Shanks

Making more from waste

Press Release

21 July 2014

Interim Management Statement

Shanks Group plc (LSE:SKS), the international waste-to-product business, today issues its Interim Management Statement for the period 1 April 2014 to date.

Peter Dilnot, Group Chief Executive, said:

"The group has had a mixed start to the year with a solid performance from the three growth divisions but Solid Waste Benelux experiencing a further deterioration in market conditions. This, together with a strengthening of sterling, will impact first half reported results. We are taking decisive action to address these market pressures and, provided there is no material deterioration in the Benelux solid waste markets, we expect the full year results to be broadly in line with expectations. Longer term, the Group remains well placed to deliver profitable growth through our ongoing investment programme and any market recovery in the Benelux"

Trading performance

Our three growth divisions have started the year well but we are facing increased challenges in the Solid Waste Benelux Division.

Solid Waste Benelux has experienced increased market pressure in the first quarter, especially in the Netherlands. Although overall volumes have been maintained, a further reduction in the volume and prices of key recyclates, as well as aggressive market pricing, has resulted in increased margin pressure. We are taking firm and decisive action by focusing on our commercial effectiveness, procurement and continuous improvement programmes. We believe that these market conditions are placing unprecedented pressure on all market participants and we are well positioned to gain further market share.

Hazardous Waste is on track to deliver growth this year. The division processed lower volumes in the first quarter as the first of two planned shutdowns to replace key equipment and increase long term capacity was successfully completed. A strong intake of sludges and soil has offset weaker waterside volumes, with Reym having a good order book for industrial cleaning for the first half.

Organics has had an encouraging start to the year. The successful renewal of a long-term contract with five municipalities in Flevoland has underpinned the future of the Biocel dry anaerobic digestion ("AD") facility. Composting volumes have remained strong and the European wet AD facilities have performed in line with our expectations. Volumes in Canada have remained robust, and we have recently been shortlisted for a second bid opportunity.

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UK Municipal has also performed in line with our expectations in the first quarter. All operating contracts are performing to plan and the construction projects at Barnsley, Doncaster and Rotherham ("BDR") and Wakefield are on time and on budget.

Cash and borrowings

Cash continues to be managed closely and is in line with our expectations. Net debt at the end of June 2014 had increased by £14m to £170m.

Non-trading and exceptional items

The arbitrator has this month released his ruling concerning our long-running dispute with the City of Ottawa concerning the interpretation of our put or pay contract with the City. We were surprised and disappointed that this ruling did not award Shanks the put or pay amounts that it had claimed. As a result, there will be a £2.5m non-cash charge to exceptional items in the first half.

Outlook

Our three growth divisions have made a solid start to the year and the Board is confident that they will meet expectations. We are continuing to invest in Hazardous Waste and in our UK PFI construction programmes which will underpin sustainable future growth. We are also progressing well with two bids for long term organic contracts in Canada.

The headwinds in the Benelux solid waste market are likely to remain challenging and will result in pressure on financial performance in the first half of 2014/15. We are confident that the actions we are taking to address these market pressures will support a stronger second half. Provided there is no further material deterioration in the Benelux solid waste markets, full year results are anticipated to be broadly in line with management expectations.

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Notes to editors

Shanks Group is a leading international waste to product business.

The Group uses a range of cost-effective sustainable technologies to make valuable products from what is thrown away. We produce green energy, recovered fuel, recycled commodities and organic fertiliser.

Shanks meets the growing need from public and private sectors to manage waste sustainably without damaging the environment. Our solutions reduce greenhouse gas emissions, recycle natural resources and limit fossil fuel dependency.

Shanks operates in four divisions that reflect our markets: Solid, Hazardous, Organics and UK Municipal. It has operations in the Netherlands, Belgium, UK and Canada and employs around 3,600 people.

For more information, visit: www.shanksplc.com