS under the former distributor model. If the acquisition had occurred at the start of 2022, the revenue and statutory profit for the year from acquired operations would not have had a material impact on the results disclosed in the Consolidated Income Statement and therefore are not separately disclosed. Group exceptional acquisition and integration costs in relation to CIS are £1.6m in the year (note 5) and are reported within Administrative expenses (note 4).

Motion Metrics

The Group completed the acquisition of 100% of the voting rights of Motion Metrics on 30 November 2021 for an enterprise value of CAD$150.0m (£88.7m), which represents initial equity value consideration of £67.9m paid in cash and adoption of £20.8m of vendor liabilities primarily relating to tax, settlement of an employee growth participation plan and disposal costs.

Motion Metrics is a leading Canada-based global mining technology business and is the market-leading developer of innovative artificial intelligence (AI) and 3D rugged Machine Vision Technology used in mines worldwide. Its technology helps miners increase safety, efficiency and sustainability of their operations. As part of the agreement, Motion Metrics' Vancouver headquarters will become Weir's global centre for excellence in AI and Machine Vision Technology.

11. Business combinations (continued)

Motion Metrics applications are highly complementary to Weir's product portfolio. It has joined the ESCO Division and reporting segment reflecting the early adoption of its technology in G.E.T. where ESCO is an established global leader. Motion Metrics AI and Machine Vision Technology capabilities are expected to be leveraged across the whole mining value chain served by the Weir Group.

The provisional fair values, which were subject to finalisation within 12 months of acquisition, have been finalised and are disclosed in the table below. There are certain intangible assets included in the £52.1m of goodwill recognised that cannot be individually separated and reliably measured due to their nature. These items include the future growth of the business, synergies and an assembled workforce.

	As reported	Adjustment (note 1)	Restated (note 1)
	2021	2021	2021
Motion Metrics fair values	£m	£m	£m
Property, plant & equipment – owned assets	0.6	(0.1)	0.5
Property, plant & equipment – right-of-use assets	0.2	0.7	0.9
Intangible assets			
Brand names	3.3	—	3.3
Intellectual property & trademarks	34.0	0.1	34.1
Purchased software	0.1	—	0.1
Inventories	2.2	(0.6)	1.6
Trade & other receivables	2.3	—	2.3
Income tax receivable	0.7	1.0	1.7
Interest-bearing loans & borrowings	(0.2)	(0.7)	(0.9)
Trade & other payables	(1.6)	(0.5)	(2.1)
Income tax payable	(0.5)	—	(0.5)
Provisions	(20.0)	0.2	(19.8)
Deferred tax liabilities	(5.3)	(0.1)	(5.4)
Fair value of net assets	15.8	—	15.8
Goodwill arising on acquisition	52.1	—	52.1
Total consideration	67.9	—	67.9
Cash consideration	67.9	—	67.9
Total consideration	67.9	—	67.9
The total net cash outflow on prior year acquisitions was as follows:			
cash paid	(67.9)	—	(67.9)
Total cash outflow (note 16)	(67.9)	—	(67.9)

Contingent consideration

As part of the purchase agreement a maximum of an additional CAD$100.0m is payable by the Group contingent on Motion Metrics exceeding specific revenue and EBITDA targets over the first three years following acquisition. Any balance that becomes payable would be split, with 80% reflecting further consideration and 20% for a new employee bonus plan. The entry point for any contingent payment would require significant growth both in terms of revenue and EBITDA margin by 2024. Progress has been made towards these targets in 2022 and while the Group expects Motion Metrics to continue to grow as it leverages the benefits of being partnered with ESCO, and the opportunities within Minerals, the entry targets are considered challenging. At present, the probability of Motion Metrics exceeding these targets in order to trigger a contingent payment is considered to remain uncertain, in part due to the relative infancy of the business. As a result, no contingent consideration has been recorded at the balance sheet date. This will be reassessed in future periods as the business develops.

