

Shanks Group plc

Shanks Group plc, one of Europe's leading waste management businesses, provides an update on trading for the period to 31 January 2012. It also updates on progress with its strategic investment programme and municipal contracts.

- **Overall trading for the period in line with our expectations.**
- **Investment programme remains on track with Kettering MRF being commissioned and East London Anaerobic Digestion facility under construction.**
- **Progress towards financial close on the BDR and Wakefield municipal contracts continues.**
- **PFI margins remain strong at 9%**
- **Peter Dilnot joined the business on 1 February as new CEO**

Trading Performance to 31 January 2012

Trading for the period is in line with our expectations despite, as anticipated, trading conditions remaining challenging. The softening macro-economic environment and the fall in paper recycle prices have impacted the Solid Waste business in all territories. Pricing pressure in the Netherlands has continued and overall volumes have softened. In addition, the Euro has weakened to 1.21 against the pound in recent months.

Despite these pressures, our continued focus on cost and efficiency savings, which we now expect to be c£10m for the full year, the continued success of the strategic programme set out below, and the continued strong performance of the Dutch Hazardous Waste business mean that we continue on track to achieve our expectations.

Recycling and Organics Investment Programme

The investment programme remains on track and the first (£100m) phase is expected to achieve its targeted post tax returns on the completed and fully operational projects of 12% to 15% again this year.

We are making good progress with the second (£150m) phase of the programme. The Kettering MRF facility is being commissioned and it is receiving its first waste streams. During the period, we also received planning approval for the East London Anaerobic Digestion facility and this is now under construction.

Municipal

Our existing PFI contracts have continued to perform well and trading margin has remained strong at 9%.

In addition, progress continues on achieving financial close on the Barnsley, Doncaster, Rotherham ('BDR') and Wakefield contracts.

Although we were disappointed not to proceed to Preferred Bidder on several recent bids, the UK municipal pipeline remains strong with approximately half of the authorities yet to enter the process.

Cash and Borrowings

The balance sheet remains strong and the ratio of core net debt to EBITDA at 31 December 2011 was 1.7 times.

CEO

As previously announced Peter Dilnot has been appointed as Group Chief Executive and he commenced on 1 February 2012.

Adrian Auer, Chairman of Shanks Group plc commented:

"We are pleased to have delivered an overall trading performance in line with our expectations, despite market conditions remaining challenging. Our ongoing focus on cost savings and implementation of our strategy of delivering sustainable alternatives to landfill and mass burn incineration continue to produce significant benefits.

"We are delighted to welcome Peter Dilnot as our new Group Chief Executive and to thank Chris Surch for doing an excellent job as Acting Group Chief Executive.

"Whilst the Board is mindful of the continuing uncertain macro-economic environment, we remain on track to deliver our expectations for the full year."

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