Shanks

Making more from waste

Press Release

23 July 2015

Trading Update

Shanks Group plc (LSE:SKS), the international waste-to-product business, today issues its Trading Update for the period 1 April 2015 to date.

The Group's trading performance has continued in line with the Board's expectations since our preliminary results which were announced on 21 May 2015.

Peter Dilnot, Group Chief Executive, said:

"Shanks has made an encouraging start to the year, with all three divisions trading in line with our expectations. Our end markets in the Dutch Commercial Division continue to show signs of improvement as forecast. We were also particularly pleased to commission our £80m Barnsley, Doncaster and Rotherham ("BDR") PFI facility on schedule earlier this month.

Whilst ongoing fluctuations in the GBP:EUR exchange rate may impact our reported results, the Board remains confident that the Group's underlying result for the full year will be in line with its expectations."

Trading performance

The Group has made an encouraging start to the year and is trading in line with our expectations.

Market conditions for the Commercial Division in the Netherlands continue to show signs of improvement as forecast. Construction & Demolition activity has started the year at a moderately higher level than last year, although pricing remains competitive. Recyclate prices have also shown a slight recovery from a very low base. Increases in VAT from 1 July on construction activity may dampen the recovery in the construction market, so we remain cautious as to the rate and shape of any market recovery. In Belgium, the Flemish and Walloon governments implemented, at short notice, a broad range of tax increases on waste with effect from 1 July 2015. These tax increases are primarily intended to raise revenue but have been shaped to support recycling over the longer term. The immediate impact on the Division is expected to be modestly positive, but this is offset by ongoing weakness in the core wood and solid recovered fuel (SRF) markets.

As expected, the Hazardous Waste Division has shown an improved performance in comparison to last year, recognising the operational challenges in the prior period. As previously reported, the Division has a significant exposure to the Dutch oil and gas markets, which are under pressure from the low oil price and from restrictions to onshore gas production by the regulatory authorities. This has resulted in challenging market conditions for our industrial cleaning business and weaker than expected industrial volumes for water treatment at ATM. However, our soil treatment line has continued to perform well since new emission control equipment was commissioned over the past year, with a sustained strong output that means that the Division is expected to deliver growth this year despite the market headwinds in the oil and gas segment.

The Municipal Division has started the year in line with expectations in both the UK and Canada. We were particularly pleased that the BDR facility entered into full service on schedule at the start of July. Commissioning continues at Wakefield and construction is underway, on schedule, at both Derby and Surrey (Canada).

Cash and borrowings

We were pleased to announce the successful issue of Shanks' first Green Retail Bond, which was also the first to be listed on the London Stock Exchange's Green Market. The €100m raised will be used to support our investment programme into sustainable assets and also to refinance the retail bond that is due for redemption in October 2015.

Cash continues to be managed closely, with net debt at the end of June 2015 increasing by £10m to £165m as forecast. There is no change to our year end expectation.

Outlook

Whilst ongoing fluctuations in the GBP:EUR exchange rate may impact our reported results, the Board remains confident that the Group's underlying result for the full year will be in line with its expectations.

For further information:

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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 three divisions that reflect its markets: Hazardous, Commercial and Municipal. It has operations in the Netherlands, Belgium, UK and Canada and employs around 3,600 people.

For more information, visit: www.shanksplc.com

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