12. Provisions

	Warranties & contract claims	Asbestos-related	Employee-related	Exceptional items	Other	Total
	£m	£m	£m	£m	£m	£m
At 31 December 2021	**9.4**	**61.6**	**12.4**	**11.1**	**11.0**	**105.5**
Restatement (note 1)	**—**	**—**	**—**	**(0.2)**	**—**	**(0.2)**
Restated at 31 December 2021	**9.4**	**61.6**	**12.4**	**10.9**	**11.0**	**105.3**
Additions	**7.5**	**2.0**	**14.2**	**14.2**	**3.3**	**41.2**
Utilised	**(7.1)**	**(8.5)**	**(14.1)**	**(20.3)**	**(1.3)**	**(51.3)**
Unutilised	**(0.3)**	**(6.5)**	**—**	**(0.4)**	**(0.5)**	**(7.7)**
Exchange adjustment	**0.9**	**6.6**	**1.0**	**1.0**	**1.2**	**10.7**
At 31 December 2022	**10.4**	**55.2**	**13.5**	**5.4**	**13.7**	**98.2**
Current 2022	**10.4**	**8.5**	**7.9**	**5.2**	**3.3**	**35.3**
Non-current 2022	**—**	**46.7**	**5.6**	**0.2**	**10.4**	**62.9**
At 31 December 2022	**10.4**	**55.2**	**13.5**	**5.4**	**13.7**	**98.2**
Current 2021	9.2	7.6	6.9	10.6	2.0	36.3
Non-current 2021	0.2	54.0	5.5	0.3	9.0	69.0
At 31 December 2021 (restated note 2)	9.4	61.6	12.4	10.9	11.0	105.3

The impact of discounting is only relevant for the asbestos-related category of provision, with higher discount rates at 31 December 2022, resulting in a £6.1m reduction in the provision, which is reflected as unutilised above.

Warranties & contract claims

Provision has been made in respect of actual warranty 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. At 31 December 2022, the warranties portion of the provision totalled £6.6m (2021: £7.2m). At 31 December 2022, all of these costs relate to claims that fall due within one year of the balance sheet date.

Provision has been made in respect of sales contracts entered into for the sale of goods in the normal course of business where the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received from the contracts and before allowing for future expected aftermarket revenue streams. Provision is made immediately when it becomes apparent that expected costs will exceed the expected benefits of the contract. At 31 December 2022, the contract claims element, which includes onerous provision, was £3.8m (2021: £2.2m), all of which is expected to be incurred within one year of the balance sheet date.

Asbestos-related claims

	2022	2021
	£m	£m
US asbestos-related provision – pre-1981 date of first exposure	**49.9**	55.5
US asbestos-related provision – post-1981 date of first exposure	**2.8**	3.0
US asbestos-related provision – total	**52.7**	58.5
UK asbestos-related provision	**2.5**	3.1
Total asbestos-related provision	**55.2**	61.6

US asbestos-related provision

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 dates of alleged exposure currently range from the 1950s to the 1980s.

The Group has historically held comprehensive insurance cover for cases of this nature and continues to do so for claims with a date of first exposure (dofe) pre-1981. The expiration of one of the Group's insurance policies in 2019 resulted in no further insurance cover for claims with a post-1981 dofe. All claims are directly administered by National Coordinating Counsel on behalf of the Group's insurers who also meet associated defence costs. The insurers, their legal advisers and in-house counsel agree and execute the defence strategy between them.

12. Provisions (continued)

A summary of the Group's US asbestos-related claim activity is shown in the table below.

Number of open claims	2022 Number	2021 Number
Opening	**1,765**	1,586
New	**633**	656
Dismissed	**(443)**	(315)
Settled	**(239)**	(162)
Closing	**1,716**	1,765

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 2020 as part of our planned triennial actuarial update. This review was based on an industry standard epidemiological decay model, and Weir's claims settlement history. The 2020 review reflected higher levels of claims, particularly relating to the 1970s and 1980s, and a longer dofe period, but lower settlement values than the previous review conducted in 2017. The actuarial model incorporates claims, with a dofe pre- and post-1981, primarily relating to Lung Cancer and Mesothelioma and includes estimates relating to:

- the number of future claims received;
- settlement rates by disease type;
- mean settlement values by disease type;
- ratio of defence costs to indemnity value; and
- the profile of associated cash flows through to 2049.

The actuarial model in 2020 provided a range of potential liability based on levels of probability from 10% to 90%, which, on an undiscounted basis, equates to £53m-£133m. The mean actuarial estimate of £91m represents the expected undiscounted value over the range of reasonably possible outcomes. The provision in the financial statements is based on the mean actuarial estimate, which is then adjusted each year to reflect expected settlements in the model, discounting and restricting our estimate to ten years of future claims.

