Shanks Group plc

Preliminary Results 2014/15

21 May 2015

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Agenda

Introduction	**Peter Dilnot** Group Chief Executive
Operating Review	**Toby Woolrych** Group Finance Director
Future Growth	**Peter Dilnot** Group Chief Executive

Key Messages

Shanks
Making more from waste

1. Challenging FY15 but stronger second half <u>delivered as committed</u>

2. Core Dutch solid waste <u>markets improving</u> as predicted and we are now well positioned for recovery

3. Ongoing investment plan in <u>new infrastructure on track</u> to deliver high quality earnings growth

4. <u>Refined strategy</u> and new organisation implemented to accelerate growth

5. Shanks has <u>positive momentum and clear plan</u> to deliver sustained profitable growth

2014/15 Preliminary Results

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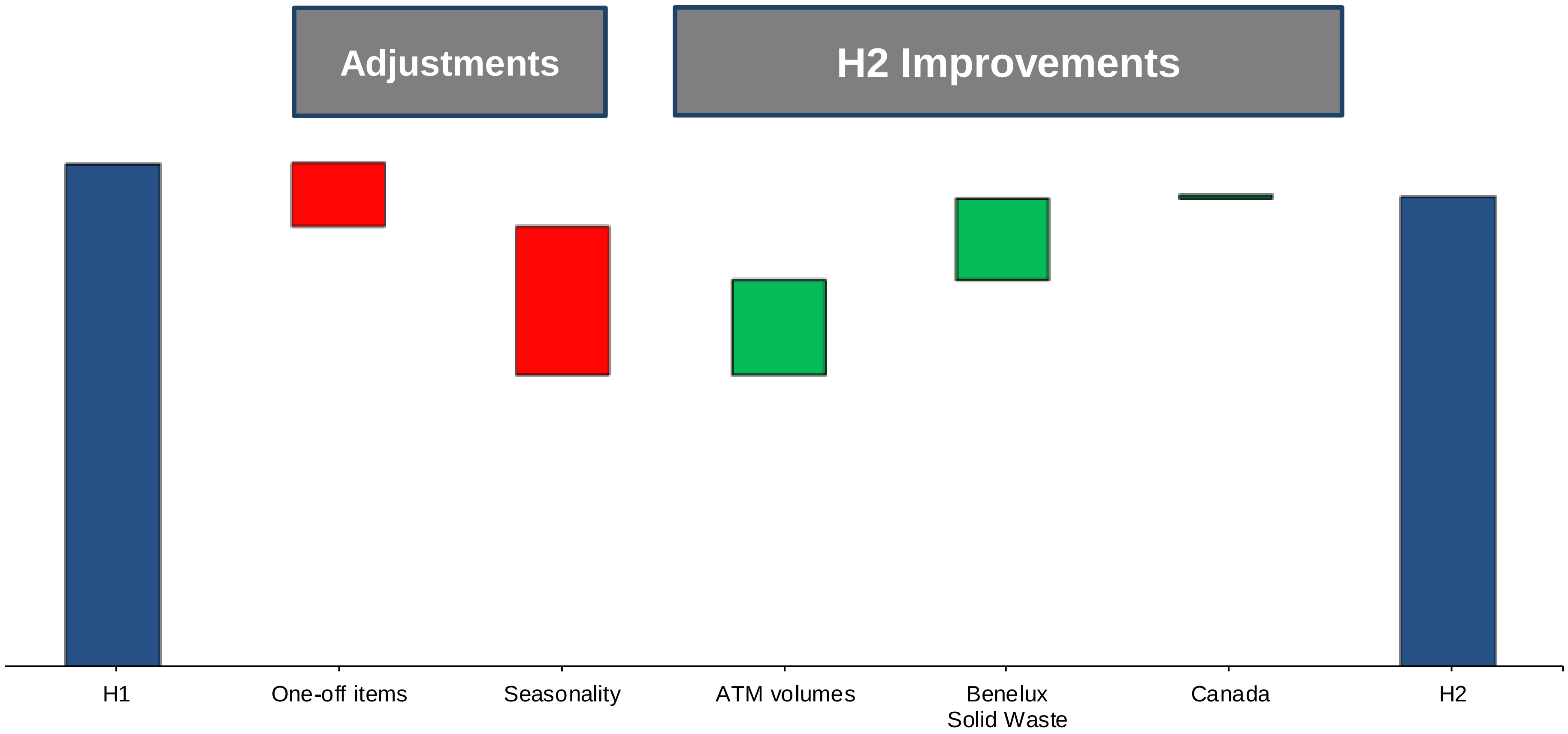
Revenue & Profits	• Revenue up 1% at constant currency • Underlying PBT down 22% at constant currency
Benelux Solid Waste	• On-going competitive pressure and lower recyclate values • Improvement initiatives are on track, delivering impact
Growth Divisions	• Hazardous Waste capacity investments on track, 11% decline in trading profit due to ramp-up • UK Municipal trading profit increased by 9%
Cash Flow & Financing	• Tight cash management debt lower than expectations at £155m • Net Debt: EBITDA at 2.3x
EPS & Dividend	• EPS down 7% at constant currency • Final dividend maintained at 2.35p per share, reflecting confidence

Delivered Stronger Second Half



Active management delivered committed H2 performance

NL SW Market Improving as Predicted

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'Volumes expected to increase'

- C&D
  - Improving construction stats and confidence
  - Still at historic lows, so recovery expected
- I&C
  - NL GDP growth: +0.3% in Q3 14; +0.8% in Q4 14
  - Higher recycling rates expected

'Increasingly supportive legislation'

- New taxes driving need for more recycling
  - Domestic incinerator tax implemented from 1 Jan 15
  - Export tax proposed from 1 Jul 15
- Further Government intentions to increase recycling

'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'

- Indaver recently sold, VGG restructuring
- Medium-sized players streamlining and considering options
- Smaller players under pressure and in some cases ceasing to trade

Agenda

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Income Statement - Year ended March 2015

