



**Preliminary Results 2012/13**

**Making more from waste**



# Disclaimer Statement

This presentation contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. These forward-looking statements are subject to risks, uncertainties and other factors which as a result could cause Shanks Group's actual future financial condition, performance and results to differ materially from the plans, goals and expectations set out in the forward-looking statements. Such statements are made only as at the date of this presentation and, except to the extent legally required, Shanks Group undertakes no obligation to revise or update such forward-looking statements.

# Agenda

## CEO Perspectives

**Peter Dilnot**  
Group Chief Executive

## Financial Review

**Toby Woolrych**  
Group Finance Director

## Strategy for Growth

**Peter Dilnot**  
Group Chief Executive

# Agenda

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# CEO Perspectives

- 1 Resilient performance in challenging markets
- 2 New Group structure drives clear strategy and decisive action
- 3 On track with cash, cost and investment programme returns
- 4 Short-term Solid Waste headwinds, long-term growth drivers remain
- 5 Clear pipeline of growth opportunities and a robust balance sheet

**We are on track to emerge stronger, leaner and more competitive for the future**

# 2012/13 Prelim Highlights

<b>Revenue &amp; Profits</b>	<ul style="list-style-type: none"> <li>• Revenue down 7% primarily due to NL and UK SW*</li> <li>• Underlying PBT down 24% - impacted by SW*</li> </ul>
<b>Solid Waste Division</b>	<ul style="list-style-type: none"> <li>• Major headwinds in NL; 60-year lows in construction</li> <li>• UK volume and recycle prices hit by recession</li> </ul>
<b>Cost Reduction</b>	<ul style="list-style-type: none"> <li>• Delivered total cost reduction of £17m in 12/13**</li> <li>• Structural cost programme on track with 50% completed</li> </ul>
<b>Growth Divisions</b>	<ul style="list-style-type: none"> <li>• Organics revenue up 11%*; UK Municipal profit up 80%</li> <li>• Hazardous Waste margins sustained after record 11/12</li> </ul>
<b>Cash flow &amp; financing</b>	<ul style="list-style-type: none"> <li>• Underlying free cash flow conversion of 118%</li> <li>• Net debt to EBITDA ratio at 2.0x</li> </ul>
<b>Dividend</b>	<ul style="list-style-type: none"> <li>• Final dividend maintained at 2.35p per share</li> <li>• Reflects Board's confidence in future growth</li> </ul>

\* At constant currency

\*\* Includes both operational and structural actions

# Current Market Context

## Solid Waste

Eurozone recession reducing volumes,  
Dutch construction in crisis

Resulting industry over-capacity leading to  
gate fee reductions

Recyclate prices down by up to 60% with  
some recovery

Capacity reductions (proactive & forced)  
plus potential industry consolidation

Some signs of volume and price  
stabilisation

Hard to call if we have “reached the bottom”

## Organics, Hazardous & UK Municipal

Organic market continues to grow

- UK accelerated AD roll-out ongoing
- Canada emerging regulation
- NL composting mature, new technology emerging

Hazardous waste markets mixed with niches  
growing

- EU soil reduced due to recession
- Regulation increasingly enforced, especially in waste water

UK municipal market in build-out phase

- PFI credits pulled on some later projects
- Smaller contracts emerging post-PFI

# Decisive Action in 12/13

## Customers

- Focus on A-brands led to Heineken, M&S, Albert Heijn and other wins
- Maintained existing cost base in all customer facing activities
- Retained and grew local customer bases through downturn

## Cost

- Structural programme launched to deliver £20m annually from 15/16
- £6m structural savings delivered in 12/13, reduction of 310 people
- In addition, separate operational cost actions delivered £11m in 12/13

## Cash

- Improved working capital - for example Belgian DSO down 7 days
- Introduced tighter cash accountability throughout organisation
- Implemented new capital allocation and approval process



## Portfolio

- Successfully integrated recently acquired Van Tuijl glass business
- Exited non-core activities: Caird Bardon landfill and Foronex
- Ongoing review of under-performing and non-core assets

**Focused action enabled by new Group structure,  
driven by new Executive team**

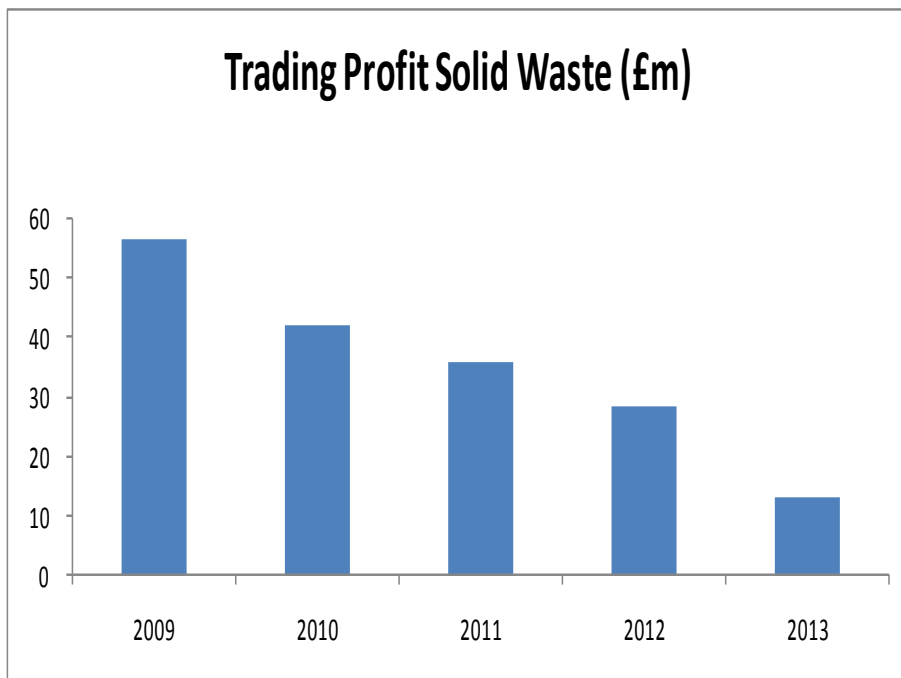


# New Group Structure

Division	Benefits	12/13 Example
<b>Solid</b> 	<ul style="list-style-type: none"> <li>• Significant cost synergies</li> <li>• Revenue gains across borders</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced capacity, rationalised sites</li> <li>• Total of 300 people left business</li> <li>• Cross-border trading synergies</li> </ul>
<b>Hazardous</b> 	<ul style="list-style-type: none"> <li>• Sales and operational synergies - eg oil &amp; gas</li> <li>• Increased investments</li> </ul>	<ul style="list-style-type: none"> <li>• Water treatment volumes up by 7%</li> <li>• Reym productivity gains</li> <li>• Fast-tracked waterside expansion</li> </ul>
<b>Organics</b> 	<ul style="list-style-type: none"> <li>• Leverage Orgaworld expertise</li> <li>• Increased Group focus</li> </ul>	<ul style="list-style-type: none"> <li>• SW Wales AD at Preferred Bidder</li> <li>• UK AD margins up significantly</li> <li>• Canada pipeline progressing well</li> </ul>
<b>UK Municipal</b> 	<ul style="list-style-type: none"> <li>• Best practices across contracts</li> <li>• More focused bidding</li> </ul>	<ul style="list-style-type: none"> <li>• Financial close of Wakefield PFI</li> <li>• £200m construction started</li> <li>• 210 bps margin expansion</li> </ul>
<b>Shanks Group</b>	<ul style="list-style-type: none"> <li>• Targeted cost action with clear 'case for change'</li> <li>• Increased focus on growth opportunities</li> <li>• Improved deployment of capital</li> </ul>	