	2022	2021
Period of future claims provided	**10 years**	10 years
Discount rate	**5.0%**	2.6%

The period over which the provision can be reliably estimated is judged to be ten years due to the inherent uncertainty, resulting from the changing nature of the US litigation environment detailed below, and cognisant of the broad range of probability levels included within the actuarial model. While claims may extend past ten years and may result in a further outflow of economic benefits, the Directors do not believe any obligation that may arise beyond ten years can be reliably measured at this time. The effect of extending the claims period by a further ten years is included in the sensitivities below. The discount rate is set based on the corporate bond yield available at the balance sheet date denominated in the same currency, and with a term broadly consistent to that of the liabilities being provided for, with sensitivities to the discount rate also included below.

In 2020, confirmation was also received from external advisers of the insurance asset available, which includes the estimated defence costs that would be met by the insurer. An update to the insurance asset is obtained annually and totals £32.0m at 31 December 2022 (2021: £42.2m). Based on the profile of the claims in the actuarial model, external advisers expect the insurance cover and associated limits currently in place to be sufficient to meet the settlement and associated costs until c.2027. No cash flows to or from the Group, related to claims with an exposure date pre-1981, are expected until the exhaustion of the insurance asset. Claims with an exposure date post-1981 are estimated to incur cash outflows of less than £0.4m per annum and are not insured currently or in the future.

The table below represents the Directors' best estimate of the future liability and corresponding insurance asset.

US asbestos-related provision	2022 £m	2021 £m
Gross provision	**58.8**	67.4
Effect of discounting	**(6.1)**	(8.9)
Discounted US asbestos-related provision	**52.7**	58.5
Insurance asset	**32.0**	42.2
Net US asbestos-related liability	**20.7**	16.3

12. Provisions (continued)

The net provision and insurance asset are presented in the financial statements as follows.

	2022 £m	2021 £m
Provisions – current	**7.8**	7.1
Provisions – non-current	**44.9**	51.4
Trade & other receivables	**7.5**	6.9
Non-current other receivables	**24.5**	35.3

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.

As a result, 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.

Since the last triennial update completed in 2020, we have experienced a higher number of claims received than modelled across both disease types. Average settlement values have been higher for Mesothelioma cases, but lower for Lung Cancer cases. Settlements largely occur within four years of a claim being received and the settlement rates for Mesothelioma cases are broadly in line with the model while Lung Cancer case settlement rates are trending below.

These variations from the model may be influenced by fluctuations in the profile of case rates across jurisdictions coupled with the potential impact of the Covid-19 pandemic. However, if current case numbers and average settlement values were to continue, this may lead to the insurance asset being eroded as early as 2025, two years earlier than initially suggested in the 2020 actuarial model.

As noted above there are a number of uncertain factors involved in the estimation of the provision and variations in case numbers and settlements are to be expected from period-to-period. Our actual claims experience will be reflected in the next triennial valuation due in the second half of 2023, and will be incorporated in our 2023 Annual Report and Financial Statements.

Sensitivity analysis reflecting reasonably probable scenarios has been conducted. The results of this analysis are shown below.

Estimated impact on the discounted US asbestos-related provision of	**2022 £m**
Increasing the number of projected future settled claims by 15%	**7.4**
Increasing the estimated settlement value by 10%	**4.6**
Increasing the basis of provision by ten years	**3.8**
Decreasing the discount rate by 50bps	**1.3**

Application of these sensitivities, on an individual basis, would not lead to a material change in the provision.

The Group's US subsidiaries have been effective in managing the asbestos litigation, in part, because the Group has access to historical project documents and other business records going back more than 50 years, allowing it to defend itself by determining if legacy products were present at the location of the alleged asbestos exposure and, if so, the timing and extent of their presence. In addition, the Group has consistently and vigorously defended claims that are without merit.

UK asbestos-related provision

In the UK, there are outstanding asbestos-related claims that are not the subject of insurance cover. The extent of the UK asbestos exposure involves a series of legacy employer's liability claims that all relate to former UK operations and employment periods in the 1950s to 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 £2.5m (2021: £3.1m).

12. Provisions (continued)

Employee-related

Employee-related provisions arise from legal obligations in a number of territories in which the Group operates, the majority of which relate to compensation associated with periods of service. A large proportion of the provision is for long service leave. The outflow is generally dependent upon the timing of employees' period of leave with the calculation of the majority of the provision being based on criteria determined by the various jurisdictions.