	Mar 15 £m	Mar 14 £m	Change £m	%	Excluding currency change %
Revenue	**601.4**	**633.4**	**(32.0)**	**-5%**	**1%**
Trading Profit	**34.3**	**45.6**	**(11.3)**	**-25%**	**-19%**
Net Interest	(13.4)	(15.8)			
Income from associates and JVs	0.8	0.3			
Underlying profit before tax	**21.7**	**30.1**	**(8.4)**	**-28%**	**-22%**
Non-trading and exceptional items	(42.2)	(22.5)	(19.7)		
(Loss) profit before tax	(20.5)	7.6	(28.1)		
Taxation	2.3	(5.8)			
(Loss) profit after tax	(18.2)	1.8	(20.0)		
Discontinued operations	1.3	(30.0)			
Loss after tax	(16.9)	(28.2)	11.3		
Continuing operations:					
Basic earnings per share (p)	(4.6)	0.4	(5.0)		
Underlying earnings per share (p)	**5.0**	**5.7**	**(0.7)**	**-12%**	**-7%**
Dividend (pence per share)*	**3.45p**	**3.45p**	-		

***March 2015 proposed dividend**
Comparatives for 2014 have been restated following the adoption of IFRS 11 and the requirement to equity account for joint ventures

Solid Waste Benelux

	Mar 15 €m	Mar 14 €m	Change €m	%
Revenue				
Netherlands Solid Waste	224.8	223.3	1.5	1%
Belgium Solid Waste	105.6	108.7	(3.1)	-3%
Belgium Others	64.9	69.7	(4.8)	-7%
Intra-segment	(16.0)	(18.3)	2.3	
Total Revenue	**379.3**	**383.4**	**(4.1)**	**-1%**
Total Revenue (£m)	297.2	323.2	(26.0)	-8%
Trading Profit				
Netherlands Solid Waste	12.0	14.2	(2.2)	-15%
Belgium Solid Waste	5.0	6.7	(1.7)	-25%
Belgium Others	9.9	11.5	(1.6)	-14%
Divisional central services	(11.7)	(9.1)	(2.6)	
Total Trading Profit	**15.2**	**23.3**	**(8.1)**	**-35%**
Total Trading Profit (£m)	11.9	19.7	(7.8)	-40%

Trading Margin		
Netherlands Solid Waste	5.3%	6.4%
Belgium Solid Waste	4.7%	6.2%
Belgium Others	15.3%	16.5%
Total Trading Margin	**4.0%**	**6.1%**
Return on operating assets		
Netherlands Solid Waste	5.0%	6.5%
Belgium	38.3%	47.3%
Total Return on operating assets	**8.3%**	**11.3%**

Netherlands Solid Waste

- Weakness in core markets, particularly H1
- Volumes flat despite fall in landfill
- Stronger H2 due to incinerator tax and actions

Belgium Solid Waste

- Margins impacted by Gent & SRF
- Stabilising end markets
- Successful key contract renewals for FY16, at lower prices

Belgium Others

- Landfill declining as expected
- Industrial Cleaning Wallonia weak

Cost/Price actions deliver stronger H2

- Commercial effectiveness
- Structural cost programme €1.6m per annum
- Continuous improvement programme €1m per annum

Comparatives adjusted for adoption of IFRS 11

Hazardous Waste

	Mar 15 €m	Mar 14 €m	Change €m	%
Revenue	**176.2**	**175.8**	**0.4**	**0%**
Total Revenue (£m)	138.0	148.2	(10.2)	-7%
Trading Profit				
Hazardous Waste	22.6	25.7	(3.1)	-12%
Divisional central services	(1.6)	(2.2)	0.6	
Total Trading Profit	**21.0**	**23.5**	**(2.5)**	**-11%**
Total Trading Profit (£m)	16.4	19.9	(3.5)	-18%
Trading Margin	**11.9%**	**13.4%**		
Total Return on operating assets	**25.7%**	**34.7%**		

Stronger H2 as new equipment came on line

Soil performance

- Thermal soil intake strong
- H1 impacted by old flue gas cleaner, now replaced
- Soil washing closed during period

Water treatment

- Intake overall broadly flat
- Some volatility in volumes

Pyro & packed chemical waste

- Intake reduced to manage contamination risk

Industrial Cleaning markets tighten

- Record revenue exceeds €100m
- Low oil price causing market weakness

Organics

	Mar 15 €m	Mar 14 €m	Change €m	%
Revenue				
Netherlands	18.7	18.9	(0.2)	-1%
Canada	15.6	16.0	(0.4)	-3%
Other Organics	4.3	5.7	(1.4)	-25%
Total Revenue	**38.6**	**40.6**	**(2.0)**	**-5%**
Total Revenue (£m)	30.0	34.2	(4.2)	-12%
Trading Profit				
Netherlands	1.6	2.9	(1.3)	-45%
Canada	3.7	3.3	0.4	12%
Other Organics	0.8	(0.1)	0.9	n/a
Divisional central services	(1.7)	(1.2)	(0.5)	
Total Trading Profit	**4.4**	**4.9**	**(0.5)**	**-8%**
Total Trading Profit (£m)	3.4	4.1	(0.7)	-17%

Trading Margin		
Netherlands	8.6%	15.3%
Canada	23.7%	20.6%
Other Organics	18.6%	-1.8%
Total Trading Margin	**11.4%**	**12.1%**
Return on operating assets		
Netherlands	-0.1%	5.1%
Canada	10.1%	8.3%
Other Organics	2.2%	-0.3%
Total Return on operating assets	**4.2%**	**5.0%**

UK Joint Venture (£m)	Mar 15	Mar 14	Change	%
Revenue	2.6	2.0	0.6	30%
Trading Profit	0.7	0.3	0.4	124%

Solid performance, offsetting known headwinds

Netherlands

- Composting volumes flat
- Renewal of long term contracts for Biocel at lower margins, as forecast
- Canada bid costs, as forecast

Canada

- London volumes down due to Toronto
- Improving operational performance
- York contract extended and increased
- Surrey 25-year contract awarded

Other & Joint Ventures

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

Results for Canada shown at constant currency; comparatives adjusted for adoption of IFRS 11

UK Municipal

	Mar 15 £m	Mar 14 £m	Change £m	%
Revenue	**144.6**	**137.5**	**7.1**	**5%**
Trading Profit				
UK Municipal	15.0	13.1	1.9	15%
Divisional central services	(5.0)	(3.9)	(1.1)	
Total Trading Profit	**10.0**	**9.2**	**0.8**	**9%**
Trading Margin	**6.9%**	**6.7%**		

Existing Contracts

- Good overall performance
- Record diversion increases profit
- Continuous Improvement and procurement initiatives launched
- ELWA fire damage under repair

Construction

- BDR in commissioning and shipping fuel to Ferrybridge
- Wakefield approaching commissioning on schedule
- Derby Financial Close in August & construction started

