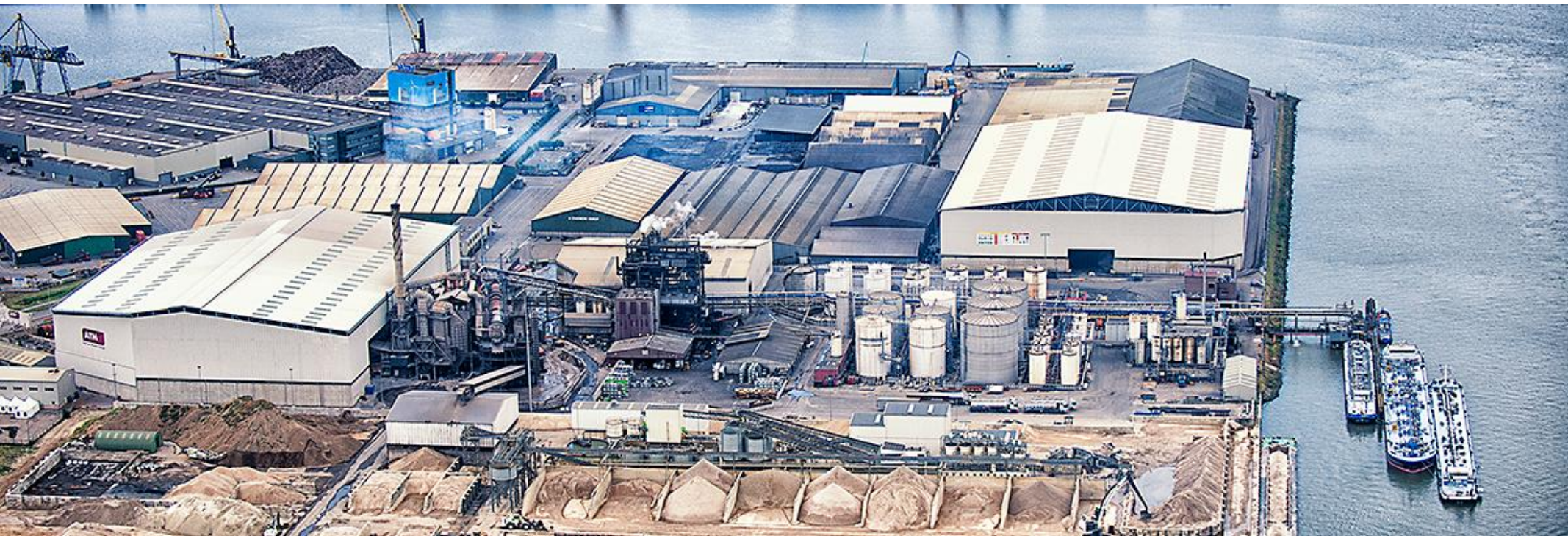




Shanks Group plc

Interim Results 2014/15



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

Introduction

Peter Dilnot
Group Chief Executive

Operating Review

Toby Woolrych
Group Finance Director

Looking Forward

Peter Dilnot
Group Chief Executive

Key Messages

- 1 As previously announced, Shanks has had a challenging first half**
- 2 Increasingly difficult Benelux solid waste market conditions**
- 3 We have built momentum for a stronger second half performance**
- 4 Our growth strategy is robust, differentiated and being implemented successfully**
 - Continuing to invest in infrastructure that will deliver high-quality earnings growth in the years ahead**
 - Building capability and advantage in Solid Waste Benelux to benefit as markets improve**

H1 2014/15 Interims

Revenue & Profits

- Revenue in H1 down 1% at constant currency
- Underlying PBT down 35% at constant currency

Benelux Solid Waste

- Lower market volumes and intense competition
- Adverse pricing, mix and recycle values
- Improvement initiatives on track

Growth Divisions

- Hazardous Waste on track for strong H2 following capacity investment
- 13% increase in trading profit from UK Municipal

Cash flow & Financing

- Tight cash management with debt lower than expectations at £150m
- Balance sheet robust with Net Debt: EBITDA at 2.1x

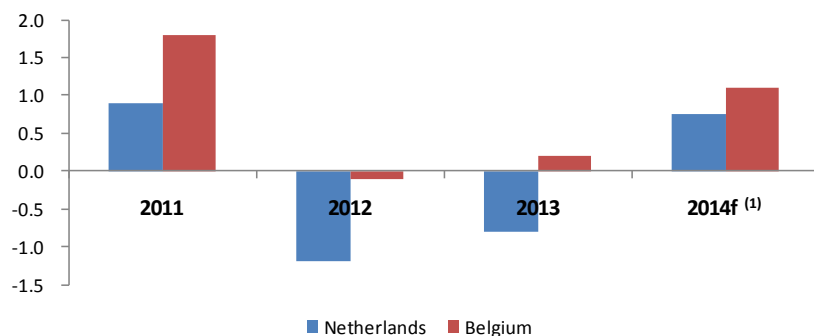
Dividend

- Interim dividend maintained at 1.1p per share
- Reflects Board's continuing confidence in medium term

Market Context: H1 Focus

GDP remains suppressed

Netherlands & Belgium GDP growth (%)



Continued challenging macro situation

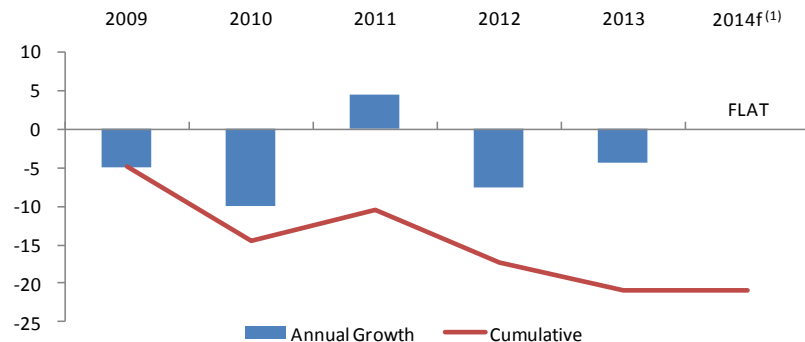
- Belgium GDP growth in Q2 was 0.1% from 0.4% in Q1
- Dutch GDP growth was 0.7% in Q2 versus -0.3% in Q1
- Eurozone concerns increased in H1

Dutch construction activity remains at 60-year lows

- Market volumes down 5-7% over summer
- Latest 2014 forecasts suggest flat year-on-year (versus 3%+ growth originally)

NL Construction flat at 60 year low

Netherlands Construction Growth (%)



Commercial and infrastructure activity in NL still low with industry overcapacity

- Poor recent results from Heijmans, BAM, Ballast Nedam and Volker Wessels
- Claims of “irresponsibly low pricing”

