

Press Release

19 July 2012

Interim Management Statement

Shanks Group plc today issues its Interim Management Statement for the period 1 April 2012 to the current date, ahead of its AGM to be held later today.

- The benefits of our strategic focus and action plans continue to produce good results in the Organics, UK Municipal and Hazardous Waste businesses.
- Challenging market conditions continue to impact the Solid Waste business.
- Action taken to deliver significant cost reductions with additional initiatives being developed.
- Netherlands and Belgium reorganised to align with Shanks core activities and deliver synergies. Combined 'Benelux' Solid Waste business formed and a new Hazardous Waste business unit established. Benelux shared service model to be introduced.
- Investment programme remains on track to achieve targeted returns and UK Municipal margins in excess of 10%.
- Before currency translation, we anticipate underlying trading for 2012/13 to be broadly in line with our expectations with the benefits of the cost saving programmes significantly weighted to the second half.
- New Group Finance Director, Toby Woolrych, appointed and will join on 27 August 2012.

Trading Performance to 30 June 2012

Solid Waste

In the Solid Waste business, underlying market conditions have remained challenging, particularly in the Netherlands with volumes and prices continuing on a downward trend. Recently published industry data indicates construction activity is likely to continue to decline in 2012 and to be flat in 2013. Recyclate prices have also weakened slightly during the period.

We have recently implemented a new management structure for the Netherlands and Belgium. The new organisation is more closely aligned with our core activities and will deliver significant synergies. The Solid Waste businesses in Netherlands and Belgium have been integrated, with the eight Dutch Solid Waste businesses consolidated into three regions. Work has also started on implementing a shared services model across the Benelux businesses.

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Hazardous Waste

In the Netherlands Hazardous Waste business, volumes and prices have held up well compared with the prior year. The pipeline of future potential orders remains strong.

The Netherlands Hazardous Waste business will now operate as a standalone business unit, reporting to the Group CEO. This reflects its major contribution to Shanks' profits and its distinct business model.

Organics

In Organics, the Canadian facilities are operating at good levels and our Amsterdam facility, which is the largest wet AD facility in Europe, is generating record levels of electricity.

UK Municipal

In UK Municipal, the actions taken to improve performance continue to benefit this business with margins from the operational contracts in the period in excess of 10%. For the full year we expect the margins to be 9% to 10%. All other projects, either under construction or in the bidding process, are progressing to schedule.

Investment Programme

We remain on track to deliver the targeted returns (12-15% post tax return on original invested capital) for the £100m investment programme. We are also making progress with the second (£150m) phase of the programme and expect this to achieve the same targeted returns.

Cost Savings

As stated previously, we are taking actions to deliver significant cost reductions and Group synergies to offset macro headwinds. Good progress is being made in developing additional cost saving plans and the costs and benefits of these initiatives will be announced in due course.

Euro translation

Although the current weakness of the Euro will impact the translation of the results into sterling there is no impact on the underlying business.

Our financing covenants are measured in constant currency so there is no impact of varying exchange rates on the leverage ratios for covenant testing.

Cash and borrowings

The balance sheet remains strong and the ratio of core net debt to EBITDA at 30 June 2012 was 2.0 times.

Outlook

Peter Dilnot, Group Chief Executive of Shanks, said:

"While market conditions continue to be challenging, particularly in our Solid Waste businesses, our Organics, UK Municipal and Hazardous Waste businesses are performing well.

"We remain focused on taking the necessary actions to offset these headwinds through delivering returns from our strategic investment programme and driving operational improvements across the Group. We have reorganised the business to align with our core activities and deliver synergies. In parallel, we are accelerating actions on improving productivity and minimising back office costs.

"Assuming market conditions do not deteriorate further, we expect to deliver a robust performance this year and strong growth once market conditions improve. Before currency translation we anticipate underlying trading for 2012/13 to be broadly in line with our expectations with the benefits of the cost saving programmes significantly weighted to the second half."

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