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

Non-trading and Exceptional Items

	Mar 15 £m	Mar 14 £m
Impairment of assets	(12.4)	(3.1)
Impairment of goodwill and acquisition intangibles	(11.1)	(15.3)
Reassessment of discount rate for long-term provisions	(7.1)	-
Restructuring charges	(6.5)	(8.7)
Canadian contract issues	(3.0)	-
UK Municipal lifecycle	(2.3)	-
Onerous contract provisions	(2.1)	5.5
Amortisation of acquisition intangibles	(1.9)	(2.3)
Cost relating to fires at Gent and a UK Municipal site	(1.0)	-
Portfolio activities	(1.0)	-
Acquisition costs	(0.6)	-
Belgium waste disposal costs	0.1	(1.7)
Reassessment of contingent consideration	0.8	1.0
Exit from loss making Hygea contract	1.4	2.2
UK Associates income	4.4	-
Change in fair value of derivatives	0.1	0.3
Insurance settlement net of impairment of assets in relation to a fire in the Netherlands	-	2.3
Aborted bid costs	-	(2.9)
Belgium litigation provision	-	(0.9)
Hazardous Waste net litigation recovery	-	1.4
Exceptional interest charge in relation to Belgium litigation	-	(0.3)
Total non-trading and exceptional items	**(42.2)**	**(22.5)**

Continuing operations only

- Impairments of £23.5m all non cash
- Cash costs of £7.8m
- Market driven non-cash impairments to NL goodwill and assets in Belgium & UK
- Macro-economy driven impact on discount rate and hence carrying value of long term provisions
- Restructuring in line with expectations and driving core repositioning

Significant reduction in non-trading & exceptional costs expected next year

Cash Flow Performance

	Mar 15 £m	Mar 14 £m
EBITDA	72.8	82.9
Working capital movement and other	(1.7)	9.3
Net replacement capital expenditure	(29.3)	(20.9)
Interest and tax	(18.4)	(14.8)
Underlying free cash flow	**23.4**	**56.5**
Growth capital expenditure	(12.8)	(18.6)
Acquisitions and disposals	(1.5)	12.1
Restructuring spend	(7.6)	(9.3)
Dividends paid	(13.7)	(13.7)
PFI funding	(7.3)	(19.3)
Other	(5.2)	2.5
Net core cash flow	**(24.7)**	**10.2**
Free cash flow conversion	**69%**	**137%**

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

- Core EBITDA decline due to trading and currency
- Ratio of replacement capital expenditure to depreciation of 75% (2014: 48%) due to ESP flue gas cleaner at ATM and Belgium truck replacement
- Interest and tax payments phasing
- Growth capital mostly in Hazardous Waste
- Positive timing on PFI investments, some reversing next year
- Other includes pension deficit payment, prior year includes NL asset sales

Tight cash management in a challenging market

Impact of FX

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1. Majority of EBITDA and borrowings are in Euros : naturally hedged

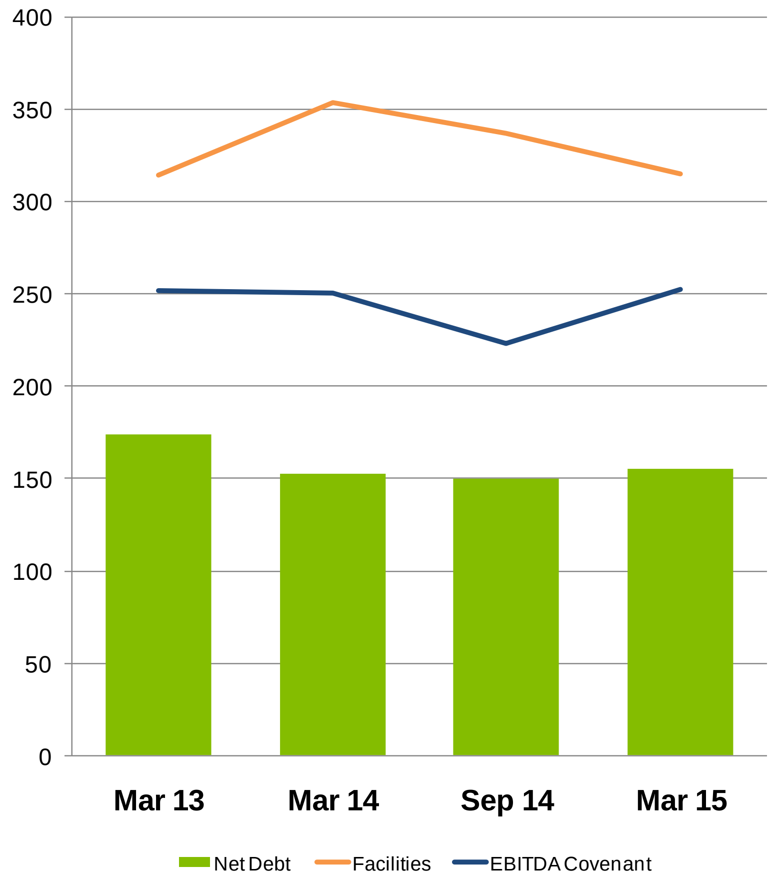
2. Euro has weakened by 14% vs GBP in the last 24 months
   - reduced GBP borrowing capacity by £30m
   - reduced Total Net Worth by £30m

3. Covenant amendment obtained to de-risk currency impact
   - Net debt : EBITDA now 3.5x for 18 months
   - Total Net Worth reduced to £200m

4. FY16 currency impact per cent of movement: Revenue £3m, Trading Profit £250k, EBITDA £500k, PBT £150k, Total Net Worth £1m

Proactive management of FX exposure

Movement in Core Net Debt



	Mar 13	Mar 14	Sep 14	Mar 15
Headroom (facilities plus cash)	£157m	£201m	£188m	£154m
Headroom (leverage)	£77m	£98m	£74m	£97m
Net debt / EBITDA	2.0x	1.9x	2.1x	2.3x
Interest cover	3.7x	3.7x	3.1x	3.6x
Total net worth headroom	£119m	£66m	£34m	£42m

Careful debt management in volatile currency markets

Agenda

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Strong Long-term Growth Drivers