Intense competitive situation

- VGG and Indaver up for sale
- Smaller players fighting to survive

Focusing on ‘controlling the controllables’ in tough markets

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Income Statement

Six months ended September 2014

	Sep 14 £m	Sep 13 £m	Change £m	% change	Excluding currency change %
Revenue	304.8	323.8	(19.0)	-6%	-1%
Trading Profit	18.1	25.9	(7.8)	-30%	-25%
Net Interest	(7.2)	(7.7)			
Income from associates and JVs	0.3	0.1			
Underlying profit before tax	11.2	18.3	(7.1)	-39%	-35%
Non-trading and exceptional items	(19.8)	(5.5)	(14.3)		
(Loss) profit before tax	(8.6)	12.8	(21.4)		
Taxation	(1.1)	(3.2)			
(Loss) profit after tax	(9.7)	9.6	(19.3)		
Discontinued operations	(0.1)	(27.2)			
Loss after tax	(9.8)	(17.6)	7.8	45%	40%
Continuing operations:					
Basic earnings per share (p)	(2.5)	2.4	(4.9)		
Underlying earnings per share (p)	2.1	3.4	(1.3)	-38%	-33%
Dividend (pence per share)	1.1p	1.1p	-		

Comparatives for 2013 have been restated following the adoption of IFRS 11 and the requirement to equity account for joint ventures

Divisional Performance

Solid Waste Benelux

Six months ended	Sep 14 €m	Sep 13 €m	Change €m	%
Revenue				
Netherlands Solid Waste	108.8	112.3	(3.5)	-3%
Belgium Solid Waste	53.5	54.9	(1.4)	-3%
Belgium Others	31.7	35.2	(3.5)	-10%
Intra-segment	(7.9)	(10.1)	2.2	
Total Revenue	186.1	192.3	(6.2)	-3%
Total Revenue (£m)	149.6	164.4	(14.8)	-9%
Trading Profit				
Netherlands Solid Waste	4.5	7.7	(3.2)	-42%
Belgium Solid Waste	2.7	3.4	(0.7)	-21%
Belgium Others	4.6	6.1	(1.5)	-25%
Divisional central services	(4.8)	(4.8)	-	
Total Trading Profit	7.0	12.4	(5.4)	-44%
Total Trading Profit (£m)	5.7	10.6	(4.9)	-46%
Trading Margin				
Netherlands Solid Waste	4.1%	6.9%		
Belgium Solid Waste	5.0%	6.2%		
Belgium Others	14.5%	17.3%		
Total Trading Margin	3.8%	6.4%		
Return on operating assets				
Netherlands Solid Waste	5.0%	4.9%		
Belgium	43.2%	32.5%		
Total Return on operating assets	9.2%	9.0%		

• Netherlands Solid Waste

- Volumes flat overall with declines in rubble, glass, wood and landfill
- Pricing and mix adverse
- Lower recyclates: glass, rubble, metal, paper

• Belgium Solid Waste

- 1% volume growth but commercial prices down 2%
- Margins impacted by soil & SRF Gent

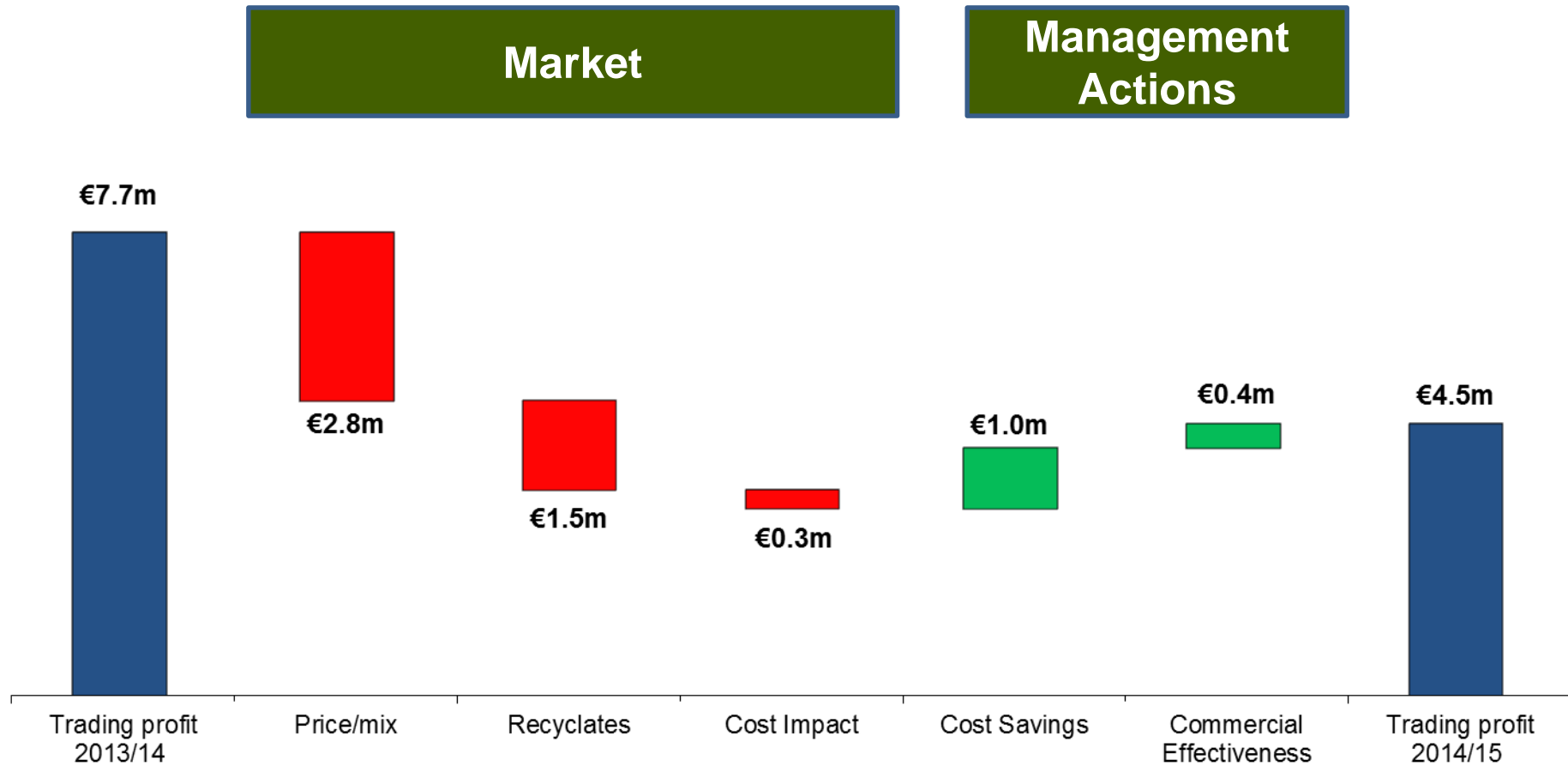
• Belgium Others

- Lower Q2 demand in Shanks Wood Products
- Weak industrial cleaning activity Wallonia