# Divisional Overview

## Solid Waste Headwinds



## Growth Divisions



**Actions to reposition and grow well underway**

# Agenda

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Group Chief Executive

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Group Finance Director

## Strategy for Growth

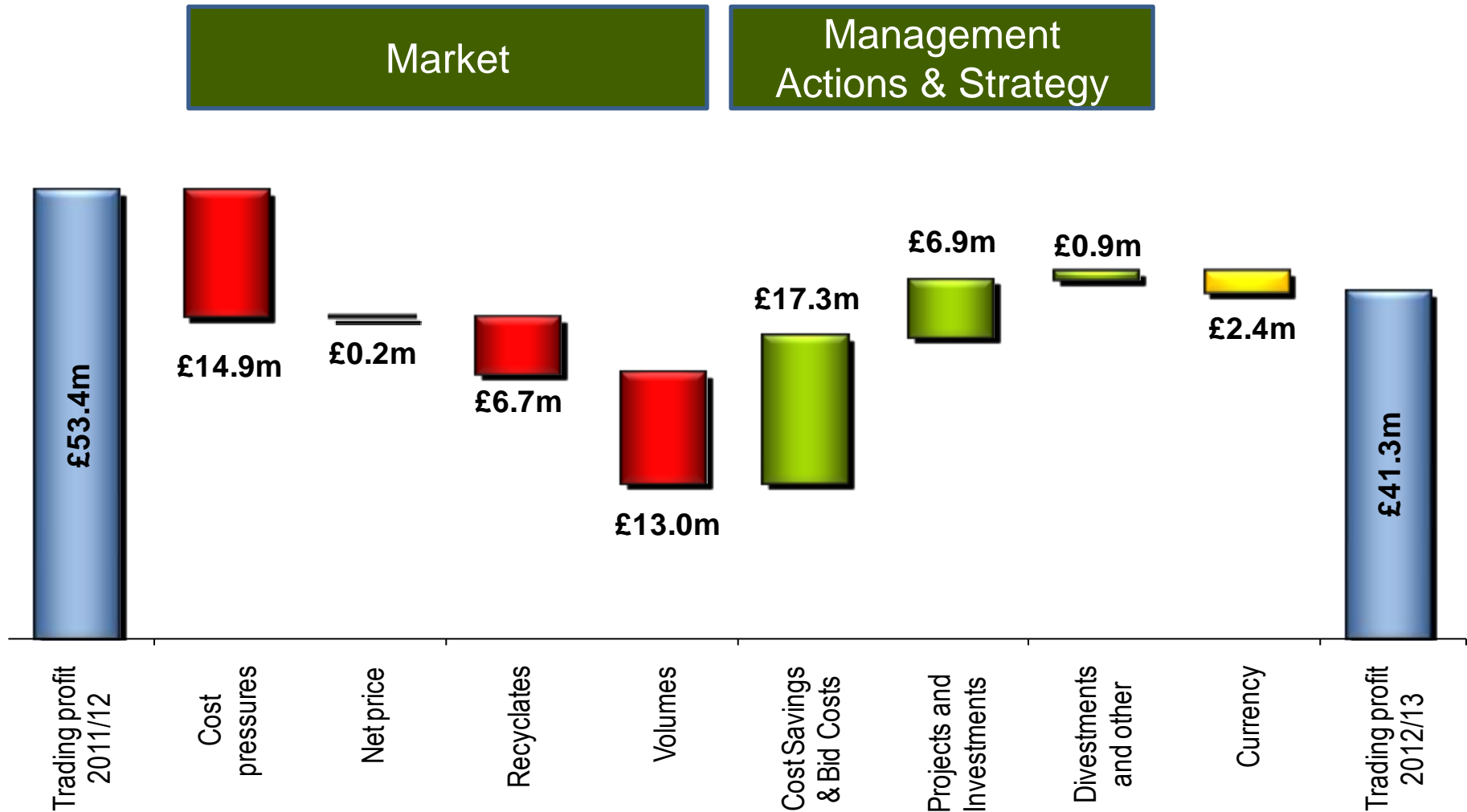
Peter Dilnot  
Group Chief Executive

# Income Statement

## Year ended March 2013

	Mar 13 £m	Mar 12 £m	Reported £m	Change %	Excluding currency Change %
<b>Revenue</b>	<b>670.0</b>	<b>750.1</b>	<b>(80.1)</b>	<b>-11%</b>	<b>-7%</b>
Trading Profit	41.3	53.4	(12.1)	-23%	-18%
Net Interest	(15.1)	(16.2)			
Associate Income	0.3	0.1			
<b>Underlying profit before tax</b>	<b>26.5</b>	<b>37.3</b>	<b>(10.8)</b>	<b>-29%</b>	<b>-24%</b>
Non-trading and exceptional items	(61.8)	(7.4)			
Profit before tax	(35.3)	29.9	(65.2)		
Taxation	0.1	(4.2)			
Profit after tax	(35.2)	25.7	(60.9)		
<b>Underlying earnings per share (p)</b>	<b>5.0</b>	<b>7.0</b>	<b>(2.0)</b>	<b>-29%</b>	<b>-23%</b>
Basic earnings per share (p)	(8.9)	6.5	(15.4)		
<b>Dividend (pence per share)</b>	<b>3.45p</b>	<b>3.45p</b>	-		

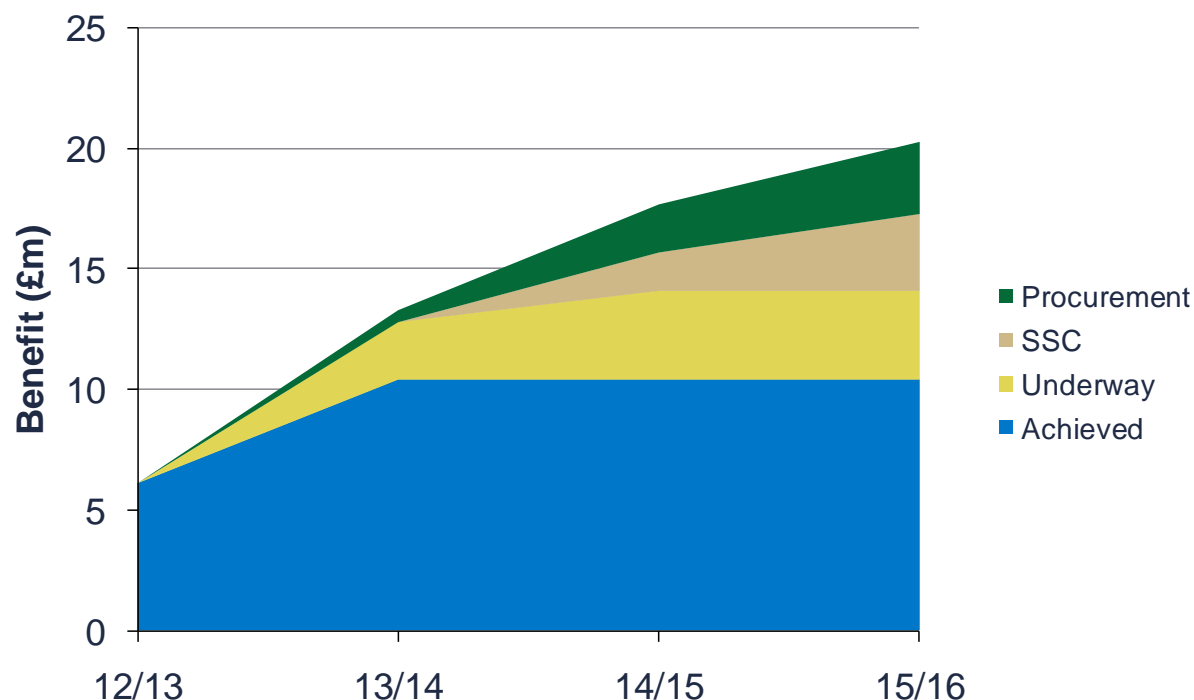
# Trading Profit Progression: Drivers



Average exchange rates: Euro: 1.23 (PY:1.16); Can\$ 1.59 (PY:1.59)