Clear Macro Drivers

1. Reduce greenhouse gases
2. Move to renewable energy
3. Save valuable virgin resources
4. Improve air quality

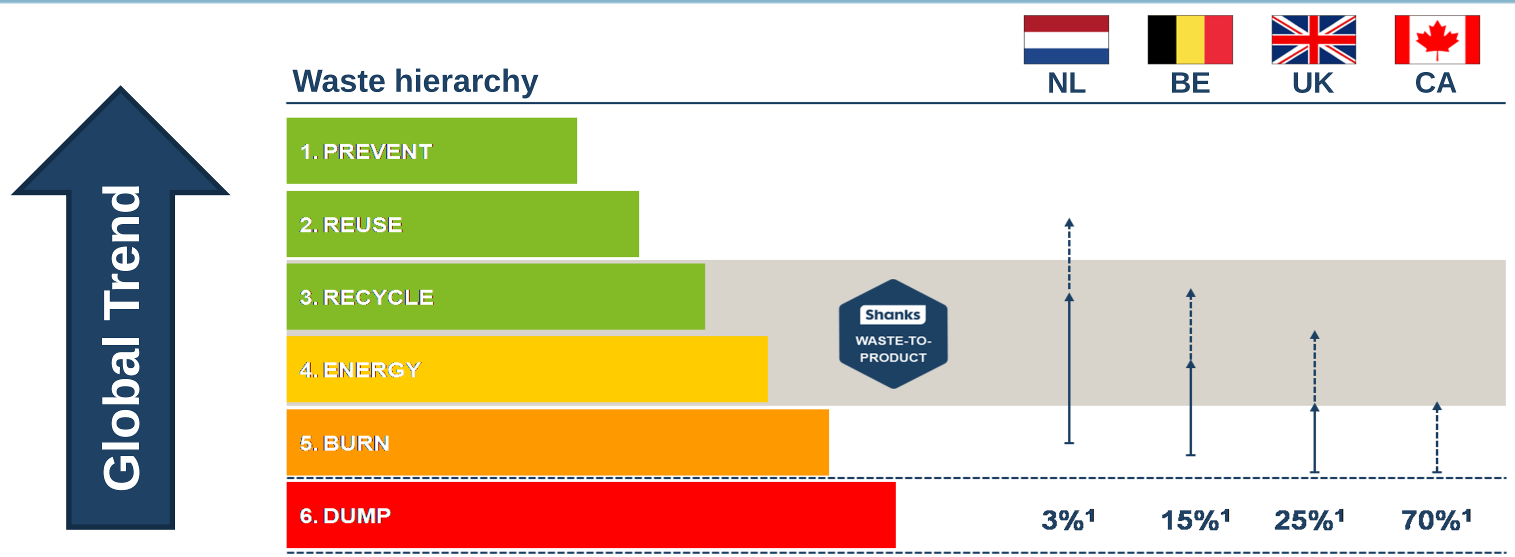
Legislation and Regulation

EU
- Landfill Directive
- Revised Waste Framework

National
- Landfill and incinerator taxes
- PFI/PPP credits

Regional
- Segregated collections
- Municipal recycling targets

Shanks Unique Position



[1] Percentage of total waste sent to landfill

Refined Vision

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TO BE THE MOST RESPECTED
WASTE-TO-PRODUCT
COMPANY

CUSTOMERS

EMPLOYEES

INVESTORS

COMMUNITIES

Reflects our unique position and future direction

Corporate Responsibility

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2010 - 2015 Objectives

	2015 Target	2015 Performance
RIDDOR accident reduction	25%	39%
Recycling & recovery rate	80%	82%
Carbon avoidance (tonnes)	1.3M	1.41M

2015 - 2020 Objectives

	Primary Metric	2020 Target
Safety	RIDDOR accidents	25% reduction
Sustainability	Recycling & recovery rate	85%
Environment	Community Feedback	+25%
Employees	Engagement scores	+10%

Leading industry performance today; targeting further differentiation

New Divisional Structure

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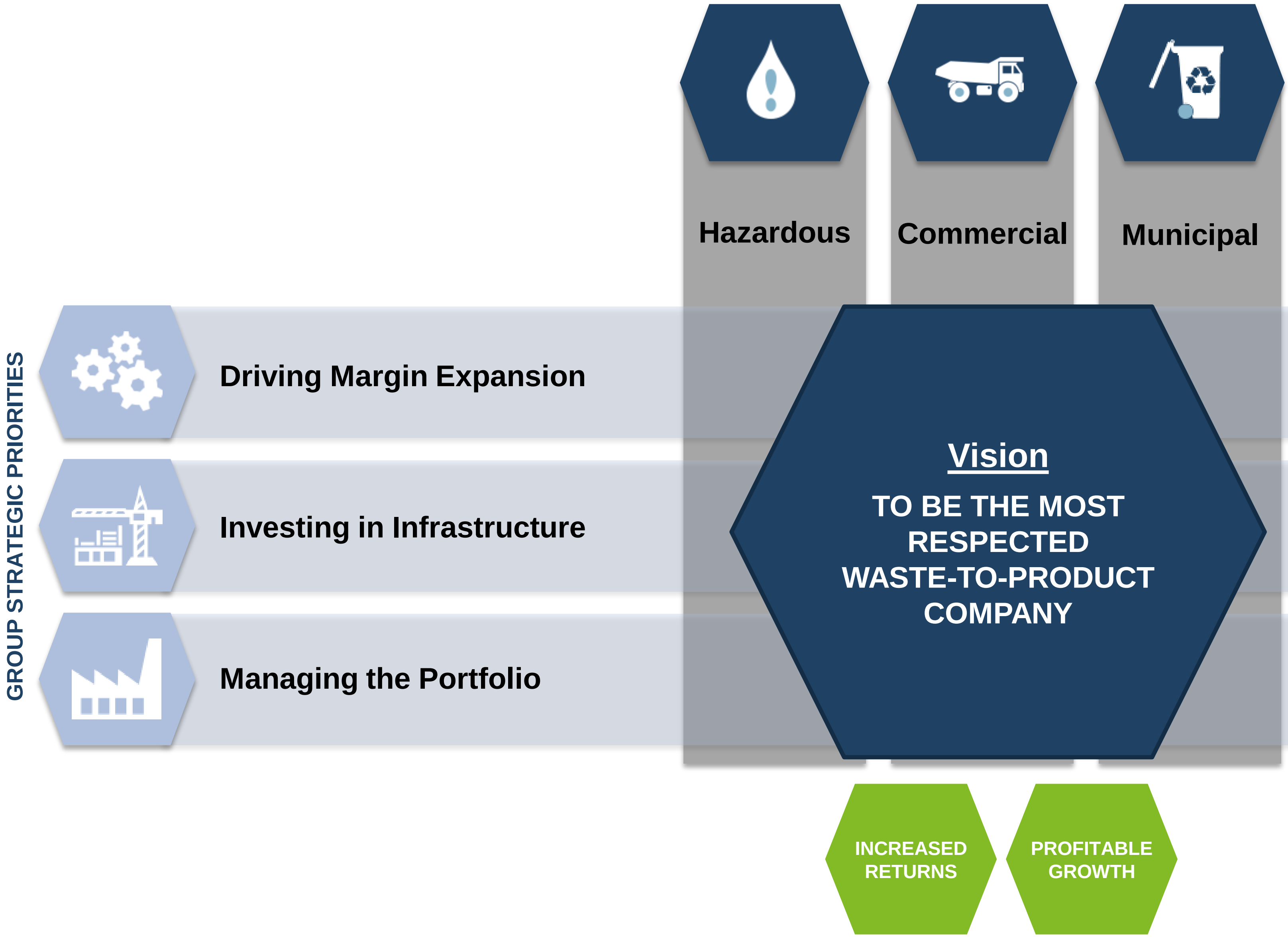
THE PAST		NOW	MARKET POSITION
	HAZARDOUS WASTE	HAZARDOUS	Defensible scale and technology leadership in attractive symbiotic niche markets
	SOLID WASTE	COMMERCIAL	Market leadership and integrated growth platform in recovering markets
	ORGANICS	NL / Canada	
	UK MUNICIPAL	MUNICIPAL	Clear UK and Canadian market leadership in sustainable municipal waste treatment[1]

