9 March 2018

Renewi plc

(“Renewi”, the “Company” or, together with its subsidiaries, the “Group”)

Update on UK Municipal Division

Further to the announcement on 12 February 2018, Renewi plc (LSE: RWI), the international waste-to-product business, today announces the conclusions of the review of contracts in the UK Municipal Division and actions being taken to manage the Group’s portfolio of UK assets that will collectively result in additional impairments and provisions.

Overview

- Increased onerous contract provisions in respect of Barnsley, Doncaster and Rotherham (“BDR”) and Wakefield PFI operating contracts, reflecting prudent recognition of expected future losses over the remaining lives of the contracts
- Decisive action taken to exit loss-making PFI operating contract at Dumfries & Galloway (“D&G”) and the facility at Westcott Park, simplifying and de-risking the UK Municipal portfolio
- Exceptional credits of £8m realised in relation to costs recovered at Wakefield and an improved position at Cumbria as a result of the Group’s operational actions
- No material impact from provisions on the Group’s cash flow or banking covenants
- Outlook for the year ending 31 March 2018 remains unchanged with regard to underlying profit and cash performance

Summary of Impairments and Provisions

£'m	Non cash impairment of assets	Onerous Contracts Provisions	Other	TOTAL
BDR	-	(27)	-	(27)
Wakefield	-	(30)	3	(27)
Cumbria	-	4	1	5
D&G	(1)	(8)	-	(9)
Westcott	(8)	-	(8)	(16)
Other	-	-	1	1
Total	**(9)**	**(61)**	**(3)**	**(73)**

Exceptional credits of £8m relating to Wakefield and Cumbria contracts is shown in Onerous Contracts Provisions column (£4m) and Other column (£4m).

These provisions primarily relate to very long term contracts, hence the cash liabilities will be realised gradually between now and 2040 with no material impact on the Group’s annual cash performance.

BDR and Wakefield

While the contracts at BDR and Wakefield both date back to 2011, the current financial year is the first full year of operation for both. Accordingly, given the financial and operational performance of these assets this year and specifically the material underperformance in organic throughput, subsidies and off-take pricing compared with the original contractual assumptions made many years ago, the Board has concluded that additional onerous contract provisions of £27m and £30m respectively are now required. These provisions will be accounted for in the Group's results for the year ending 31 March 2018 using a prudent discount rate. While these long term contracts may be subject to material changes in conditions over their remaining lives of up to 22 years, the Board does not anticipate any further provisions, assuming no material and lasting change in market conditions for off-take. We will also be recognising an exceptional £3m credit for the year ending 31 March 2018 relating to settlement of a claim with a guarantor to the Wakefield construction contract.

The recognition of Wakefield as an onerous contract in the financial year ending 31 March 2019 is expected to increase operating profit in the income statement by approximately £3.7m per annum, partially offset by the related increase in interest cost of £1.5m due to the discount unwind on the onerous contract provisions.

Cumbria

Following successful management action to resolve operational and compliance issues in Cumbria, the Group will release up to £5m of provisions that are no longer required in the year ending 31 March 2018.

D&G

Renewi is in discussions with D&G Council and other stakeholders to initiate the termination of its PFI operating contract that has made a loss of approximately £3m in the year ending 31 March 2018. It was signed almost 15 years ago and is unable to address the needs of the Waste (Scotland) Regulations that set demanding new requirements regarding landfill diversion and recycling from 2021. We currently expect the proposed termination of the operating contract to become effective in the next financial year and we will accordingly take an additional onerous contract provision of approximately £8m and a non-cash impairment of £1m in the year ending 31 March 2018 in respect of this.

Westcott Park

The Board has also decided to exit its loss-making anaerobic digestion facility at Westcott Park in Buckinghamshire. A combination of excess treatment-capacity in the anaerobic digestion ("AD") market, coupled with limited action to increase the segregation of organic food waste in England, has resulted in ongoing losses, which will amount to approximately £1.7m in the year ending 31 March 2018. Accordingly, the site will be exited in the first half of the next financial year. In the year ending 31 March 2018, a provision of £8m relating to the exit will be recognised together with a non-cash write-down of the site investment of £8m.

Conclusion

The actions announced today reflect our strategy to actively manage the Group's portfolio of assets to generate better long term shareholder returns.

Further to the trading update on 12 February 2018, underlying trading in the Municipal Division is on track for the current financial year. Good operational progress is being made against the recovery plans, except for the slower future recovery in respect of the Wakefield contract for the reasons outlined above. The overall impact of the actions announced today will underpin the expected recovery in the UK Municipal Division for the year ending 31 March 2019.

The Board remains confident that the Group will deliver a trading performance for the year ending 31 March 2018 in line with its expectations.

Looking forward, based on current market conditions and the delivery of our ongoing recovery plans, no further exceptional charges are anticipated in respect of the UK Municipal assets.

The Board will provide a pre-close trading update on 4 April 2018.

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About Renewi plc

Renewi, created in 2017 by the merger of Shanks Group plc and Van Gansewinkel Groep B.V., is a leading waste-to-product business ideally positioned to be part of the solution to some of the main environmental problems facing society today: reducing waste, avoiding pollution, and preventing the unnecessary use of finite natural resources.

We are listed on the London Stock Exchange and are a constituent of the FTSE250 index. With over 8,000 employees across nine countries in Europe and North America, we have deep expertise and an extensive breadth of waste management products and services.

For us, waste is a state of mind, an opportunity. When we take away someone's waste, we then give it new life. We transform a wide range of used materials into useful products and raw materials for our customers, like recycled paper, metal, plastic and glass, woodchips, compost, energy, fuel, and other products.

In the process we protect the world from contamination, preserve finite natural resources, and enable customers to meet their sustainability goals. With our deep international expertise we also provide our customers with an extensive product range, combined with local service and attention.

Above all, our team is committed and passionate about our mission: waste no more. Renewi operates across five divisions:

- Netherlands Commercial – Collecting, sorting, treating and recycling commercial and household waste in the Netherlands
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- Hazardous Waste – Treating soil, water and packed chemical waste at our flagship ATM facility and conducting specialist industrial cleaning in the Netherlands
- Monostreams – Managing a range of waste streams which focus on specific end markets such as glass, electronic goods, organics and minerals in Europe
- Municipal – Operating long-term waste management contracts with local authorities in the UK and Canada

For more information, please visit: www.renewiplc.com
Images are available to download at: www.renewiplc.com/imagelibrary

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