• Offset to some extent by improvement actions

- Commercial effectiveness progress
- Ongoing benefit from restructuring activities

NL SW Trading Profit Bridge



Trading profit before divisional central services

Divisional Performance Hazardous Waste

Six months ended	Sep 14 €m	Sep 13 €m	Change €m	%
Revenue	86.1	88.1	(2.0)	-2%
Total Revenue (£m)	69.2	75.2	(6.0)	-8%
Trading Profit				
Hazardous Waste	10.8	14.1	(3.3)	-23%
Divisional central services	(0.8)	(1.1)	0.3	
Total Trading Profit	10.0	13.0	(3.0)	-23%
Total Trading Profit (£m)	8.0	11.1	(3.1)	-28%
Trading Margin	11.6%	14.8%		
Return on operating assets	28.5%	35.6%		

- **Robust trading performance affected by annual shutdown timing & installation of new equipment**
- **Soil performance**
 - Thermal soil intake strong
 - Volumes and price impacted by old ESP
 - ESP replacement now completed
 - Soil washing exited during period
- **Water treatment**
 - Intake overall broadly flat
 - Some volatility in volumes
- **Industrial Cleaning sound**
 - Pricing pressure at key accounts
 - Delays in major shutdowns
 - Shanks Total Care growth: 4 new contracts



Divisional Performance Organics

Six months ended	Sep 14 €m	Sep 13 €m	Change €m	%
Revenue				
Netherlands	10.0	10.3	(0.3)	-3%
Canada	8.2	8.5	(0.3)	-4%
Other Organics	2.0	2.7	(0.7)	-26%
Total Revenue	20.2	21.5	(1.3)	-6%
Total Revenue (£m)	15.7	18.4	(2.7)	-15%
Trading Profit				
Netherlands	1.4	2.3	(0.9)	-39%
Canada	1.8	1.8	-	0%
Other Organics	0.1	-	0.1	n/a
Divisional central services	(0.8)	(0.5)	(0.3)	
Total Trading Profit	2.5	3.6	(1.1)	-34%
Total Trading Profit (£m)	1.9	3.1	(1.2)	-39%
UK Joint Venture (£m)				
Revenue	1.2	0.9	0.3	33%
Trading Profit	0.3	0.1	0.2	130%
Trading Margin				
Netherlands	14.0%	22.3%		
Canada	22.0%	21.2%		
Other Organics	5.0%	0.0%		
Total Trading Margin	12.4%	16.7%		
Return on operating assets				
Netherlands	1.8%	6.9%		
Canada	8.5%	9.6%		
Other Organics	-0.1%	-0.4%		
Total Return on operating assets	3.6%	6.7%		

Netherlands

- In line with expectations
- Renewal of long term contract for Biocel at lower margins
- Amsterdam AD steady
- Canada bid costs

Canada

- Improving operational performance
- London volumes down due to Toronto
- York contract extended and increased

Other & Joint Ventures

- Improved returns from Belgian AD
- Record performance from Cumbernauld AD

Divisional Performance UK Municipal

Six months ended	Sep 14 £m	Sep 13 £m	Change £m	%
Revenue	74.9	70.5	4.4	6%
Trading Profit				
UK Municipal	7.8	7.2	0.6	8%
Divisional central services	(2.5)	(2.5)	-	
Total Trading Profit	5.3	4.7	0.6	13%
Trading Margin	7.1%	6.7%		

Existing contracts

- Good overall performance from existing contracts
- Wakefield and Derby initial services contracts performing well
- Wakefield and BDR construction moving towards completion
- ELWA permission gained to restart operations

Pipeline

- Derby Financial Close in August & construction started with interim services extended

Directors' valuation of the PFI portfolio maintained at £110m



Non-trading & Exceptional Items

Six months ended	Sep 14 £m	Sep 13 £m
Amortisation of acquisition intangibles	(1.0)	(1.1)
Impairment of goodwill	(11.1)	-
Restructuring charges	(3.3)	(2.1)
Contractual issues in Organics Canada	(3.0)	(0.1)
Cost relating to the fire at ELWA	(1.0)	-
Exit from Jaartsveld soil washing activities	(0.3)	-
Acquisition costs	(0.2)	-
Impairment of assets in the Netherlands due to fire	-	(3.2)
Other asset impairments	-	(0.6)
Hazardous Waste net litigation recovery	-	1.4
Change in fair value of derivatives	0.1	0.2
Total non-trading and exceptional items	(19.8)	(5.5)

Continuing operations only

- **Non-cash impairment of Solid Waste Netherlands goodwill due to market conditions**
- **Restructuring charges below forecast, benefits on track**
- **Ottawa arbitration ruling – appeal has been lodged**
- **ELWA fire costs in H1 with insurance recovery expected in H2**

Cash Flow Performance

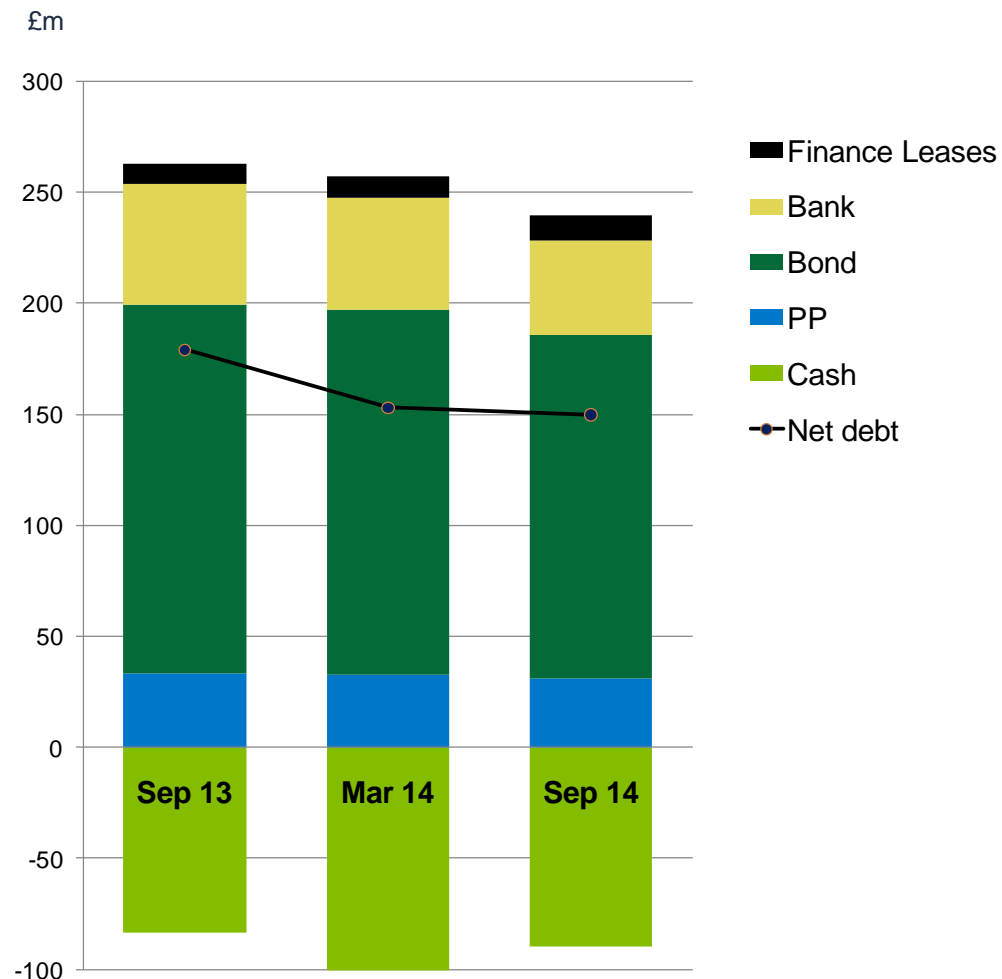
- Core EBITDA impacted by H1 performance
- Working capital strong including phasing
- Ratio of replacement capital expenditure to depreciation of 87% (2013: 33%) due to ESP fume scrubber at ATM and Belgium truck replacement
- Interest and tax payments phasing
- Positive timing on PFI investments
- Other includes pension deficit payment (£1.5m) with the prior year offset by sale of Netherlands Head Office