[1] Sustainable municipal waste treatment = MBT in the UK and Organics in Canada

Refined Strategy



Divisional Strategies

Hazardous

Position

- EU market leadership in thermal soil treatment
- Advantaged water technology and harbour location
- Proven excellence in NL industrial services
- Integrated and synergistic operations

Strategy

1. Invest in environmental excellence
2. Ramp-up new capacity
3. Broaden scope of inputs and treatments
4. Expand geographic footprint

Growth while maintaining attractive returns

Commercial

Position

- Market leader in Dutch C&D collection and treatment
- I&C scale and advantage route density in selected Benelux regions
- Strong local presence and respected brands
- Excellent product quality and certifications[1]

Strategy

1. Ensure lowest cost position
2. Focus commercial activity on profitable segments
3. Gain share through cycle
4. Create quality products for target markets

Delivering previous profitability and returns

Municipal

Position

- Market leader in UK MBT (mechanical, biological treatment)
- Deep experience of long-term contracts
- Leading quality producer of SRF
- Established provider of robust organics treatment in North America

Strategy

1. Sustain current contracts
2. Ramp-up new assets (UK & Canada)
3. Secure incremental volumes to maximise utilisation
4. Win new long-term contracts in target growth areas

Growth from new assets and further wins

(1) Includes high-CV SRF and ICOPOWER pellets (registered trade mark)

Margin Expansion

Strategy

1. Develop capabilities where excellence creates advantage and has direct profit impact
2. Embed capabilities with new processes and training to ensure sustained ongoing improvement

Execution

1. Run pilot improvement projects in key businesses using Shanks expertise and input from other industries
2. Roll-out “piloted” capabilities across Group with PMO support and training
3. Track and drive profit impact

Example Initiatives

Commercial Effectiveness

- Segment customer base according to needs
- Analyse Shanks offering, competition and profitability
- Direct and track sales activities

Expected impact Increased share in target segments, improved price and margin

Continuous Improvement

- Identify barriers to productivity and utilisation
- Use “lean tools” to improve performance
- Manage improvements through “shop floor” daily management

Expected impact Improved productivity and asset utilisation

Infrastructure Investment

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Strategy

1. Deploy capital where Shanks advantaged and can generate attractive returns
2. Reinforce market leadership positions to ensure sustained advantage
3. Use non-recourse debt to maximise growth potential where appropriate

Execution

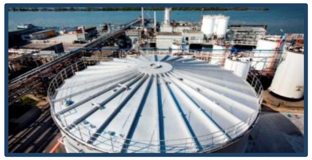
1. Target 15-20% pre-tax returns[(1)]
2. Strong preference for secure inputs, often under long-term contract
3. Rigorous structured process to filter, test, implement and review

Project	Outline	Current Status	Spend/ Date	Earnings	Potential Options
BDR/ Wakefield (UK)	Large-scale treatment assets under 25 yr contract	In commissioning	£35M / FY16	H2 16 on	Retain interest or redeploy
Harbourside Expansion (HW)	Increased waterside capacity at ATM and Rotterdam	Build underway	£11M / FY15/16	H2 16 on	-
Commercial Depot (NL)	New high-productivity depot in industrial core	Civil work underway	£4M / FY16	FY17 on	-
Surrey Bio-Fuels (Canada)	Integrated organics treatment asset under 25 yr contract	Build due to start	£26M / FY16/17	FY18 on	Retain interest or redeploy
Derby (UK)	Large scale integrated treatment assets under 25 yr contract	Build underway	£17M / FY17	FY18 on	Retain interest or redeploy

Strong pipeline of attractive projects targeted to yield 15-20% pre-tax returns

(1) Equates to 12-15% post-tax returns

Infrastructure Investment Returns

Division	Div'n ROA	Investment Return	Spent	Allocated	Comment
Solid 	8.3%	12.9%	£29m	£5m	• Investment returns well above Division average • Commercial depot civils underway
Hazardous 	25.7%	39.0%	£22m	£14m	• Investment returns strong due to impact of soil and water storage • Focus for further investment
Organics 	4.2%	12.0%	£84m	£28m	• Returns still ramping, diluted by central and bid costs • Surrey Bio-fuels facility build due to start
Total	12.2%	18.1%	£135m	£47m	

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

Focused, market based investment programme delivering favourable returns

Portfolio Management

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Strategy

1. Actively manage business portfolio to build focused Group with improved returns
2. Dispose of assets where unclear path to generating target returns
3. Acquire businesses that reinforce Shanks and deliver accretive returns

Execution

1. Develop register of non-core assets, sweat and then sell when value realised
2. Cultivate funnel of acquisition targets based on strategic fit and synergies
3. Acquire assets while maintaining strong capital discipline

Moves in last 2 years

- Sale of sub-scale loss-making UK Solid Waste business to Biffa
- Sale of non-core assets and unprofitable contract exits in Belgium
- Acquisition of small Dutch recycling business and new HW site in North NL