Exceptional items

The exceptional items provision relates to certain exceptional charges included within note 5 where the cost is based on a reliable estimate of the obligation.

The restated opening balance of £10.9m includes £8.7m for opening balance sheet liabilities in Motion Metrics relating to restructuring taxes and acquisition costs, cybersecurity costs of £0.4m and final Oil & Gas Division disposal costs of £0.4m. The remaining balance of £1.4m relates to prior year balances in Minerals for severance costs and onerous contract provisions.

Additions in the year total £14.2m, including acquisition and integration costs for Motion Metrics and CIS of £1.8m, which were fully cash settled in the year, and £2.8m in relation to the Performance Excellence programme, of which £2.2m has been paid in the year with £0.2m held in creditors due for payment. The remaining addition of £9.6m is in relation to the wind down of our Minerals Russia subsidiary and includes severance, management retentions and customer penalties. Of this balance, £5.3m has been cash settled in the year, with the remaining £4.3m expected to be settled in 2023.

The closing balance of £5.4m includes £4.3m related to Russia, £0.4m in relation to capacity optimisation costs as part of the Performance Excellence programme and £0.7m for final Oil & Gas Division disposal costs related to tax and prior year Minerals Division balances for severance and onerous contract provisions.

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. The timing of outflows is difficult to predict as many of them will ultimately rely on legal resolutions and the expected conclusion is based on information currently available. Where certain outcomes are unknown, a range of possible scenarios is calculated, with the most likely being reflected in the provision.

13. Interest-bearing loans & borrowings

In May 2021, the Group completed the issue of five-year US$800m Sustainability-Linked Notes due to mature in May 2026, which includes a target to reduce scope 1&2 CO_2 emissions by 30% by December 2024, consistent with the Group's medium-term KPIs announced in the 2020 Annual Report. The notes will initially bear interest at a rate of 2.20% per annum to be paid semi-annually in May and November. The interest on the notes will be linked to achievement of Weir's 2024 Sustainability Performance Target (SPT). The interest rate applicable to the Notes will increase by 0.25% to 2.45% per annum from and including the last interest payment date preceding 31 December 2024 if the Group does not attain its SPT. Also, in April 2021 the Group took the decision to settle its £200m term loan facility, which was due to mature in March 2022, with a charge to the Consolidated Income Statement of the remaining unamortised costs of £0.8m.

In April 2022, the Group completed the refinancing of its US$950m Revolving Credit Facility (RCF), which was due to expire in June 2023. This was replaced with a US$800m RCF with a syndicate of 11 global banks and will mature in April 2027, with the option to extend for up to a further two years. The RCF includes a link to the Group's sustainability goals, with an interest adjustment of +/- 0.025% dependant on achievement, and the covenant terms are unchanged.

At 31 December 2022, £336.5m was drawn under the US$800m multi-currency RCF which, is disclosed net of unamortised issue costs of £2.4m. At 31 December 2021 £nil was drawn under the US$950m multi-currency RCF net of unamortised issue costs of £3.0m.

At 31 December 2022, a total of £165.3m (2021: £583.6m) was outstanding under private placement, which is disclosed net of unamortised issue costs of £nil (2021: £0.1m).

At 31 December 2022, a total of £657.8m (2021: £586.5m) was outstanding under Sustainability-Linked notes, which is disclosed net of unamortised issue costs of £3.5m (2021: £4.5m).

14. Pensions & other post-employment benefit plans

	2022 **£m**	2021 £m
Net asset (liability)	**15.1**	(56.7)

The defined benefit pension schemes across the Group's legacy UK and North American schemes improved to a net surplus of £15.1m (2021: deficit of £56.7m) primarily due to changes in financial assumptions mainly due to a rise in discount rates over the period, partially offset by losses on plan assets.

15. 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.