# Structural Cost Programme

## Savings Progression



## Delivered

**£6m savings in 12/13 and  
£10m secured at March**

**180 heads out in Benelux  
124 heads out in UK**

**Sites closed and others  
converted to transfer  
stations**

**Surplus assets sold**

**Sites selected for Belgium  
and Netherlands shared  
service centres**

**Structural cost programme slightly ahead of plan**

# £250m Investment Programme

Category	Value	Examples	Performance
Fully Operational	£65m	<ul style="list-style-type: none"> <li>Ottawa Canada AD (Org)</li> <li>ATM water treatment (HW)</li> <li>Gent SRF capacity (SW)</li> </ul>	<ul style="list-style-type: none"> <li>Post tax return of 12.1%</li> <li>Mixed returns from Solid Waste</li> </ul>
Ramping up	£50m	<ul style="list-style-type: none"> <li>London Canada AD (Org)</li> <li>Amsterdam AD (Org)</li> <li>Cumbernauld AD (Org)</li> <li>ATM soil capacity (HW)</li> </ul>	<ul style="list-style-type: none"> <li>All “ramping up” projects to be fully operational in 2013/14</li> </ul>
In Construction	£30m	<ul style="list-style-type: none"> <li>Westcott Park AD (Org)</li> <li>Kettering MRF (SW)</li> </ul>	<ul style="list-style-type: none"> <li>Westcott Park construction nearly complete</li> <li>Kettering MRF commissioned and fully operational in 2013/14</li> </ul>
Not yet Started	£105m	<ul style="list-style-type: none"> <li>ATM jetty extension (HW)</li> <li>Rotterdam project (HW)</li> <li>Canada plants (Org)</li> </ul>	<ul style="list-style-type: none"> <li>New water treatment expansion project in Hazardous Waste</li> </ul>

Returns on total programme are in target range at 12.4% post tax

# Divisional Performance

## Solid Waste Benelux

Year ended	Mar 13 €m	Mar 12 €m	Change €m	%
<b>Revenue</b>				
Netherlands Solid Waste	231.0	253.0	(22.0)	-9%
Belgium Solid Waste	109.4	113.1	(3.7)	-3%
Belgium Others	84.1	100.9	(16.8)	-17%
Intra-segment	(18.3)	(18.8)	0.5	
<b>Total Revenue</b>	<b>406.2</b>	<b>448.2</b>	<b>(42.0)</b>	<b>-9%</b>
<b>Total Revenue (£m)</b>	330.9	387.8	(56.9)	-15%
<b>Trading Profit</b>				
Netherlands Solid Waste	11.9	19.7	(7.8)	-40%
Belgium Solid Waste	8.4	8.4	-	0%
Belgium Others	9.3	11.0	(1.7)	-15%
Divisional central services	(9.5)	(8.8)	(0.7)	
<b>Total Trading Profit (before non trading &amp; exceptional)</b>	<b>20.1</b>	<b>30.3</b>	<b>(10.2)</b>	<b>-34%</b>
<b>Total Trading Profit (£m)</b>	16.3	26.2	(9.9)	-38%
<b>Trading Margin</b>				
Netherlands Solid Waste	5.2%	7.8%		
Belgium Solid Waste	7.7%	7.4%		
Belgium Others	11.1%	10.9%		
<b>Total Trading Margin</b>	<b>4.9%</b>	<b>6.8%</b>		
<b>Return on operating assets</b>				
Netherlands Solid Waste	4.3%	9.6%		
Belgium	24.7%	22.1%		
<b>Total Return on operating assets</b>	<b>8.1%</b>	<b>12.7%</b>		

### Weak markets

- Dutch volumes flat, adverse shift in mix
- Belgium relatively flat

### Decisive action

- New organisation and management structure
- 180 heads out and €4m cost saved
- Improvements to key contracts

### Commercial success

- Important contract wins with Rabobank, Heineken, Dura Vermeer

### Investment & Innovation

- Hook of Holland facility commissioned
- Capacity expansion in Van Tuijl



# Divisional Performance

## Solid Waste UK

Year ended	Mar 13 £m	Mar 12 £m	Change £m	%
<b>Revenue</b>	59.8	78.8	(19.0)	-24%
<b>Trading Profit</b>				
Solid Waste	(0.7)	5.8	(6.5)	-112%
Divisional central services	(2.5)	(3.5)	1.0	
<b>Total Trading Profit (before non trading &amp; exceptional)</b>	<b>(3.2)</b>	<b>2.3</b>	<b>(5.5)</b>	<b>-239%</b>
<b>Trading Margin</b>	<b>-5.4%</b>	<b>2.9%</b>		
<b>Return on operating assets</b>	<b>-6.1%</b>	<b>5.3%</b>		

### Weak markets

- Collection tonnages down 12%
- Recycling tonnages down 17%
- Sharp fall in recyclate prices
- Scotland particularly challenged

### Decisive action

- New organisation and management structure
- 124 heads out and major site mothballed

### Commercial success

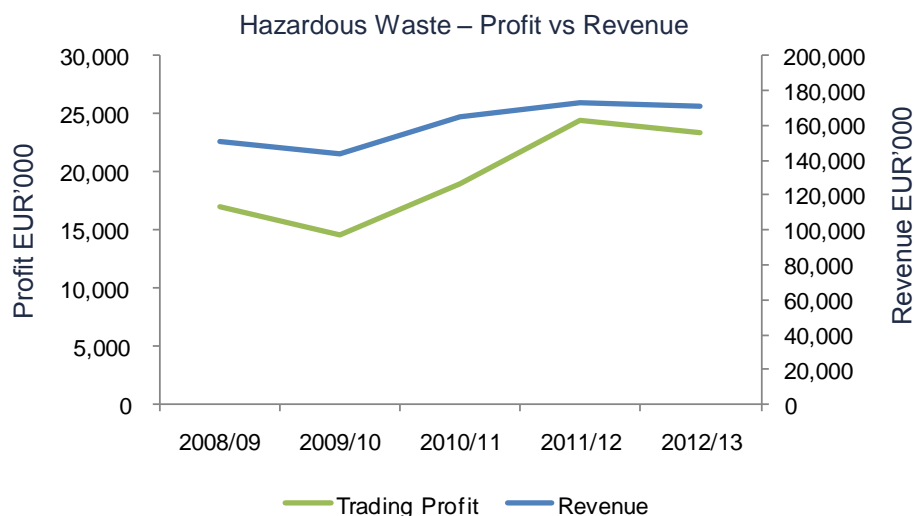
- Contract wins at Silverburn, Glasgow airport, Bedfordshire

### Investment & Innovation

- Kettering MRF commissioned
- First Eco Cassette sales in UK

# Divisional Performance Hazardous Waste

Year ended	Mar 13 €m	Mar 12 €m	Change €m	%
<b>Revenue</b>	<b>170.9</b>	<b>172.9</b>	<b>(2.0)</b>	<b>-1%</b>
<b>Total Revenue (£m)</b>	<b>139.4</b>	<b>149.6</b>	<b>(10.2)</b>	<b>-7%</b>
<b>Trading Profit</b>				
Hazardous Waste	25.3	26.4	(1.1)	-4%
Divisional central services	(1.9)	(1.9)	-	
<b>Total Trading Profit (before non trading &amp; exceptional)</b>	<b>23.4</b>	<b>24.5</b>	<b>(1.1)</b>	<b>-4%</b>
<b>Total Trading Profit (£m)</b>	<b>19.1</b>	<b>21.2</b>	<b>(2.1)</b>	<b>-10%</b>
<b>Trading Margin</b>	<b>13.7%</b>	<b>14.2%</b>		
<b>Return on operating assets</b>	<b>36.2%</b>	<b>40.6%</b>		



## Stable Market

- Slowing soil market but solid order book
- Good cleaning volumes, price pressure
- Strong water treatment market

## Commercial success

- Contract wins or renewals with KPE, Sabic, DSM & NAM
- High asset utilisation at Reym improves margins
- Record ship cleaning
- Completion of major soil contract

## Investment & Innovation

- ATM completing expansion of soil treatment facilities
- New waterside expansion seeking permits

# Divisional Performance Organics

Year ended	Mar 13 €m	Mar 12 €m	Change €m %	
<b>Revenue</b>				
Netherlands	17.8	18.2	(0.4)	-2%
Canada	18.4	17.5	0.9	5%
Other Organics	7.8	4.1	3.7	90%
<b>Total Revenue</b>	<b>44.0</b>	<b>39.8</b>	<b>4.2</b>	<b>11%</b>
<b>Total Revenue (£m)</b>	35.9	34.4	1.5	4%
<b>Trading Profit</b>				
Netherlands	3.3	3.4	(0.1)	-3%
Canada	4.4	4.5	(0.1)	-2%
Other Organics	-	(0.6)	0.6	100%
Divisional central services	(1.2)	(1.2)	-	
<b>Total Trading Profit (before non trading &amp; exceptional)</b>	<b>6.5</b>	<b>6.1</b>	<b>0.4</b>	<b>7%</b>
<b>Total Trading Profit (£m)</b>	5.3	5.2	0.1	2%
<b>Trading Margin</b>				
Netherlands	18.5%	18.7%		
Canada	23.9%	25.7%		
Other Organics	0.0%	-14.6%		
<b>Total Trading Margin</b>	<b>14.8%</b>	<b>15.3%</b>		
<b>Return on operating assets</b>				
Netherlands	6.4%	7.3%		
Canada	10.3%	12.0%		
Other Organics	0.2%	-3.0%		
<b>Total Return on operating assets</b>	<b>6.7%</b>	<b>7.0%</b>		