	Sep 14 £m	Sep 13 £m
EBITDA	38.4	44.9
Working capital movement and other	(0.5)	(9.4)
Net replacement capital expenditure	(17.4)	(7.1)
Interest and tax	(7.8)	(5.3)
Underlying free cash flow	12.7	23.1
Growth capital expenditure	(5.4)	(12.6)
Acquisitions and disposals	0.4	1.3
Restructuring spend	(3.6)	(4.6)
Dividends paid	(9.3)	(9.3)
PFI funding	1.8	(9.6)
Other	(3.1)	1.0
Net core cash flow	(6.5)	(10.7)
Free cash flow conversion	70%	95%

*Free cash flow conversion is defined as underlying free cash flow divided by trading profit
Cash flow includes both continuing and discontinued operations*

Cash performance better than expected

Movement in Core Net Debt



- Core net debt reduced by £3m
- Euro borrowings hedged against Euro earnings
- Interest cover fallen due to weak last 12 month average which will reverse in H2

	Sep 14	Sep 13
Debt Headroom	£98m	£57m
Net debt / EBITDA	2.1x	2.1x
Interest cover	3.1x	3.9x

Long term debt from multiple sources

Agenda

Introduction

Peter Dilnot
Group Chief Executive

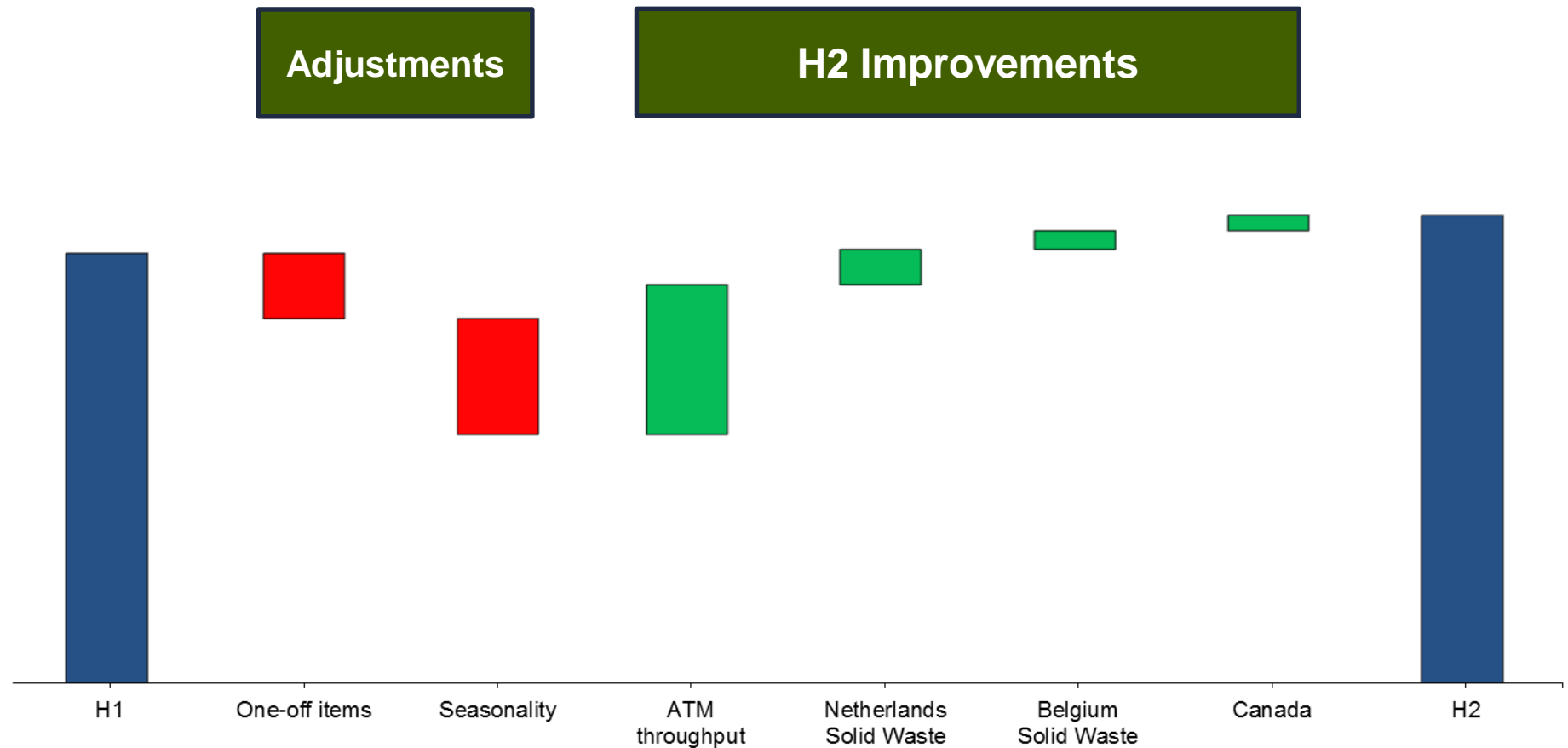
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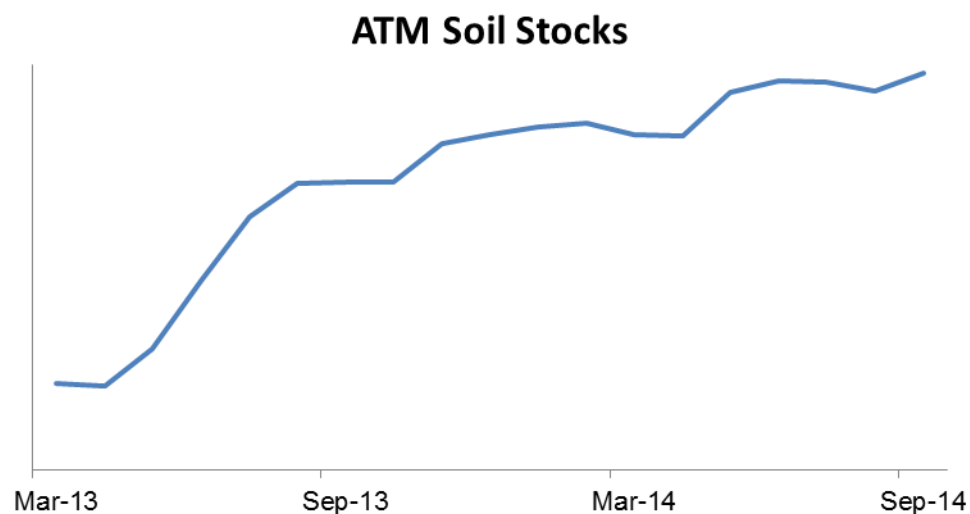
H1 to H2 Bridge



