Shanks

Making more from waste

Press Release

26 September 2014

Pre-Close Trading Update

Shanks Group plc (LSE:SKS), the international waste-to-product business, today announces its pre-close trading update for the six months ending 30 September 2014, ahead of its interim results which will be released on 6 November 2014.

Peter Dilnot, Group Chief Executive, said:

"The underlying performance of our three growth divisions remains robust but market conditions in our Benelux Solid Waste business have deteriorated further over the summer and will impact our performance. We remain confident that the decisive action we are taking will enable the Group to deliver a stronger second half. Overall, the Board now anticipates that the Group's full year results will be around 15% below management's previous expectations. Longer term, the Group remains well-placed to deliver profitable growth as a result of our investments in Hazardous Waste and in our UK PFI construction programmes, and to benefit from a market recovery in the Benelux."

Trading performance

Since our interim management statement, our Solid Waste Benelux Division has faced market conditions which have deteriorated further, with weak volumes in particular in the Netherlands construction and demolition sector. The competitive environment remains intense, with market participants seeking to gain volumes by aggressive pricing in order to offset pressure on gate fees, lower volumes and prices of recyclates. We are broadly maintaining inbound volumes, albeit with an adverse mix. We also continue to implement our long term programmes in commercial effectiveness, procurement and continuous improvement.

Of the other three divisions, Hazardous Waste continues to invest in increased processing and storage capacity to drive sustainable growth in its ATM treatment facility. The new ESP unit to scrub exhaust gases from the soil plant has recently been commissioned and is working well. New water storage tanks are on track for completion by year end and we have broken ground on our new Theemsweg site in Rotterdam. However, one-off operational challenges prior to commissioning of the ESP will have some impact on first half performance and will likely result in a broadly flat year on year performance for Hazardous Waste.

Organics has had a good first half 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. We are going to expand capacity at our Cumbernauld AD facility in Scotland to meet strong local demand. We are also ramping up volumes in our London, Shanks

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Ontario, facility and our bidding activities on two growth opportunities in Canada are proceeding well. Overall, the division is performing as expected.

UK Municipal has performed well in the first half. The construction projects at Barnsley, Doncaster and Rotherham ("BDR") and Wakefield remain on time and on budget, and we were delighted to secure funding for the £145m Derby project, where construction work has now commenced.

Cash and borrowings

Cash continues to be managed closely and is in line with our expectations. Net debt at the end of September 2014 is expected to be around £185m.

Outlook

Notwithstanding the market pressures in Benelux Solid Waste, our underlying strategy and direction of travel are sound and the Group remains well-placed to deliver profitable growth over the longer term.   Our three growth divisions continue to perform robustly and they are delivering against their strategic objectives. We are continuing to invest significantly in Hazardous Waste and in our UK PFI infrastructure which will generate high quality earnings growth. We are also progressing well with two bids for long term organic contracts in Canada.

The Benelux Solid Waste markets are likely to remain challenging in the near term and will impact the Group's financial performance in 2014/15, although we are confident that the actions we are taking to address these market pressures will support a stronger second half. Overall, the Board anticipates that the Group's full year results will be around 15% below management's previous 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 its markets: Solid, Hazardous, Organics and UK Municipal. It has operations in the Netherlands, Belgium, UK and Canada and employs around 3,600 people.

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