## Promising Market

- Underlying markets remain strong
- Good pipeline of opportunities in Canada & UK

## Commercial success

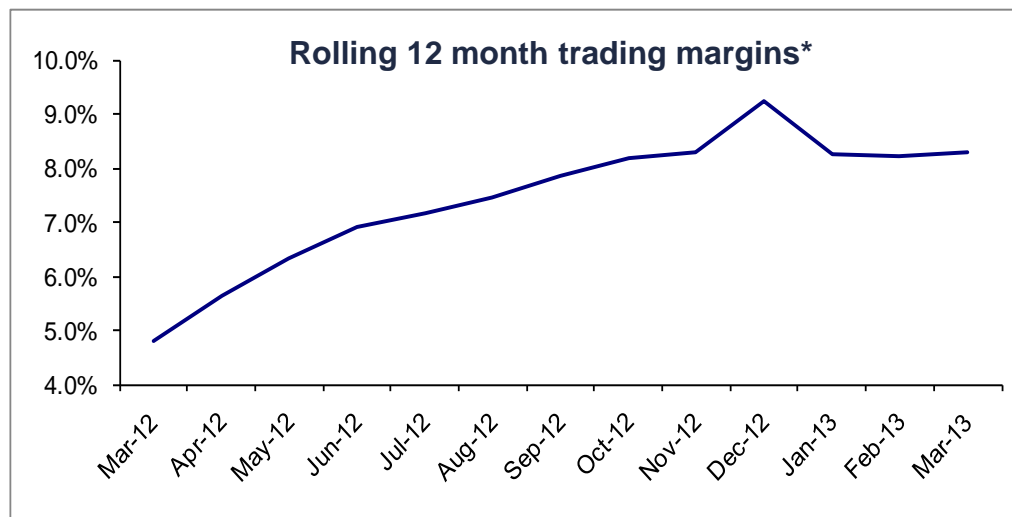
- M&S power purchase agreement at Cumbernauld
- Contract renewals with Albert Heijn and McCain
- 30,000 tonne contract win in Ontario

## Investment & Innovation

- Westcott Park to commission mid-2013
- Third CHP installed in Amsterdam
- New dryer to commission in Amsterdam

# Divisional Performance UK Municipal

Year ended	Mar 13 £m	Mar 12 £m	Change £m	%
<b>Revenue</b>	<b>110.9</b>	<b>106.8</b>	<b>4.1</b>	<b>4%</b>
<b>Trading Profit</b>				
PFI/PPP contracts	13.5	10.8	2.7	25%
Divisional central services	(4.3)	(5.7)	1.4	
<b>Total Trading Profit (before non trading &amp; exceptional)</b>	<b>9.2</b>	<b>5.1</b>	<b>4.1</b>	<b>80%</b>
<b>Trading Margin</b>	<b>8.3%</b>	<b>4.8%</b>		



\*Margins now include an allocation of divisional central costs

## Existing contracts

- Good growth from all current operational contracts
- Barrow MBT plant completed and commissioned ahead of plan
- BDR broke ground February 2013
- D&G contract variation approved

## Pipeline

- Planning permission received for Derby and appeal rejected in March 2013
- Financial close for £750m Wakefield project achieved January 2013
- PB decision for Derry




## Directors' Valuation

- Valuation at £88m – 10% increase from March 12

# UK Municipal Portfolio

Derby				Mar 17	2041	Financial close 2014
Wakefield		Jun 13	Nov 14	Sep 15	2038	Break ground: Jun 13
BDR		Feb 13	Nov 14	Jul 15	2040	Manage build to time and budget
Cumbria					2034	
A&B					2026	
D&G					2030	Profit improvement plan
ELWA					2027	

Financial Close	Build Phase	Comm- issioning	Full Operation	Contract to ...	Next milestone ...
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-  = Achieved
-  = In progress
-  = To start

# Non-trading & Exceptional Items

Year ended	Mar 13 £m	Mar 12 £m
Amortisation of acquisition intangibles	(3.6)	(3.7)
Impairment of goodwill	(19.4)	(2.5)
Restructuring charges	(12.5)	-
Impairment of PPE	(20.0)	-
Provision for disposal of UK landfill JV	(3.9)	-
Exit from Foronex transport activities	1.4	-
Litigation release in Haz Waste	6.0	-
Net onerous contract provision	(5.9)	-
UK unprocessed waste	(1.5)	-
Other exceptional items	(2.5)	-
Write-off of JV investment	-	(2.0)
Reassessment of contingent consideration	-	1.6
Change in fair value of derivatives	0.1	(0.8)
<b>Total non-trading and exceptional items</b>	<b>(61.8)</b>	<b>(7.4)</b>

## Decisive action

- **Headcount reduction results in restructuring charges**
- **Site closures result in PPE impairments**
- **Accretive exit from last UK landfill in April 2013**
- **Profitable exit from Foronex transport activities**
- **Successful resolution of both outstanding litigations in Hazardous Waste**
- **Recognition of onerous contracts offset by success with Dumfries & Galloway PFI contract**
- **70% of non-trading and exceptional items are non-cash**

# Cash Flow Performance

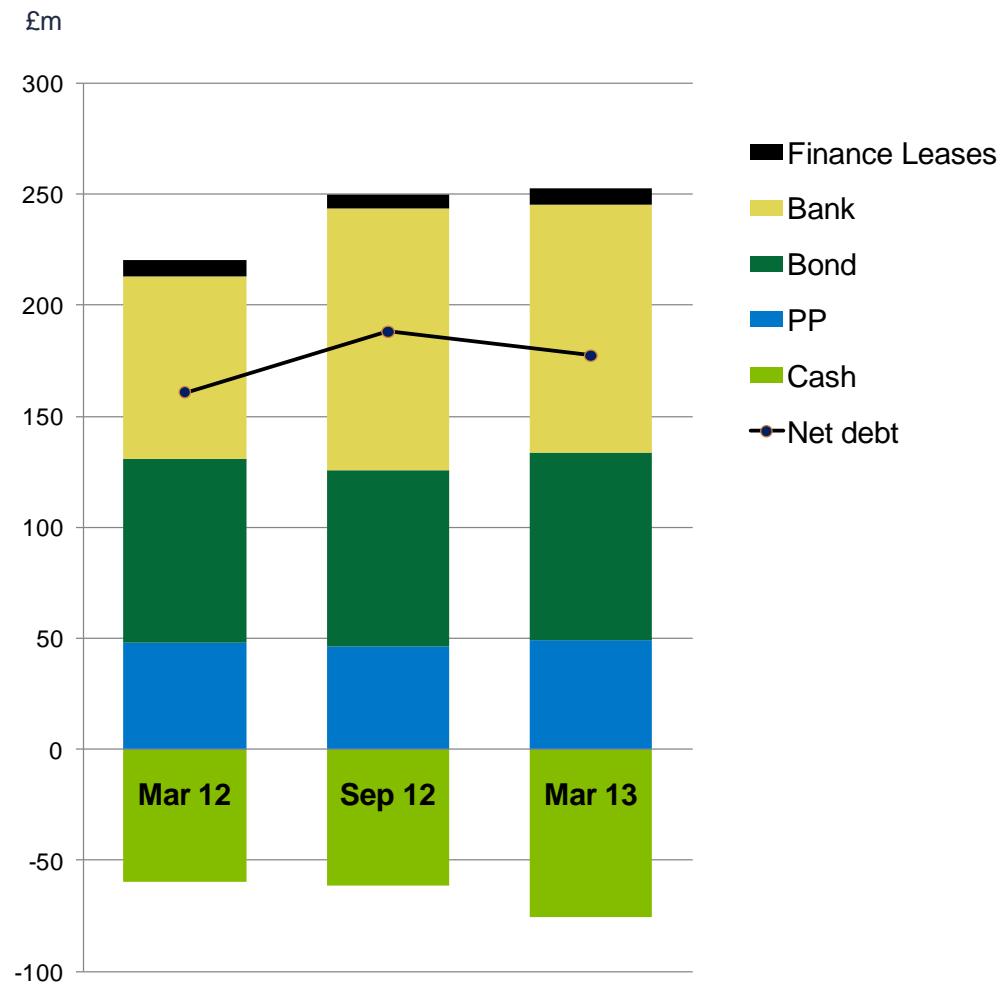
- Excellent free cash flow conversion of 118%
- Working capital focus reduced days sales outstanding
- Replacement capital expenditure of 54% (2012: 78%) reflecting careful management and selected asset sales
- Final earn out payment on Orgaworld acquisition offset by disposal of Foronex transport
- Cash restructuring spend ahead of plan
- Others in the prior year included settlement from Hazardous Waste litigation