Clear and identified levers to achieve H2 targets

ATM H2 Throughput

- **Increased soil throughput vs H1**
 - 180k greater tons theoretical capacity
 - Potential improvement in mix
 - Record soil stocks available to process
 - Pipeline strong: >2m tons under negotiation
- **Increased water processing vs H1**
 - Improved mix to drive greater throughput
 - Strong commercial funnel



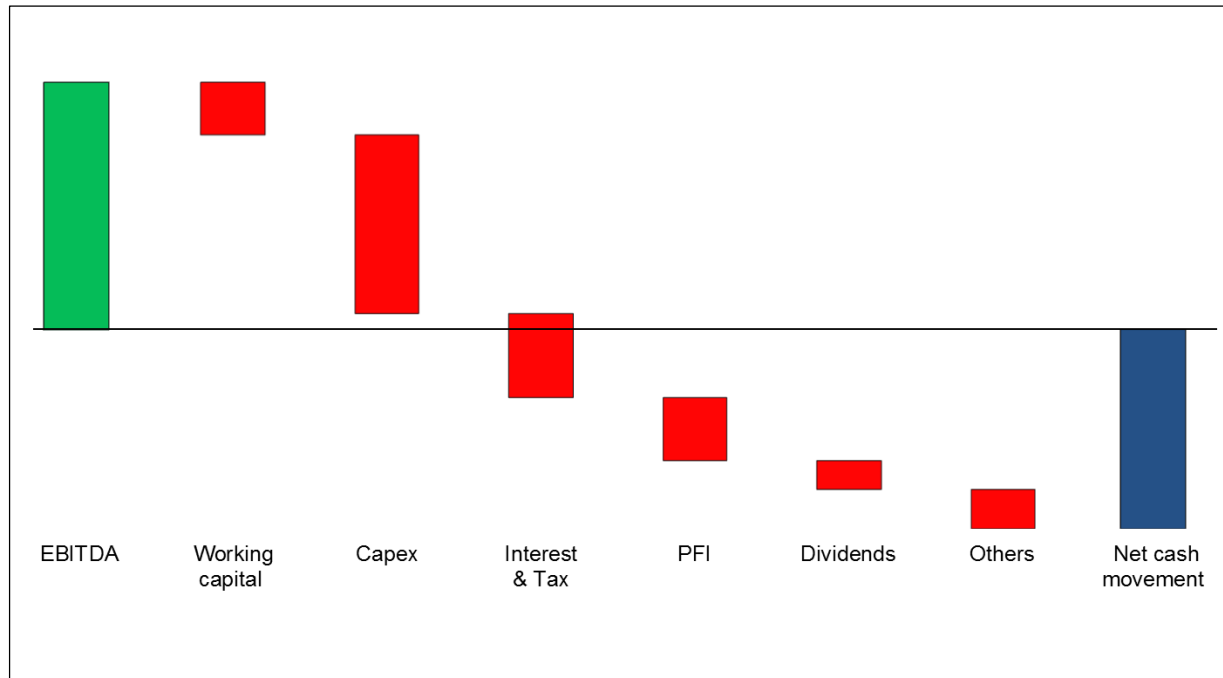
Operational gearing to deliver strong H2

Other H2 Actions

NL SW Actions	BE SW Actions	Canada
<ul style="list-style-type: none"> • Commercial Effectiveness <ul style="list-style-type: none"> • Focus on profitable segments • Pricing action • Structural Cost Programme <ul style="list-style-type: none"> • Shared Service Centres • Procurement • Short term actions <ul style="list-style-type: none"> • Offtake management • Operational grip • Continuous Improvement to increase productivity 	<ul style="list-style-type: none"> • Increased demand <ul style="list-style-type: none"> • Wood products for electricity generation • Product Management <ul style="list-style-type: none"> • SRF improved specification • New SRF outlets • Offtake management • Operational Improvements <ul style="list-style-type: none"> • Short term cost action • Improved productivity 	<ul style="list-style-type: none"> • Increased volumes <ul style="list-style-type: none"> • Operational readiness • Municipal SSO uplift • New inputs <ul style="list-style-type: none"> • Commercial and Industrial to supplement SSO • Operational cost reduction <ul style="list-style-type: none"> • Offtake improvement • Treatment efficiencies

Risk adjusted target driven by cost and commercial actions

H2 Cash Outlook



- Year end net debt still expected to be £185m (at €1.25:£1)
- Capex includes Hazardous Waste projects, Vliko relocation and new sorting line
- Interest includes annual payment re 2010 Belgian Bond
- Others includes pension fund payments and net restructuring costs

	Mar-15 Forecast	Sep-14 Actual
Net debt / EBITDA	2.4x	2.1x
Interest cover	3.5x	3.1x

Capital discipline to deliver year end net debt in line with initial plan

2014/15 Summary

- **Difficult first half due to markets and one-off operational capacity restrictions**
- **Increased capacity and execution of current programmes to deliver benefit in second half**
- **Ongoing capital discipline drives robust cash flows and debt levels**

Delivering current year actions while building medium term growth

Our Refined Vision

The
LEADING PROVIDER
of
**SUSTAINABLE
WASTE
MANAGEMENT
SOLUTIONS**
in our
TARGET MARKETS

Refined Vision

“To be the
most respected
**WASTE-TO-
PRODUCT**
company”

