Shanks

Making more from waste

Press Release

5 February 2013

Interim Management Statement for the period from 1 October 2012 to date

Shanks Group plc, a leading international sustainable waste management business, provides its Interim Management Statement for the period since 1 October 2012.

Summary

Since the announcement of our interim results on 8 November 2012, the Group has continued to trade robustly in end markets which remain very challenging. In the first half of the year we reorganised the Group into market facing segments of Solid Waste, UK Municipal, Organic Waste and Hazardous Waste. This has enabled us to focus closely on active cost reduction in our Solid Waste businesses, where market conditions remain increasingly challenging, whilst ensuring that our growth divisions continue to deliver on their strategies. The Group's structural cost reduction programmes, which will save £20m per annum by 2015/16, are progressing well, with approximately 60% of the planned headcount reduction of 420 completed by the end of January. The investment programme remains on track and continues to deliver the expected returns.

Notwithstanding the ongoing tough market conditions, the Board expects the result for the year ending 31 March 2013 to be broadly in line with its current expectations. Although the Board remains confident in the medium term prospects of the Group, it is now expected that the further deterioration in core markets experienced over recent months will impact the rate of growth in the next financial year.

Divisional Review

Benelux Solid Waste continues to experience very tough end markets, with falling waste volumes resulting in severe price pressure across the industry and low recyclate prices also adding pressure to margins. Given the latest Dutch construction output forecasts, we now expect these markets to deteriorate further in the short term. However, we remain focused on implementing the significant structural cost reduction programme in this business and winning market share from competitors. Encouraging wins have included the glass recycling contract with Heineken, announced on 10 December 2012.

UK Solid Waste has also continued to experience tough end markets, especially in Scotland where, despite active cost reduction measures, increasing offtake costs will continue to put increased pressure on profitability.

The UK Municipal division continues to trade strongly, with good profitability. The commissioning of the Cumbria MBT plant is on track, and we were delighted to announce on 14 January 2013 that we had achieved financial close on our Wakefield PFI contract.

The Hazardous Waste division has continued to trade in line with expectations, with our Reym industrial cleaning business performing strongly. We remain encouraged by the medium term growth prospects in this division from our pipeline of organic growth opportunities; although performance next year will be impacted by the completion of high margin contracts in thermal soil treatment.

The Organics Division has performed steadily. We were pleased to secure a three year extension to our flagship contract with Albert Heijn in the Netherlands, for the conversion of food waste into electricity. We have made good progress with the investment programme: the third Combined Heat and Power plant in Amsterdam is being installed, construction of the anaerobic digestion plant at Westcott Park is on course for a summer completion and we have been awarded Preferred Bidder status for an anaerobic digestion plant at Pontypool in South West Wales.

Balance Sheet

Borrowings remained in line with our expectations. Core net debt (i.e. excluding PFI) at 31 December 2012 rose slightly to £204m due to interest payments, currency movements and restructuring costs. This represented a net debt to EBITDA ratio of 2.36 times.

Peter Dilnot, Group Chief Executive of Shanks, said:

"The Group has continued to trade robustly in end markets which remain very challenging, particularly in Solid Waste where we are making good progress with our cost reduction programme. Accordingly, the Board expects the result for the year ending 31 March 2013 to be broadly in line with its current expectations.

Despite the very challenging market conditions, which will impact the rate of growth in the next financial year, we remain confident in the Group's medium term prospects."

5 February 2013

For further information:

Shanks Group plc Tel: +44 (0) 1908 650580

Peter Dilnot - Group Chief Executive
Toby Woolrych - Group Finance Director

College Hill Tel: +44 (0) 20 7457 2020

Mike Davies
Helen Tarbet

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Shanks Group plc is a leading international sustainable waste management business with operations in the Netherlands, Belgium, United Kingdom and Canada.

The Group provides a range of recycling and energy recovery solutions to customers in both the public and private sector. The Group has over 4,000 employees and last year it handled 7.8 million tonnes of waste achieving an overall recycling and recovery rate of 78%.

The Group has a significant organic waste treatment capacity of over 1 million tonnes.

Shanks is listed on the London Stock Exchange. In May 2012 it reported annual revenues of £750 million and trading profits of £53.4 million. The company was established in 1880 and is based in Milton Keynes, Buckinghamshire.

Shanks Group plc
Dunedin House, Auckland Park
Mount Farm, Milton Keynes
Buckinghamshire MK1 1BU
United Kingdom

T + 44 (0)1908 650580
F +44 (0)1908 650 651
www.shanksplc.com