	Mar 13 £m	Mar 12 £m
EBITDA	84.8	102.4
Working capital movement and other	(1.8)	1.6
Net replacement capital expenditure	(24.6)	(40.4)
Interest and tax	(9.6)	(20.6)
<b>Underlying free cash flow</b>	<b>48.8</b>	<b>43.0</b>
Net growth capital expenditure	(28.3)	(37.9)
Acquisitions and Disposals	(7.0)	(6.8)
Restructuring spend	(7.0)	-
Dividends paid	(13.7)	(13.3)
PFI funding and other	(5.5)	5.2
<b>Net core cash flow</b>	<b>(12.7)</b>	<b>(9.8)</b>
<b>Free cash flow conversion</b>	<b>118%</b>	<b>81%</b>

*FCF conversion is defined as underlying free cash flow divided by trading profit*

**Strong year end cash performance**

# Movement in Core Net Debt



Core net debt	£m
Net debt at start of period	(160.8)
Net cash inflow	20.6
Net loan draw-downs	(33.1)
Loan fee amortisation	(1.0)
Exchange impact	(3.0)
<b>Net debt at end of period</b>	<b>(177.3)</b>

	Mar 13	Mar 12
Headroom	£82m	£138m
Net debt / EBITDA	2.0x	1.7x
Interest cover	3.7x	5.0x

**Long term debt from multiple sources with headroom available**



# Agenda

## CEO Perspectives

Peter Dilnot  
Group Chief Executive

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Toby Woolrych  
Group Finance Director