Potential and future plays

- Possible sales of non-core standalone plants and PFI sub-debt
- Acquisition of Dutch SW business where strong synergies exist
- Acquisition of adjacent business and/or expand footprint of profitable activities

Growth Strategy Summary

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		Position	Strategy	Target Revenue	Target Margin	Target Returns
Divisions	Hazardous	Defensible scale and technology leadership in attractive linked niche markets	Expand business while maintaining favourable returns	↗	→	→
Divisions	Commercial	Current market leadership and growth platform in recovering markets	Leverage market position to deliver previous profitability and returns	↗	↗	↗
Divisions	Municipal	Clear UK and Canadian market leadership in sustainable municipal waste treatment	Deliver growth from assets under construction and new contract wins	↗	↗	↗
Levers	Margins	Strong legacy local businesses with identified levers for margin expansion	Drive margin expansion through commercial and operational excellence	↗	↗	↗
Levers	Investment	Significant investments in infrastructure through the cycle	Ramping-up assets in build and deploy further capital where advantaged	↗	↗	→
Levers	Portfolio	Assets now mostly focused in areas with attractive target returns	Dispose of non-core assets and acquire businesses that will deliver accretive returns	↗	↗	↗

Outlook

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1. Outlook for FY16 unchanged
2. Entering period of significant investment in high-quality projects
3. Potential for incremental mid-term upside
   - Accelerated NL market recovery
   - Synergistic and accretive acquisitions
   - Expansion of HW footprint, including Farmsum
   - Further municipal contract wins in Canada
   - Higher incineration and landfill taxes

Platform for Transformation

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CURRENT STATUS

- Clear strategy for growth
- Advanced investment plans
- Positive momentum

Margin expansion

Infrastructure investment

Portfolio management

EXPECTED OUTCOMES

- Increased profit and returns
- Larger portfolio of valuable assets
- De-leveraged balance sheet

Market recovery

Appendices – Group Introduction

Our Refined Strategy

Our new divisional structure

- **Hazardous**

Industrial cleaning and treatment of hazardous waste.

- **Municipal**

Operation of waste management facilities under long-term municipal contracts.

- **Commercial**

Collection and treatment of commercial waste.

Group strategic priorities

- **Driving margin expansion**

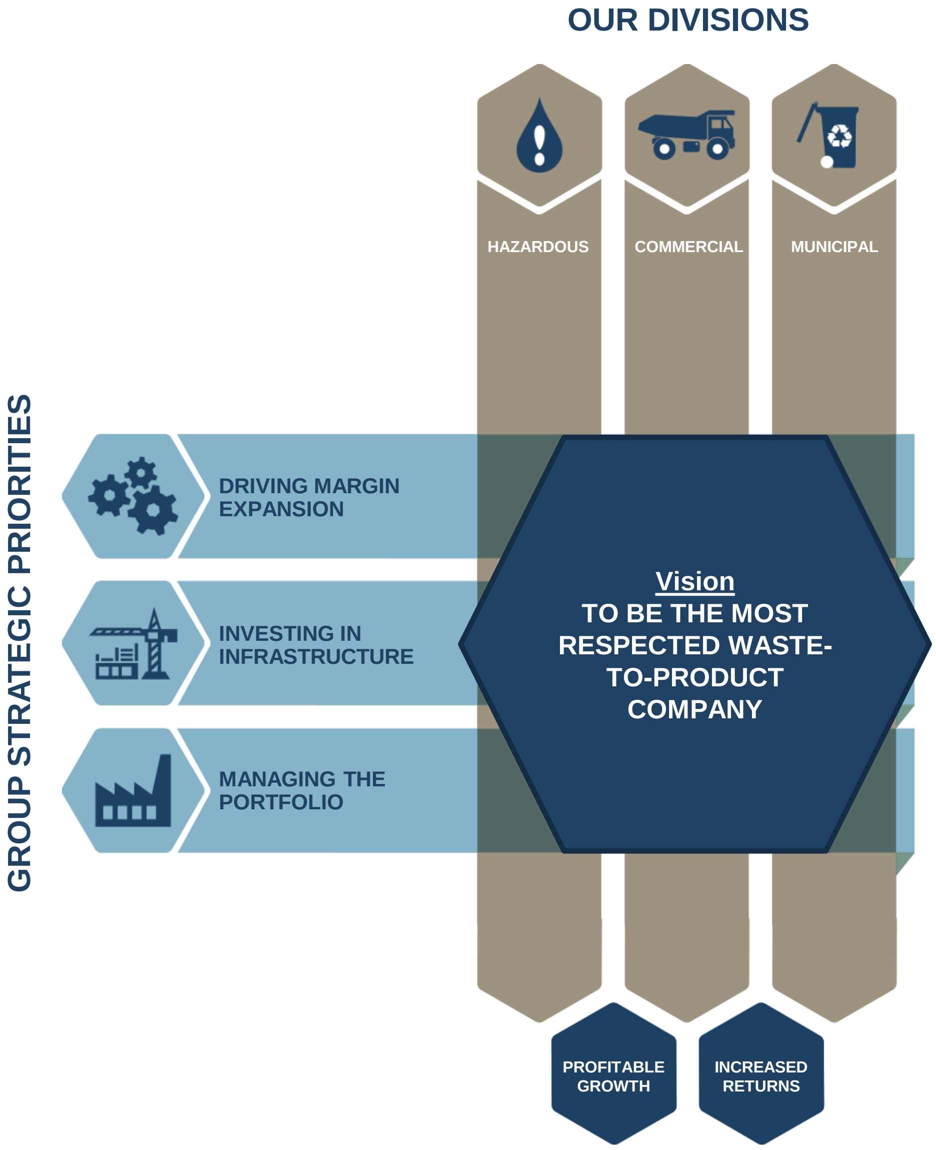
Developing world-class capabilities such as Continuous Improvement and Commercial Effectiveness.

- **Investing in infrastructure**

Expanding the footprint and capability with selective investment in new infrastructure.

- **Managing the portfolio**

Continuing to actively manage the portfolio to improve the quality of our earnings.