Stakeholders

Customers



Employees



Investors

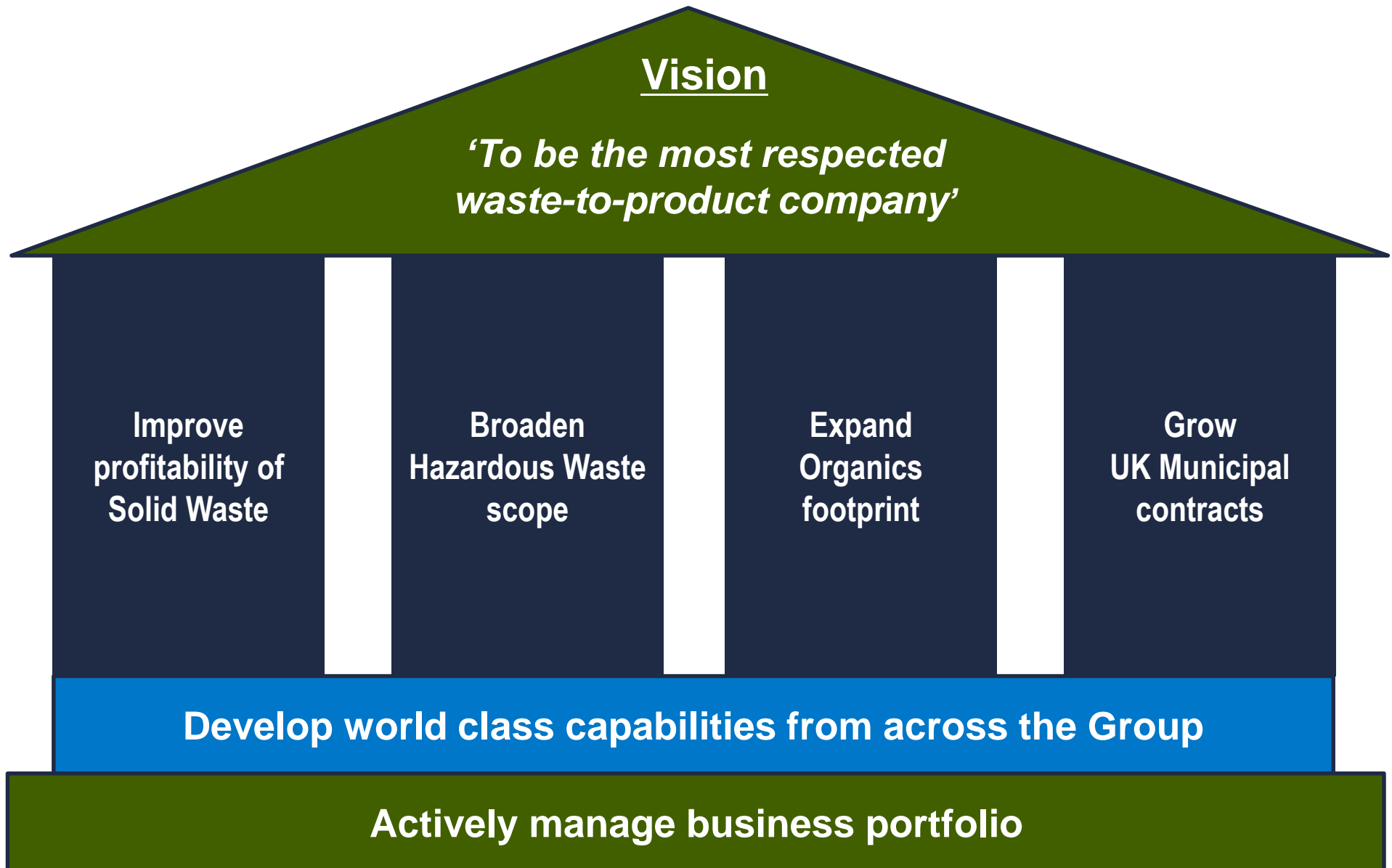


Communities



Reflects our unique position and future direction

Strategy for Growth



NL SW Controllable Profit Levers



NL SW Improvement Signs

Volumes expected to increase

- **C&D**
 - 3% forecast growth in construction
 - Stable recycling rates
- **I&C**
 - 1% forecast growth
 - Higher recycling rates expected

Increasingly supportive legislation

- New taxes drive need for more recycling
 - Incinerator tax from 1 January 2015
 - Landfill tax started in 2014, continues at adjusted level in 2015
- New Government initiatives to increase recycling rates

Incinerator gate fees increasing

- NL excess capacity now taken-up by imports and outlook similar
- Capacity 'balance' is leading to increased gate fees (spot market)
- Incinerator prices have second order effect on recycling gate fees

Potential market consolidation

- Highly fragmented market beyond Sita, VGG and Shanks
- Larger players rumoured to be assessing strategic options
- Smaller players under pressure and in some cases ceasing to trade⁽¹⁾

Timing of the benefits is uncertain

⁽¹⁾ Smaller players also under increased pressure due to rising incinerator spot fees.