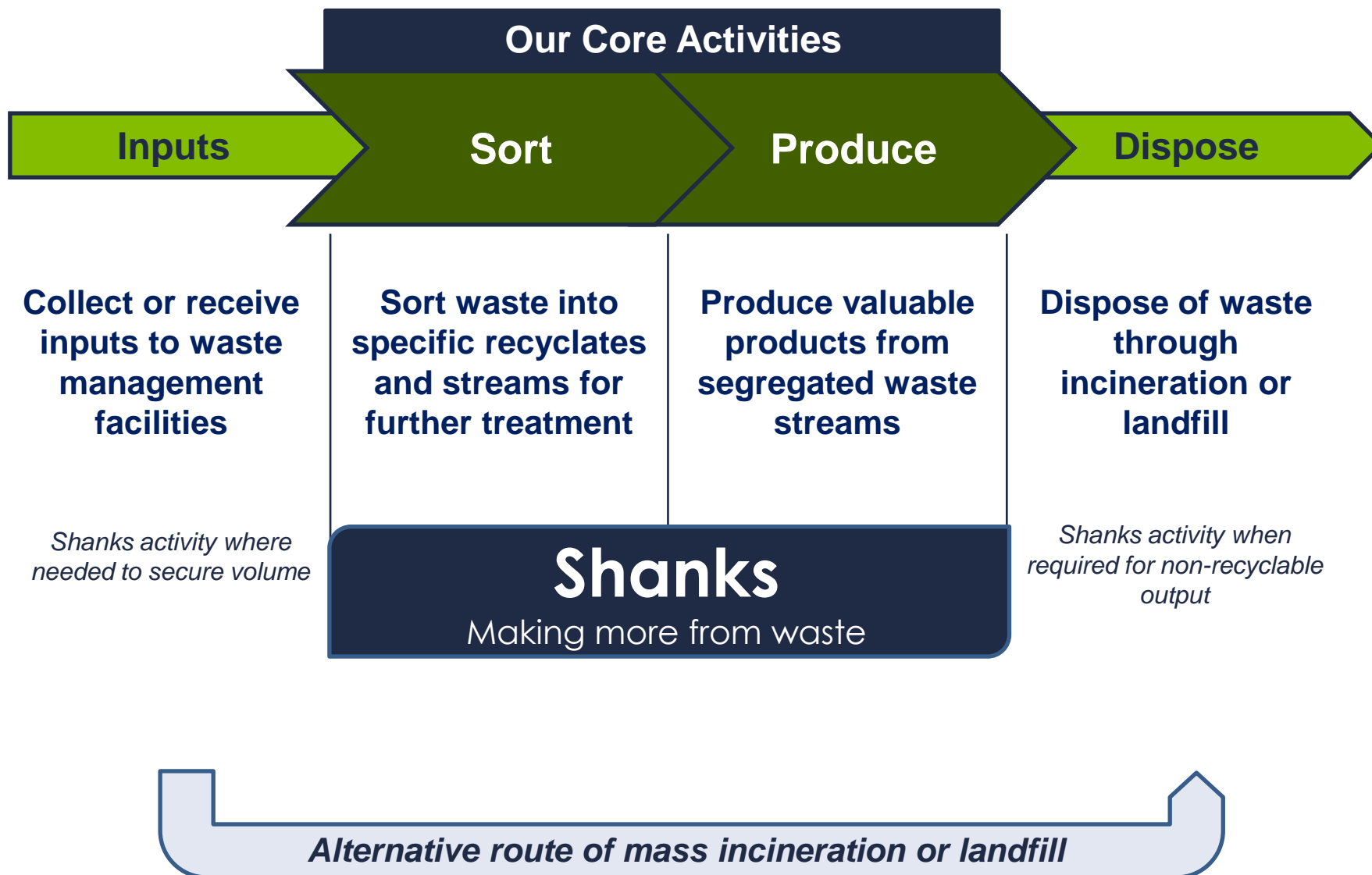
## Strategy for Growth

Peter Dilnot  
Group Chief Executive

# Strong Growth Drivers



# Making More From Waste



# Shanks Distinct Positioning



**Solid waste scale**  
in target markets

**Market leadership**  
& growth in UK PFI

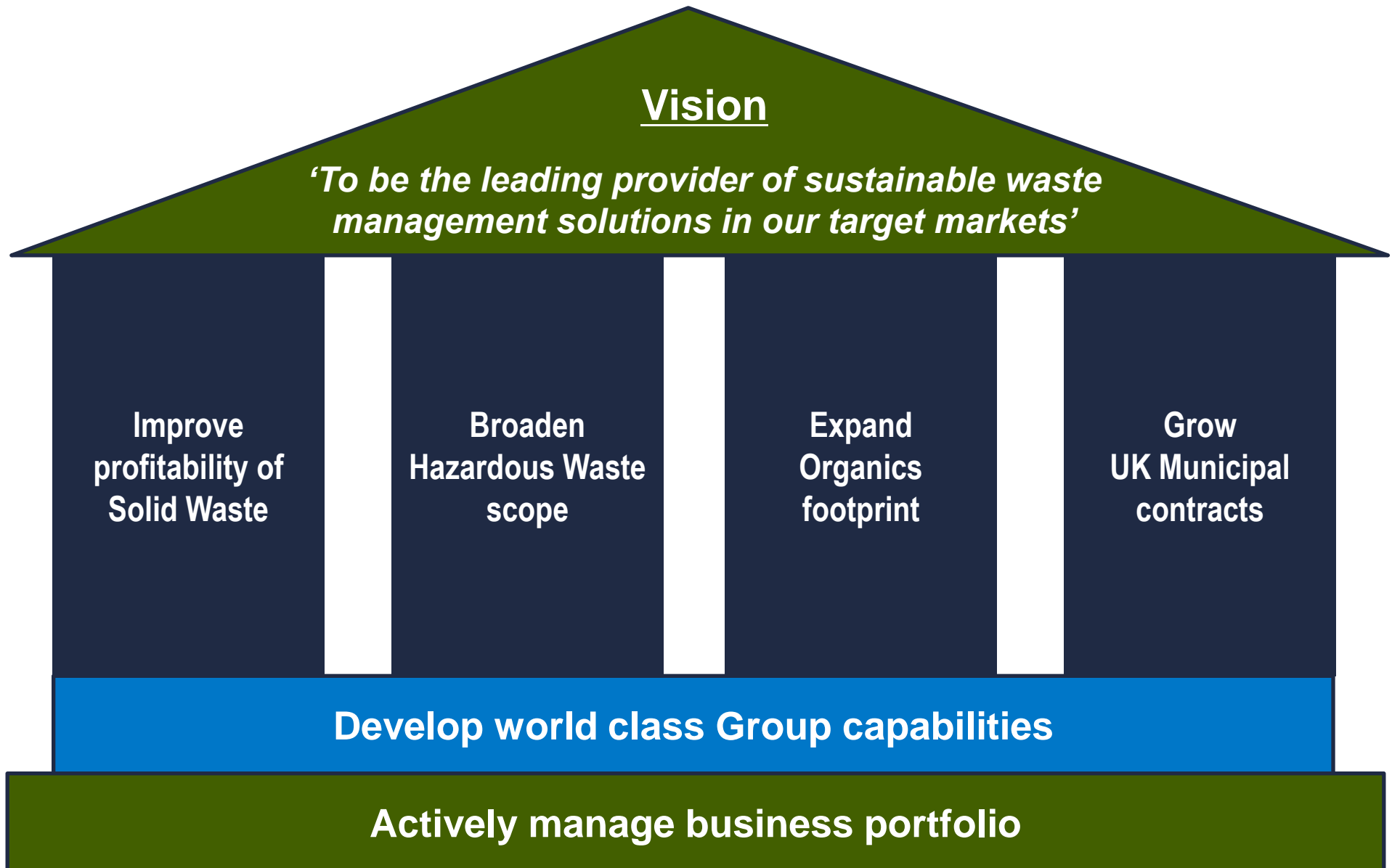
**In-house Organics**  
expertise &  
international  
reach\*

**Full integrated**  
**Hazardous Waste**  
businesses\*\*

**Landfill**  
and/or mass  
incineration

✓	✓	✓	✓	✓	✓
✓	✓	✓	✓		
✓					
✓					
	✓	✓	✓	✓	✓

# Strategy for Growth



# Solid Waste Strategy

## Market Dynamics

Ongoing macro headwinds and construction depressed

Customers increasingly focused primarily on price

Continued over-capacity, although some being removed

Recyclate prices not set to improve to previous levels

## Shanks Position

Market leader in Benelux, regional player in UK

Focused on construction and industrial inputs

Well-invested fleet and treatment facilities

Strong local brands and customer bases

## Financials

£m	09/10	10/11	11/12	12/13
Rev	468	470	467	391
TP	42.1	35.8	28.5	13.1
Margin	9.0%	7.6%	6.1%	3.4%

## Growth Strategy

- ① Lowest cost position through scale and productivity advantages
- ② High quality, innovative products for target markets
- ③ Commercial effectiveness to secure volume and sell product profitably and internationally

## Input



## Sort



## Produce



## Sell



# Hazardous Waste Strategy

## Market Dynamics

Mature market in Northern EU, especially soil remediation  
Growth in waste water treatment as regulation enforced  
Concentrated treatment market for more polluted outputs  
Industrial cleaning clients looking for service & breadth

## Shanks Position

Established EU market leader in thermal soil treatment  
Advantaged water technology and harbour location  
Synergies between treatment (ATM) and cleaning (Reym)  
Operational and environmental excellence, plus scale

## Financials

£m	09/10	10/11	11/12	12/13
Rev	128	141	150	139
TP	12.9	16.3	21.2	19.1
Margin	10.1%	11.6%	14.2%	13.7%

## Growth Strategy

- ① Invest in increasing water treatment capacity
- ② Expand range of inputs requiring thermal treatment
- ③ Broaden commercial coverage in target markets
- ④ Drive further synergies and productivity gains

## Input



## Sort



## Produce



## Sell





# Organics Strategy

## Market Dynamics

Benelux market mature, some technology developments

UK evolving rapidly with many AD plants being built

Canada and NA have medium term diversion ambitions; approaches vary at province level

Competitive space remains fragmented in UK and NA

## Shanks Position

Unique build, design, own and operate model

Market leadership in highly advanced Dutch market

Established footprint in Canada municipal sector

Proven adaptable technology for range of input types

## Financials

£m	09/10	10/11	11/12	12/13
Rev	23	28	34	36
TP	3.7	3.2	5.2	5.3
Margin	16.0%	11.6%	15.3%	14.8%

## Growth Strategy

- ① Ramp-up new EU assets profitably
- ② Capture NA growth opportunity by leveraging UK municipal, EU organics and Canadian experience
- ③ Develop co-processing with Dutch A-brand customers
- ④ Invest in maintaining technology leadership

## Inputs



## Sort



## Produce



## Sell





# UK Municipal Strategy

## Market Dynamics

Major UK push to divert municipal waste from landfill  
Treatment infrastructure typically built on 25 yr contracts  
Most authorities have decided on technology and partner  
Central PFI credits have now stopped, some withdrawn  
Some smaller scale, medium-term contracts emerging

## Shanks Position

Established player with five operational contracts  
UK market leader in MBT treatment and SRF production  
Two new contracts in £200m construction phase  
Proven capability for diversion and operational excellence

## Financials

£m	09/10	10/11	11/12	12/13
Rev	69	87	107	111
TP	(4.0)	(1.0)	5.1	9.2
Margin	-5.8%	-1.1%	4.8%	8.3%

## Growth Strategy

- ① Sustain margin on operational contracts in partnership with local authorities
- ② Ramp-up recently commissioned assets profitably
- ③ Successfully commission assets under construction
- ④ Win new volume to utilise full treatment capacity

## Inputs



## Sort



## Produce



## Sell



# Group Strategies

## Develop World-class Group Capabilities

**Continue to improve organisational design, hiring and talent development**

**Leverage combined Group expertise to accelerate growth, for example:**

- **Canada municipal – Organics + UK**
- **NL A-brands – Solid + Hazardous**

**Introduce formal continuous improvement function to drive lean manufacturing**

**Roll-out commercial effectiveness initiative to deliver share gains**

- **Customer segmentation**
- **Salesforce activities and targeting**

## Actively Manage Business Portfolio

**Continue to review businesses in terms of earnings quality and returns on assets**

**Explore sale of underperforming or non-core assets – such as Caird Bardon JV in UK**

**Increasing focus on investments where Shanks has advantage and higher growth**

- **Hazardous waste capacity**
- **Organics in target geographies**

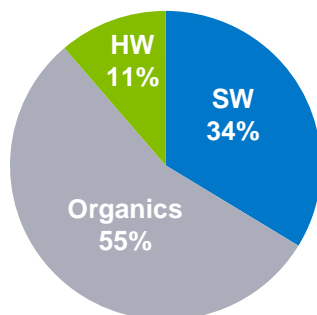
**Conduct accretive bolt-on acquisitions**

- **Reinforce strategy & Shanks position**
- **Deliver strong synergies – such as Van Tuijl**