Hazardous: Growth Strategy

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Markets

- Contaminated soil remediation
- Waste water and industrial sludge treatment
- Industrial ship cleaning and degassing
- Industrial cleaning and services

Increasingly stringent legislation plus macro recovery

Position

- EU market leadership in thermal soil treatment
- Advantaged water technology and harbour location
- Proven excellence in Dutch industrial services
- Integrated and synergistic operations

Market leadership and scale in attractive linked niches

Strategy

1. Invest in environmental excellence
2. Ramp-up new capacity
3. Broaden scope of inputs and treatments
4. Expand geographic footprint

Grow business while maintaining attractive returns

Commercial: Growth Strategy

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Markets

- Dutch construction and demolition (C&D)
- Benelux industrial & commercial (I&C waste)
- Selective municipal Benelux contracts
- Recycling monostreams (glass & wood)

Macro recovery plus increased demand due to legislation

Position

- Market leader in Dutch C&D collection and treatment
- I&C scale and advantage route density in selected Benelux regions
- Strong local presence and respected brands
- Excellent product quality and certifications(1)

Current market leadership and growth platform in recovering markets

Strategy

1. Ensure lowest cost position through productivity & scale
2. Focus commercial activity on profitable segments
3. Gain share through consolidation and winning business from distressed competitors
4. Create high quality products for target markets

Leverage market position to deliver previous profitability and returns

(1) Icopellets, SRF, wood pellets +

Municipal: Growth Strategy

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Markets

- UK PFI/PPP waste treatment contracts
- EU waste-derived fuel for industrial applications[1]
- Organics waste treatment for Canadian cities
- Integrated municipal waste treatment contracts in NA

Long-term growth markets as North America and UK increasingly divert waste from landfill

Position

- Market leader in UK MBT (mechanical biological treatment)
- Deep experience (over 15 years) of long-term contracts
- Leading quality and volume producer of SRF
- Established provider of robust organics treatment in NA

Clear UK and Canadian leadership in sustainable waste solutions[2] for municipalities

Strategy

1. Sustain current contracts in partnership with local authorities
2. Ramp-up new assets under construction In UK and Canada
3. Secure incremental volumes to maximise utilisation
4. Win new long-term contracts in target growth areas

Deliver growth from assets under construction and new contract wins

[1] Includes RDF and SRF for use in EfW and cement production
[2] Sustainable municipal waste treatment = MBT in the UK and Organics in Canada

Group Strategic Levers

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Deliver Margin Improvement

Strategy

1. Develop capabilities where excellence creates advantage and has direct profit impact – examples:
    - Commercial effectiveness
    - Continuous improvement
2. Embed capabilities with new processes and training to ensure sustained ongoing improvement

Execution

1. Run pilot improvement projects in key businesses using Shanks expertise and input from other industries
2. Roll-out "piloted" capabilities across Group with PMO support and training
3. Track and drive profit impact

Investment in Infrastructure

Strategy

1. Deploy capital where Shanks advantaged and can generate attractive returns
2. Reinforce market leadership positions to ensure sustained advantage
3. Use non-recourse debt to maximise growth potential where appropriate

Execution

1. Target 12-15% post-tax returns
2. Strong preference for secure inputs, often under long-term contract
3. Rigorous structured process to filter, test, implement and review

Manage Portfolio

Strategy

1. Actively manage business portfolio to build focused Group with improved returns
2. Dispose of assets where unclear path to generating target returns
3. Acquire businesses that reinforce Shanks and deliver accretive returns

Execution

1. Develop register of non-core assets, sweat, and then sell when value can be realised
2. Cultivate funnel of acquisition targets based on strategic fit and synergies
3. Acquire assets while maintaining strong capital discipline

New CR Objectives

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M — >3 DAY ACCIDENT RATE: -25%

- M — MAJOR/FATAL ACCIDENTS: ZERO
- M — LOST TIME ACCIDENT RATE: -25%
- M — NEAR-MISSES & RATE CLOSED-OUT: 75% CLOSE-OUT
- Q — SENIOR LEADERSHIP HEALTH & SAFETY VISITS CONDUCTED: 2 PER 1/4

A — RECYCLE AND RECOVER RATE: 85%

- A — CARBON AVOIDANCE: +10%
- A — GREEN ENERGY PRODUCTION: +60%
- A — % OPERATING CENTRES WITH ISO14001: 100%

Q — REDUCE COMMUNITY COMPLAINTS: +25%

- A — MAJOR ENVIRONMENTAL AND PERMIT BREACHES: ZERO
- A — COMMUNITY ENGAGEMENT SCHEMES AND INITIATIVES: NEW*

A — EMPLOYEE ENGAGEMENT SCORE: +10%

- A — EMPLOYEE TRAINING AND DEVELOPMENT: NEW*
- M — SHORT-TERM SICKNESS RATE: NEW*
- A — EMPLOYEE COMMUNICATION SCORE: +20%

* New – measures and objectives to be developed and set during 2015

Note: in the graphic above the capitals in smaller hexagons indicates internal reporting cycles:

A Annual Q Quarterly M Monthly

Appendices – Financial Information

Segmental Analysis

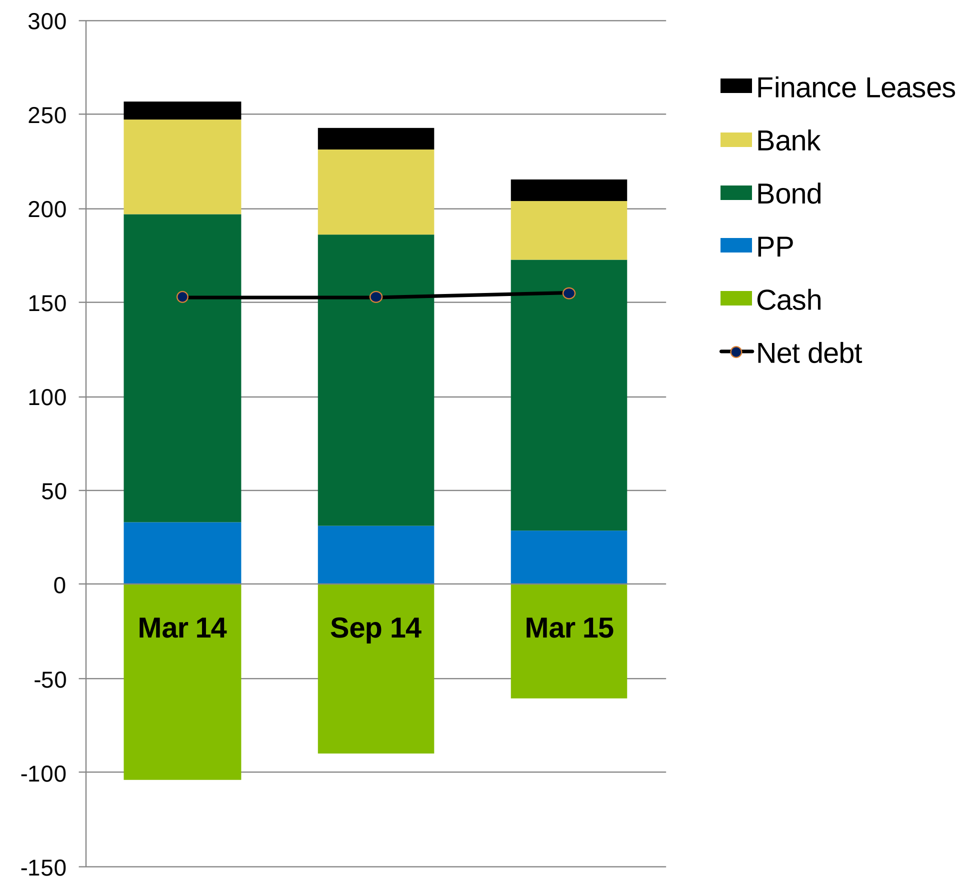
	Revenue				Trading Profit			
	Mar 15 £m	**Mar 14 £m**	**Change %**	**Excluding currency change %**	**Mar 15 £m**	**Mar 14 £m**	**Change %**	**Excluding currency change %**
Solid Waste Benelux	**297.2**	323.2	(8)	(1)	**11.9**	19.7	(40)	(35)
Hazardous Waste	**138.0**	148.2	(7)	0	**16.4**	19.9	(18)	(11)
Organics	**30.0**	34.2	(12)	(5)	**3.4**	4.1	(17)	(8)
UK Municipal	**144.6**	137.5	5	5	**10.0**	9.2	9	9
Group central services	**-**	-			**(7.4)**	(7.3)	(1)	(1)
Inter-segment revenue	**(8.4)**	(9.7)			**-**	-		
	601.4	633.4	(5)	1	**34.3**	45.6	(25)	(19)

Trading profit = operating profit before amortisation of acquisition intangibles and exceptional items
Comparatives for 2014 have been restated following the adoption of IFRS 11 and the requirement to equity account for joint ventures

Balance Sheet

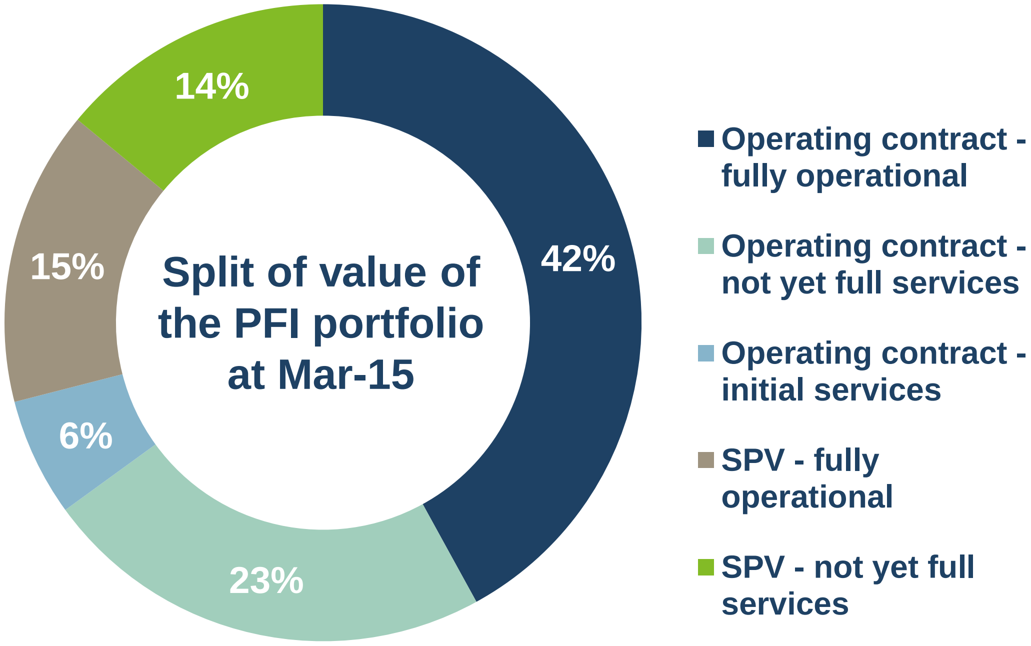
	Mar 15 £m	Mar 14 £m
Tangible fixed assets	282.9	322.7
Goodwill & other intangibles	173.8	211.1
Non current PFI/PPP financial assets	246.6	187.4
Trade and other receivables	2.2	2.5
Investments	10.1	8.4
Non current assets	715.6	732.1
Working capital	(59.1)	(55.5)
Current PFI/PPP financial assets	31.6	8.2
Assets classified as held for sale	3.5	3.2
Pension deficit	(16.4)	(13.1)
Taxation	(14.7)	(35.2)
Provisions and other liabilities	(49.8)	(46.1)
Net core debt	(155.0)	(152.9)
PFI non recourse net debt	(222.6)	(151.2)
Derivative financial liabilities	(44.0)	(16.0)
Net Assets	**189.1**	**273.5**

Analysis of Core Net Debt



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	Mar-15
Operating contract - fully operational	47
Operating contract - initial services	6
Operating contract - not yet full services	25
SPV - fully operational	17
SPV - not yet full services	15
	110

Return on Capital

	Mar 15	Sep 14	Mar 14
Post tax ROIC (on depreciated capital base including goodwill)	6.0%	5.8%	6.0%
Return on operating assets – continuing operations (trading profit on depreciated operating assets excluding debt, tax and goodwill)	12.2%	13.2%	15.1%
Pre-tax project returns – fully operational projects (on the original invested capital)	18.1%	18.4%	18.6%

2015/16 Guidance

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1. 2015/16 guidance given at exchange rate of €1.35 to £1
2. Impact of 1 cent movement in Euro FX on reported results: Revenue £3m, Trading Profit £250k, underlying PBT £150k
3. Capex expectations: replacement capex rate of c80% (£30m). Net Financial Asset expenditure of £15m
4. Tax rate of 21.7% as per 2014/15
5. Non-trading items to include £2m for remaining elements of the structural cost programme, £2m of amortisation of acquired intangible assets
6. Ongoing pension deficit cash funding of £3m