	2022	2021
	£m	£m
Included in current assets		
Forward foreign currency contracts designated as cash flow hedges	1.0	—
Other forward foreign currency contracts	7.9	7.1
	8.9	7.1
Included in current liabilities		
Forward foreign currency contracts designated as cash flow hedges	(1.9)	(0.4)
Forward foreign currency contracts designated as net investment hedges	(0.1)	—
Other forward foreign currency contracts	(11.2)	(3.4)
	(13.2)	(3.8)
Included in non-current liabilities		
Other forward foreign currency contracts	—	(0.1)
	—	(0.1)
Net derivative financial (liabilities) assets - total Group	(4.3)	3.2

16. Additional cash flow information

	Notes	2022 £m	2021 £m
Total operations			
Net cash generated from operations			
Operating profit – continuing operations		**307.5**	256.6
Operating profit – discontinued operations	7	**—**	0.6
Operating profit – total operations		**307.5**	257.2
Exceptional and other adjusting items	5	**51.4**	3.8
Amortisation of intangible assets		**41.6**	40.2
Share of results of joint ventures		**(2.5)**	(3.3)
Depreciation of property, plant & equipment		**47.0**	43.0
Depreciation of right-of-use assets		**31.4**	27.6
Impairment of property, plant & equipment		**0.2**	—
Grants received		**(0.2)**	(0.3)
Gains on disposal of property, plant & equipment		**(0.6)**	(4.3)
Funding of pension & post-retirement costs		**(2.9)**	(2.7)
Employee share schemes		**8.0**	10.9
Transactional foreign exchange		**14.3**	4.8
Increase in provisions		**1.2**	3.9
Cash generated from operations before working capital cash flows		**496.4**	380.8
Increase in inventories		**(128.6)**	(84.9)
Decrease (increase) in trade & other receivables & construction contracts		**49.8**	(61.7)
Increase in trade & other payables & construction contracts		**30.2**	31.8
Cash generated from operations		**447.8**	266.0
Additional pension contributions paid		**(9.7)**	(7.8)
Exceptional and other adjusting cash items		**(14.2)**	(8.6)
Exceptional cash items - acquired vendor liabilities		**(9.7)**	(11.1)
Income tax paid		**(93.4)**	(82.4)
Net cash generated from operating activities		**320.8**	156.1

Cash flows from discontinued operations included above are disclosed separately in note 7.

Exceptional and other adjusting items are detailed in note 5.

The following tables summarise the cash flows arising on acquisitions (note 11) and disposals (notes 5 and 7).

	2022 £m	2021 £m
Acquisitions of subsidiaries		
Acquisition of subsidiaries – cash consideration paid	**16.3**	67.9
Acquisition of subsidiaries - deferred consideration paid	**0.5**	—
Cash & cash equivalents acquired	**(1.6)**	—
Total cash outflow relating to acquisitions	**15.2**	67.9
Net cash (outflow) inflow arising on disposals		
Consideration received net of costs paid & cash disposed of – Oil & Gas Division (excluding AMCO)	**—**	258.5
Consideration received net of costs paid & cash disposed of – AMCO Joint Venture	**—**	24.0
Consideration received net of costs paid & cash disposed of – ESCO Russia	**(2.0)**	—
Prior period disposals – settlement of final costs and final completion adjustment	**(0.1)**	—
Total cash (outflow) inflow relating to disposals	**(2.1)**	282.5

16. Additional cash flow information (continued)

	2022	2021
	£m	£m
Cash & cash equivalents comprise the following		
Cash & short-term deposits	**691.2**	564.4
Bank overdrafts & short-term borrowings	**(213.7)**	(64.4)
	477.5	500.0

		Restated (note 1)
	2022	2021
	£m	£m
Net debt comprises the following		
Cash & short-term deposits	**691.2**	564.4
Current interest-bearing loans & borrowings	**(406.3)**	(524.1)
Non-current interest-bearing loans & borrowings	**(1,082.1)**	(812.8)
	(797.2)	(772.5)