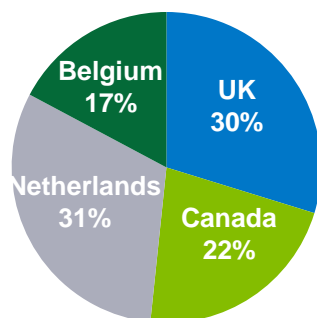
# Investment Programme Status

## £145m “Committed”

### Investment by Division



### Investment by Geography



## £105m “Unallocated”

**Strong pipeline of growth opportunities**

**Remaining £105m investment is affordable**

**Future focus on Hazardous and selected Organics markets**

- Shanks advantaged
- Higher returns

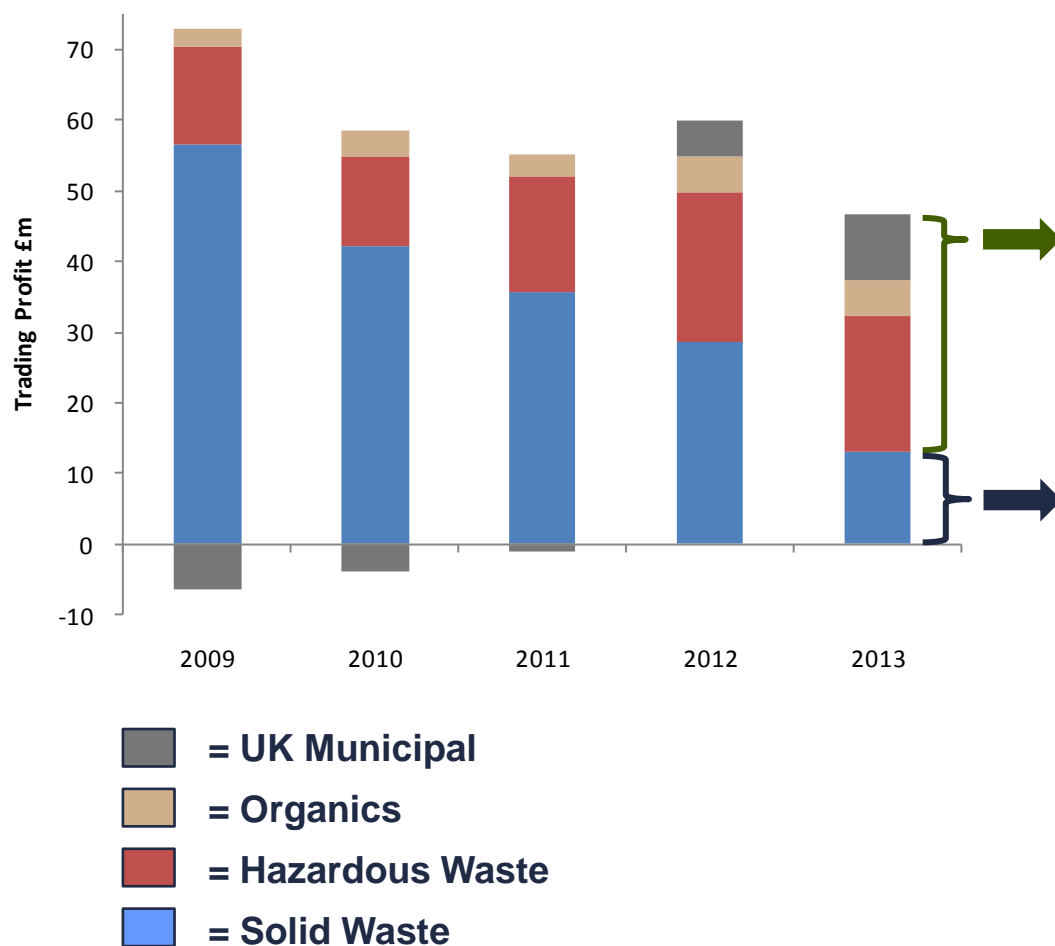
**Increased scrutiny on business cases**

**Planning to deploy this growth capital over next 3+ years**

**Returns on total programme are in target range at 12.4% post tax**

# Group Evolution

## Group Trading Profit Evolution



## Group Trading Profit Mix

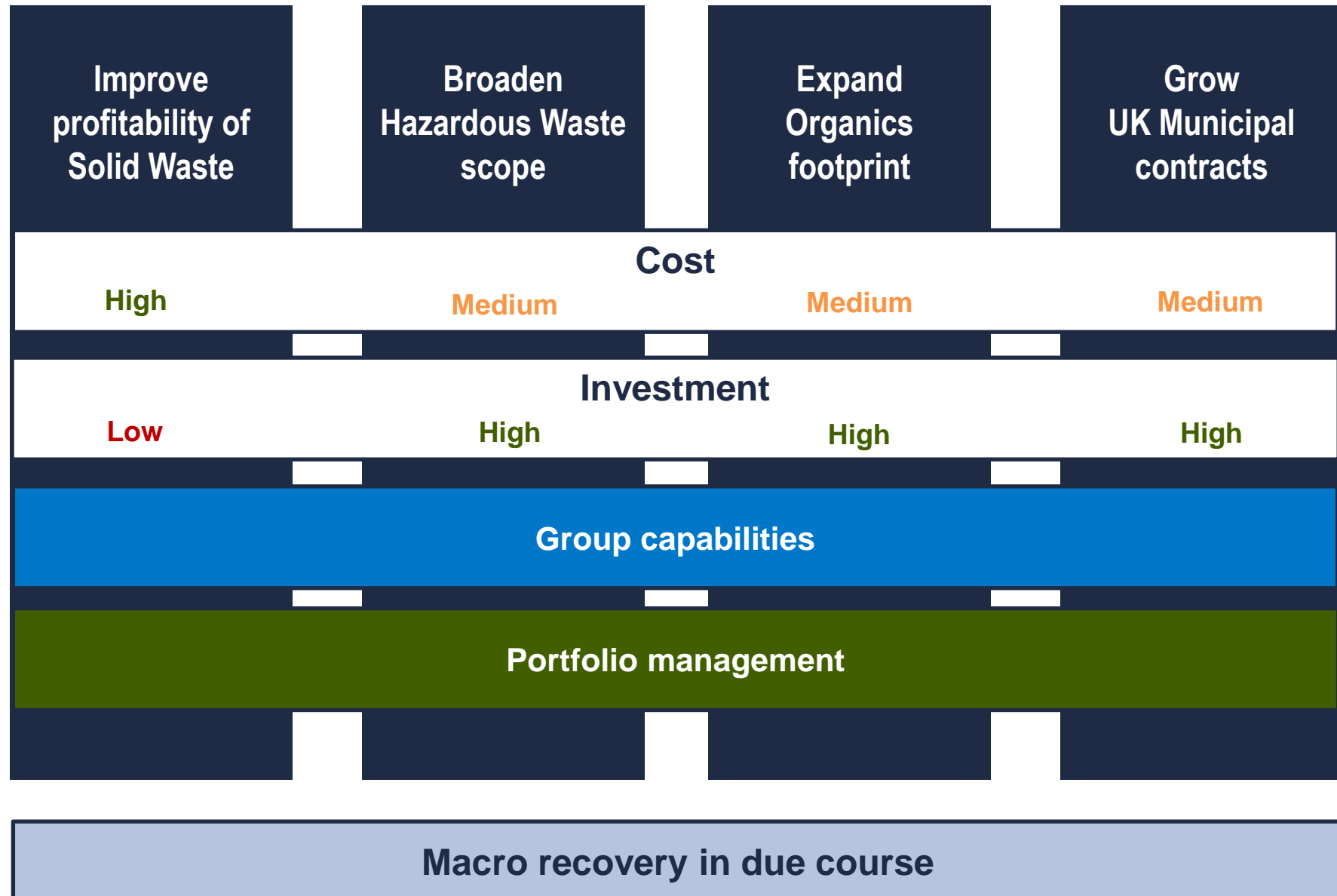
Over 70% of profits now from Organics, Hazardous and UK Municipal

- Higher quality of earnings
- Increased long-term contracts
- Higher returns on assets
- Reduced cyclicity over time

Solid Waste profits reduced significantly, will recover over time

- Structural cost action
- Macro recovery

# Value Drivers



# Outlook

- **Markets remain challenging**
- **Ongoing actions will deliver cost reductions and Group synergies**
- **Good investment opportunities which are well-funded and increasingly focused**
- **Actively managing portfolio to improve returns**
- **2013/14 profit in line with Board's expectations**
- **Medium-term growth prospects are promising**