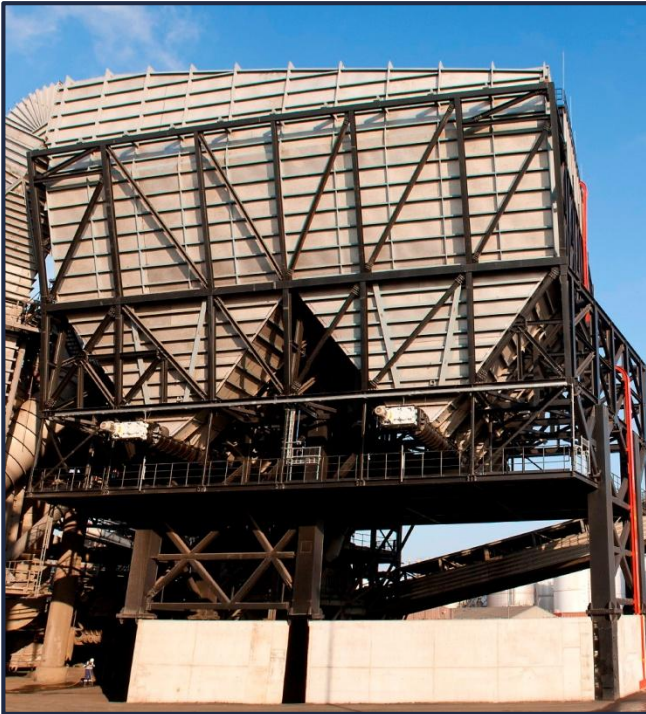
Hazardous Waste Strategy

Market	Demand Drivers	Shanks Position	Investment Plan	Current Status
Thermal Soil Treatment	<ul style="list-style-type: none"> Continued slow NL construction Steady EU flow of clean-up projects Dutch regulation increases supply 	<ul style="list-style-type: none"> Largest scale thermal plant in NL Proven technology leadership Environmental excellence 	<ul style="list-style-type: none"> <u>Enhanced emissions control</u> increases kiln capacity by 10% <u>Iron sludge capability</u> opens up new niche market 	<p>✓ NOW LIVE</p> <p>✓ NOW LIVE</p>
Waste Water Treatment	<ul style="list-style-type: none"> Higher ship traffic in Rotterdam Imminent control on ship degassing Steady industrial cleaning volumes 	<ul style="list-style-type: none"> Advantaged proven technology Waterside locations Integrated ATM/Reym processes 	<ul style="list-style-type: none"> <u>Increased water storage capacity</u> maximises volume throughput at ATM <u>Equipment to degas ships</u> meets regulatory need 	<p>✓ ON TRACK Q2 15</p> <p>✓ NOW LIVE</p>
Industrial Cleaning & Total Care	<ul style="list-style-type: none"> Steady base volumes in NL Growing need for integrated services Continued tight safety regulation 	<ul style="list-style-type: none"> Market leader in NL industrial cleaning (including offshore) Unparalleled range of businesses in Group 	<ul style="list-style-type: none"> <u>New facility in Rotterdam</u> supports 'Total Care' growth close to growing market <u>Ultrasonic cleaning equipment</u> maintains technology leadership 	<p>✓ ON TRACK Q2 15</p> <p>✓ NOW LIVE</p>

Hazardous Waste Investment

Main Construction Projects – October 2014

Thermal Soil Treatment



Waste Water Treatment



**Industrial Cleaning &
Total Care Centre**



Growth plan being executed, returns expected at higher end of range

Organics Growth Strategy

EU Business Outlook

- **Most NL composting renewals now secured**
- **Further investment planned to increase capacity in Cumbernauld JV**
- **Focused funnel of BD opportunities to “co-process” with Dutch A-brand customers**
- **Continued evaluation of new technologies**

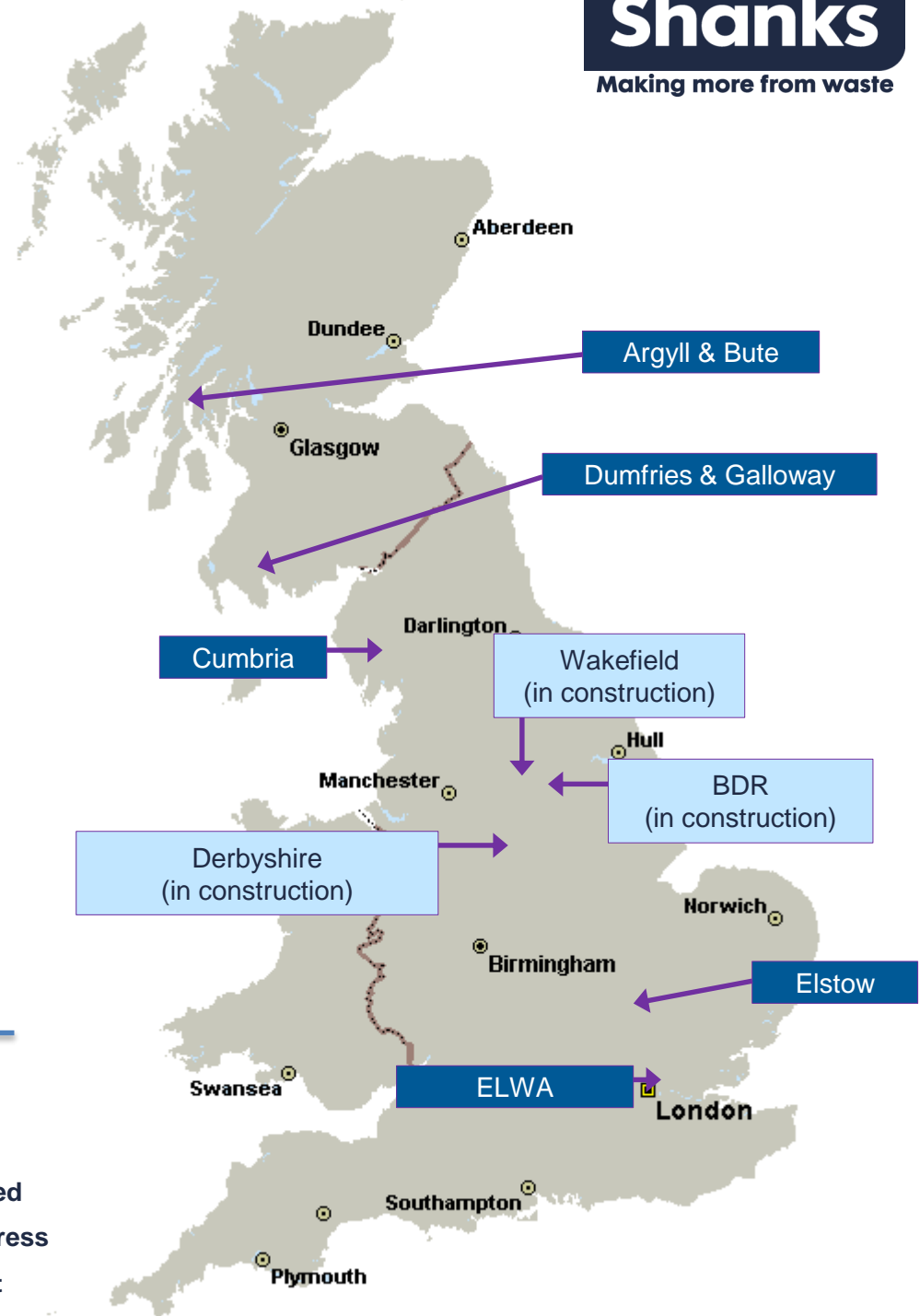
Canada Funnel Developments

- **Canada organics market set for sustained growth as diversion from landfill prioritised**
- **Significant number of potential opportunities, prioritised where returns favourable⁽¹⁾**
- **Shanks well-placed to win, but bidding with capital discipline⁽²⁾**
- **Advanced stages with two flagship City processes**

⁽¹⁾ Municipal long-term contracts; composting or dry AD technology; located in target regions; built on zoned sites

⁽²⁾ Proven Dutch technology; deep UK PFI experience; established Canadian footprint; local partner network

UK Municipal



UK Municipal Investment

Aerial Photo of Wakefield – August 2014



Over £300m being invested in new infrastructure currently under construction

Divisional Strategies

Division	Shanks Position	Growth Strategy	FY15 Profit	Future Profit
Solid 	<ul style="list-style-type: none"> • <u>Market leader</u> in Benelux • Linked to NL construction • Strong commercial presence 	<ul style="list-style-type: none"> • Lowest cost and leading productivity • Commercial effectiveness • High quality innovative products 		
Hazardous 	<ul style="list-style-type: none"> • <u>Market leader</u> in EU thermal soil treatment • Advantaged water technology • Integrated & synergistic model 	<ul style="list-style-type: none"> • Fast-tracked waterside expansion • Broader range of treatment inputs • Increased regional presence 		
Organics 	<ul style="list-style-type: none"> • <u>Market leader</u> in Netherlands • Differentiated operating model • Growth footprint in Canada 	<ul style="list-style-type: none"> • Ramp-up EU assets profitably • Canada growth leveraging NL/UK • Co-processing with EU A-brands 		
UK Municipal 	<ul style="list-style-type: none"> • <u>Market leader</u> in UK MBT • Proven operational excellence • New infrastructure being built 	<ul style="list-style-type: none"> • Sustain operational contract delivery • Commission BDR, Wakefield & Derby • New volumes to utilise capacity 		