Reconciliation of financing cash flows to movement in net debt

	Restated (note 1) Opening balance at 31 December 2021	**Cash movements**	**Additions/ acquisitions**	**Disposals**	**FX**	**Non-cash movements**	**Closing balance at 31 December 2022**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Cash & cash equivalents	**500.0**	**(51.0)**	**1.6**	**(1.9)**	**28.8**	**—**	**477.5**
Third-party loans	**(1,174.7)**	**133.4**	**(0.4)**	**—**	**(123.8)**	**—**	**(1,165.5)**
Leases	**(105.4)**	**30.5**	**(35.0)**	**—**	**(6.0)**	**0.8**	**(115.1)**
Unamortised issue costs	**7.6**	**2.7**	**—**	**—**	**—**	**(4.4)**	**5.9**
Amounts included in gross debt	**(1,272.5)**	**166.6**	**(35.4)**	**—**	**(129.8)**	**(3.6)**	**(1,274.7)**
Amounts included in net debt	**(772.5)**	**115.6**	**(33.8)**	**(1.9)**	**(101.0)**	**(3.6)**	**(797.2)**
Financing derivatives	**1.4**	**0.3**	**—**	**—**	**—**	**(1.8)**	**(0.1)**
Total financing liabilities[1]	**(1,271.1)**	**166.9**	**(35.4)**	**—**	**(129.8)**	**(5.4)**	**(1,274.8)**

	Opening balance at 31 December 2020	Cash movements	Additions/ acquisitions	Disposals	FX	Non-cash movements	Restated (note 1) Closing balance at 31 December 2021
	£m	£m	£m	£m	£m	£m	£m
Cash & cash equivalents	374.1	150.1	—	(16.1)	(8.1)	—	500.0
Third-party loans	(1,252.6)	104.4	(0.2)	—	(26.3)	—	(1,174.7)
Leases	(179.4)	27.8	(21.3)	65.2	2.1	0.2	(105.4)
Unamortised issue costs	6.5	5.1	—	—	—	(4.0)	7.6
Amounts included in gross debt	(1,425.5)	137.3	(21.5)	65.2	(24.2)	(3.8)	(1,272.5)
Amounts included in net debt	(1,051.4)	287.4	(21.5)	49.1	(32.3)	(3.8)	(772.5)
Financing derivatives	(2.5)	(10.6)	—	—	—	14.5	1.4
Total financing liabilities[1]	(1,428.0)	126.7	(21.5)	65.2	(24.2)	10.7	(1,271.1)

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

17. Related party disclosure

The following table provides the total amount of significant transactions that have been entered into by the Group 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	Amounts owed to related parties £m	Amounts owed by related parties £m
Joint ventures	**2022**	**1.1**	**0.1**	**25.9**	**6.2**	**0.3**
	2021	0.7	0.1	16.7	—	1.3
Group pension plans	**2022**	**—**	**—**	**—**	**8.2**	**—**
	2021	—	—	—	5.9	—

18. Legal claims

The Company and certain subsidiaries are, from time-to-time, party to legal proceedings and claims that arise in the normal course of business. Provisions have been made where the Directors have assessed that a cash outflow is probable. All other claims are believed to be remote or are not yet ripe.

19. Exchange rates

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

Average rate (per £)	**2022**	2021
US Dollar	**1.24**	1.38
Australian Dollar	**1.78**	1.83
Euro	**1.17**	1.16
Canadian Dollar	**1.61**	1.73
Chilean Peso	**1,078.02**	1,043.54
South African Rand	**20.19**	20.34
Brazilian Real	**6.39**	7.42
Chinese Yuan	**8.30**	8.88
Indian Rupee	**97.06**	101.70

Closing rate (per £)		
US Dollar	**1.21**	1.35
Australian Dollar	**1.77**	1.86
Euro	**1.13**	1.19
Canadian Dollar	**1.64**	1.71
Chilean Peso	**1,026.77**	1,153.18
South African Rand	**20.61**	21.57
Brazilian Real	**6.39**	7.54
Chinese Yuan	**8.34**	8.60
Indian Rupee	**100.05**	100.66

19. Exchange rates (continued)

The Group's operating profit before adjusting items from continuing operations was denominated in the following currencies.

	2022	2021
	£m	£m
US Dollar	**192.8**	131.1
Canadian Dollar	**63.5**	44.8
Australian Dollar	**55.4**	51.2
Chilean Peso	**53.8**	40.3
Euro	**24.4**	27.4
South African Rand	**11.3**	9.1
Brazilian Real	**10.4**	6.7
Chinese Yuan	**10.3**	6.0
Indian Rupee	**7.1**	4.5
UK Sterling	**(34.9)**	(27.4)
Other	**0.7**	2.5
Adjusted operating profit	**394.8**	296.2

20. Events after the balance sheet date

In January 2023, the Group added a further £300m loan facility to its available financing. The facility will expire in January 2024, subject to a one-year extension option. This facility has not been drawn down subsequent to the year end and the outstanding balance remains £nil.