# Appendices

# New Executive Committee



**Toby Woolrych**  
Group Finance Director

**Joined Shanks in Aug 12**

- Consort Medical plc & Acta SpA
- Johnson Matthey plc



**Michael van Hulst**  
MD, Benelux Solid Waste

**New Role in Jul 12**

- Shanks Excom since 08
- 20+ years waste experience



**Jonny Kappen**  
MD, Hazardous Waste

**Joined Excom in Jul 12**

- Hazardous Waste leader since 07
- 30+ years waste experience



**Michelle Cummins**  
Group HR Director

**Joined Shanks in Sep 12**

- Inchcape plc
- BAE Systems plc



**Peter Eglinton**  
MD, UK

**Joined Shanks in Apr 13**

- Iron Mountain Inc
- Christian Salvesen, DHL and Exel Plc



**Henk Kaskens**  
MD, Organics

**Joined Excom in Jul 12**

- Founded Orgaworld in 01
- 20+ years waste experience

**70+ years of waste experience reinforced by blue-chip industry leadership**



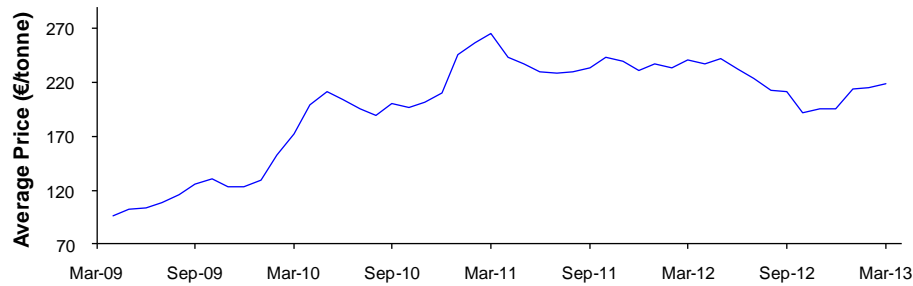
# Segmental Analysis

	Revenue			Trading Profit		
	Year ended March			Year ended March		
	2013	2012	Variance	2013	2012	Variance
	£m	£m	%	£m	£m	%
Solid Waste Benelux	<b>331</b>	388	(15)	<b>16.3</b>	26.2	(38)
Solid Waste UK	<b>60</b>	79	(24)	<b>(3.2)</b>	2.3	n/a
Hazardous Waste	<b>139</b>	149	(7)	<b>19.1</b>	21.2	(10)
Organics	<b>36</b>	34	4	<b>5.3</b>	5.2	2
UK Municipal	<b>111</b>	107	4	<b>9.2</b>	5.1	80
Group central services	-	-	-	<b>(5.4)</b>	(6.6)	18
Inter-segment revenue	<b>(7)</b>	(7)	5	-	-	-
	<b>670</b>	750	(11)	<b>41.3</b>	53.4	(23)

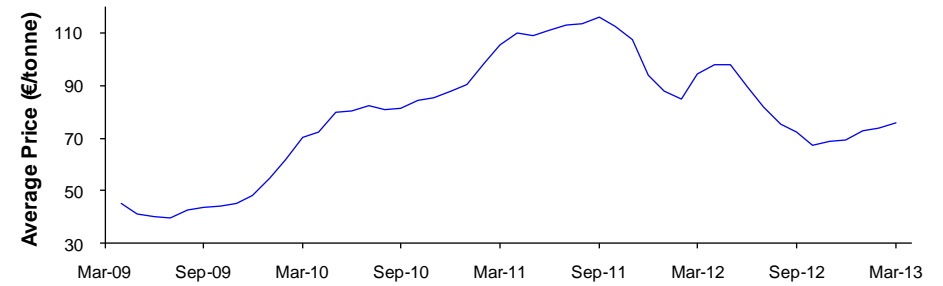
Trading profit = operating profit before amortisation of acquisition intangibles and exceptional items

# Recylate Data

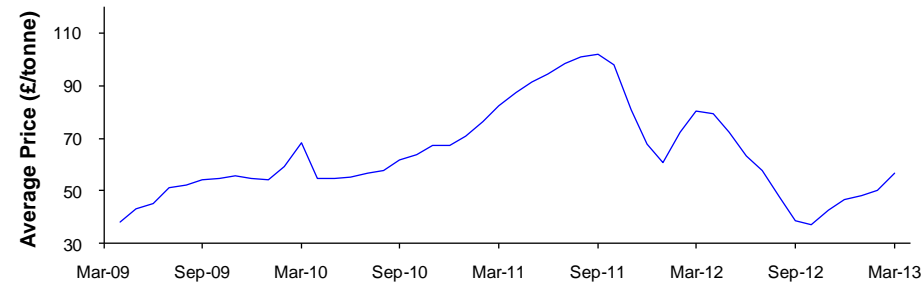
Netherlands average metal prices - 3 month rolling



Netherlands average paper prices - 3 month rolling



UK average mixed paper prices - 3 month rolling



# Structural Cost Programme

- Structural cost reduction programme to deliver £20m of savings in 2015/16
  - £6m of annual savings delivered, £10m secured as at 31 March 2013
- Cash cost of £28m results in cash payback on full savings of 1.3 years
- Non-cash cost increased by £6m due to impairment of assets for sale
- Charges taken over current and next accounting years

£m	P&L charge			Timing of charge			Expected benefit			
	Cash	Non Cash	Total	12/13	13/14	14/15	12/13	13/14	14/15	15/16
Benelux Solid Waste	13	8	21	15	5	1	3	8	9	9
UK Solid Waste	3	11	14	14	-	-	2	4	4	4
Other divisions	4	1	5	4	1	-	1	1	1	1
Solid Waste shared services	8	-	8	-	7	1	-	-	2	3
Procurement	-	-	-	-	-	-	-	1	2	3
	28	20	48	33	13	2	6	14	18	20

# Balance Sheet

	Mar 13 £m	Mar 12 £m
Tangible fixed assets	375.3	390.9
Goodwill & other intangibles	251.8	271.4
Financial assets relating to PFI/PPP contracts	117.5	59.3
Trade and other receivables	5.9	7.4
Other investments and loans to JVs	5.6	6.7
Non current assets	756.1	735.7
Working capital	(35.4)	(43.3)
Pension deficit	(8.8)	(7.6)
Taxation	(30.6)	(31.3)
Provisions and other liabilities	(59.4)	(59.6)
Net core debt	(177.3)	(160.8)
PFI non recourse net debt	(100.1)	(45.4)
Derivative financial liabilities	(30.8)	(17.1)
<b>Net Assets</b>	<b>313.7</b>	<b>370.6</b>

# Return on Capital

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March 13    March 12

Post tax ROIC  
(on depreciated capital base including goodwill)

5.4%    6.7%

Return on operating assets  
(trading profit on depreciated operating assets  
excluding debt, tax and goodwill)

11.4%    15.2%

Post tax project returns – fully  
operational projects in £250m  
programme  
(on the original invested capital)

12.1%    12.2%

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# PFI Directors' Valuation

- Portfolio valuation includes the four operating contracts, BDR and the two contracts at preferred bidder
- Valuation based on the cash flows of the financial vehicles and the operating contracts - discounted at 8%
- Valuation at £88m – 10% increase from March 12; no change from September 12

Valuation of future cash flows discounted at 8%:	£m
Contracts in full operations - operational contract value	54
Contracts in build phase & at preferred bidder status - operational contract value	24
	<hr/>
	78
Contracts in full operations - SPV financing vehicles	4
Contracts in build phase & at preferred bidder status - SPV financing vehicles	6
	<hr/>
<b>Directors' Valuation at 31 March 2013</b>	<b>88</b>
 <b>Directors' Valuation at 31 March 2012</b>	 <b>80</b>

# Glossary

<b>AD</b>	<b>Anaerobic digestion</b>
<b>C&amp;D</b>	<b>Construction &amp; Demolition</b>
<b>CHP</b>	<b>Combined Heat &amp; Power</b>
<b>I&amp;C</b>	<b>Industrial &amp; Commercial</b>
<b>MBT</b>	<b>Mechanical Biological Treatment</b>
<b>MRF</b>	<b>Material Recycling Facility</b>
<b>PFI</b>	<b>Private Finance Initiative</b>
<b>PPP</b>	<b>Public Private Partnership</b>
<b>RDF</b>	<b>Refuse Derived Fuel</b>
<b>ROC</b>	<b>Renewable Obligation Certificate</b>
<b>SRF</b>	<b>Solid Recovered Fuel</b>