Actively managing business portfolio

Key Messages




- 1 As previously announced, Shanks has had a challenging first half
- 2 Increasingly difficult Benelux solid waste market conditions
- 3 We have built momentum for a stronger second half performance
- 4 Our growth strategy is robust, differentiated and being implemented successfully
 - Continuing to invest in infrastructure that will deliver high-quality earnings growth in the years ahead
 - Building capability and advantage in Solid Waste Benelux to benefit as markets improve

Appendices

Other Financial Information

Investment Programme by Division

Pre-tax Return on Operating Assets of 16-20% compares to post-tax target of 12-15%

Division	Div'n ROA	Prog ROA	Spent	Allocated	Comment
Solid 	9.2%	16.0%	£29m	£ -	<ul style="list-style-type: none"> Investment returns well above Division average and meet target No new assets under construction
Hazardous 	28.5%	46.8%	£19m	£15m	<ul style="list-style-type: none"> Investment returns very strong due to impact of soil and water storage Focus for further investment
Organics 	3.6%	9.4%	£82m	£ -	<ul style="list-style-type: none"> Returns still ramping, diluted by central and bid costs No new assets under construction Focus on Canada bid funnel
Total	13.2%	18.4%	£130m	£15m	

Additional £300m investment in BDR, Wakefield and Derby underway to add growth to UK Municipal

Focused, market based investment programme delivering superior returns

Return on Capital

	Sep 14	Mar 14	Sep 13
Post tax ROIC (on depreciated capital base including goodwill)	5.8%	6.0%	5.8%
Return on operating assets – continuing operations (trading profit on depreciated operating assets excluding debt, tax and goodwill)	13.2%	15.1%	14.8%
Post tax project returns – fully operational projects in £250m programme (on the original invested capital)	13.3%	13.5%	14.3%

Segmental Analysis

	Revenue			Trading Profit		
	Six months ended			Six months ended		
	Sep 14	Sep 13	Variance	Sep 14	Sep 13	Variance
	£m	£m	%	£m	£m	%
Solid Waste Benelux	149.6	164.4	(9)	5.7	10.6	(46)
Hazardous Waste	69.2	75.2	(8)	8.0	11.1	(28)
Organics	15.7	18.4	(15)	1.9	3.1	(39)
UK Municipal	74.9	70.5	6	5.3	4.7	13
Group central services	-	-		(2.8)	(3.6)	22
Inter-segment revenue	(4.6)	(4.7)		-	-	
	304.8	323.8	(6)	18.1	25.9	(30)

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

Comparatives for 2013 have been restated following the adoption of IFRS 11 and the requirement to equity account for joint ventures

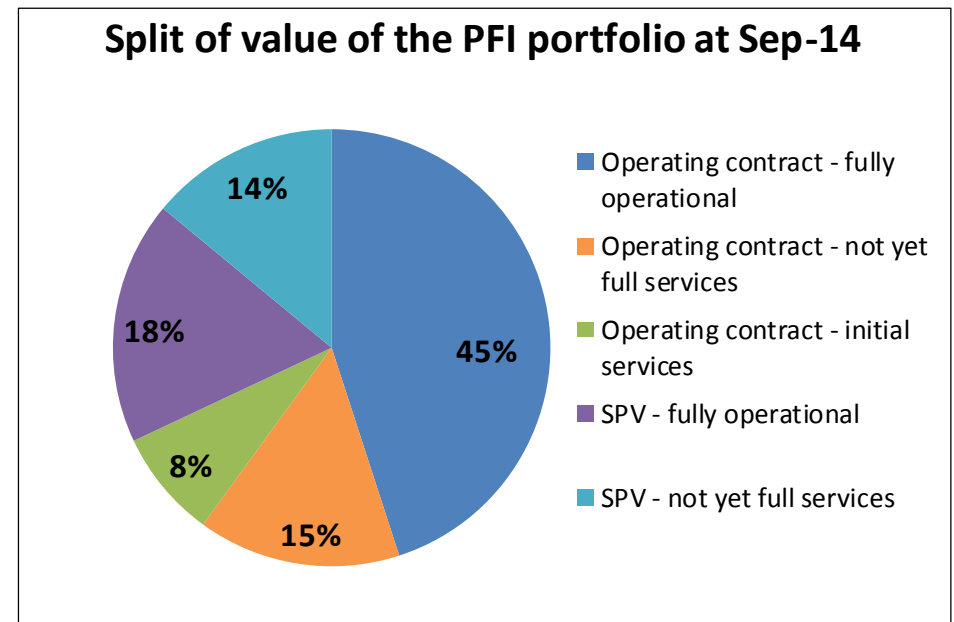
Balance Sheet

	Sep 14 £m	Sep 13 £m
Tangible fixed assets	308.1	330.3
Goodwill & other intangibles	186.5	230.4
Non current PFI/PPP financial assets	214.3	145.2
Trade and other receivables	2.2	2.8
Investments	8.6	8.2
Non current assets	719.7	716.9
Working capital	(63.2)	(31.7)
Current PFI/PPP financial assets	28.2	9.8
Assets classified as held for sale	3.5	11.8
Pension deficit	(19.3)	(12.9)
Taxation	(28.7)	(34.3)
Provisions and other liabilities	(42.8)	(51.2)
Net core debt	(149.8)	(179.1)
PFI non recourse net debt	(193.2)	(121.3)
Derivative financial liabilities	(24.2)	(16.7)
Net Assets	230.2	291.3

PFI Directors' Valuation

- Portfolio valuation includes the four fully operational contracts, plus BDR, Wakefield and Derby under construction
- Valuation based on the cash flows of the financing vehicles and the operating contracts - discounted at 8% and risk adjusted
- Valuation maintained at £110m

Portfolio split £m	Sep-14
Operating contract - fully operational	50
Operating contract - initial services	8
Operating contract - not yet full services	16
SPV - fully operational	20
SPV - not yet full services	16
	<hr/> 110



Glossary

AD	Anaerobic Digestion
C&D	Construction & Demolition
CHP	Combined Heat & Power
GHG	Greenhouse Gases
I&C	Industrial & Commercial
MBT	Mechanical Biological Treatment
MRF	Material Recycling Facility
PFI	Private Finance Initiative
PPP	Public Private Partnership
RDF	Refuse Derived Fuel
ROC	Renewable Obligation Certificate
SRF	Solid Recovered Fuel
SW	Solid Waste
TAG	Tar containing Asphalt Granulate