Shanks Group plc

Interim Results 2016/17

17 November 2016

Disclaimer

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
Operational Review	**Toby Woolrych** Group Finance Director
Outlook	**Peter Dilnot** Group Chief Executive

Highlights

Shanks
Making more from waste

1. Good Group trading with revenue and underlying profit growth at constant currency
2. Benelux-based divisions performing strongly and ahead of expectations
3. Municipal Division challenged in the UK by previously disclosed market and operational issues
4. Shanks management expectations for positive full year performance unchanged
5. Proposed transformational merger with Van Gansewinkel to create leading Benelux waste-to-product business progressing well
6. Well positioned to deliver long-term sustainable growth and attractive returns – both as Shanks and as an enlarged group post-merger

2016/17 Interim Results*

Shanks
Making more from waste

Revenue & Profits	• Revenue up 7% in line with expectations • Trading profit up 3%
Commercial and Hazardous	• Commercial Division trading profit up 20%, primarily driven by improved market conditions and self-help initiatives • Hazardous Division trading profit up 38%
Municipal	• Municipal trading profit down significantly as a result of UK market and operational challenges • Canada trading profit up 38%
Cash Flow & Financing	• Core net debt in line at constant currency • Net debt: EBITDA 3.0x
EPS & Dividend	• EPS up 23% • Interim dividend maintained at 0.95p adjusted for the rights issue bonus factor, reflecting confidence in medium term growth

* at constant exchange rates

Market Overview: H1 Developments

	Market Driver	Example Metric	Comment
+	Volumes	• NL construction up 4.5% since beginning of 2016 • NL/ BE GDP up 2.3% & 1.2%*	• 22 of 23 months growth in NL construction
~	Commodities	• Further decline in metal prices • Oil price +20% from March to September	• Remains volatile within a low range
–	Off-take	• Incinerator gate fees increasing • Specialist fuels (SRF) market contracting	• Impact mostly in UK
+	FX	• Fall in GBP from €1.26 to €1.16	• Positive translation on reported results • Negative transaction exposure for UK

* Year on Year Q2 June 16

Merger Highlights

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	Transaction	Integration
Delivered	1 Deal signed 29 September 2016 2 Shareholder approval both sides 3 Placing & rights issue completed 4 Works Council approvals for the transaction & financing	1 Day 1 planning programme 2 Integration activities defined & resourced 3 New Group structure designed and communicated
In Progress	1 Anti-trust process NL & BE on track 2 Re-admission prospectus 3 Works Council approvals for organisation structure	1 New brand development 2 Day One Governance 3 Detailed integration planning

Van Gansewinkel trading positively

Operational Review

Toby Woolrych

Income Statement

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	Sep 16 £m	Sep 15 £m	Change £m	%	Excluding currency change %
Revenue	**348.4**	**297.0**	**51.4**	**17%**	**7%**
Trading Profit	**20.7**	**17.4**	**3.3**	**19%**	**3%**
Net Interest	(6.2)	(7.1)			
Income from associates and JVs	0.9	0.4			
Underlying profit before tax	**15.4**	**10.7**	**4.7**	**44%**	**23%**
Non-trading and exceptional items	(16.3)	(8.1)	(8.2)		
(Loss) profit before tax	(0.9)	2.6	(3.5)		
Taxation	(2.5)	(1.5)			
(Loss) profit after tax	(3.4)	1.1	(4.5)		
Discontinued operations	-	0.3			
(Loss) profit for the period	(3.4)	1.4	(4.8)		
Continuing operations:					
Basic earnings per share (p)	(0.7)	0.2	(0.9)		
Underlying earnings per share (p)	**2.7**	**1.8**	**0.9**	**43%**	**23%**
Interim dividend (pence per share)	**0.95p**	**1.1p**			

Commercial Waste

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	Sep 16 €m	Sep 15 €m	Change €m	%
Revenue				
NL Commercial Waste	132.0	126.5	5.5	4%
BE Commercial Waste	72.5	75.4	(2.9)	-4%
Total Revenue	**204.5**	**201.9**	**2.6**	**1%**
Total Revenue (£m)	166.7	145.5	21.2	15%
Trading Profit				
NL Commercial Waste	10.0	8.2	1.8	22%
BE Commercial Waste	3.6	3.1	0.5	16%
Total Trading Profit	**13.6**	**11.3**	**2.3**	**20%**
Total Trading Profit (£m)	11.1	8.1	3.0	37%

Trading Margin		
NL Commercial Waste	7.6%	6.5%
BE Commercial Waste	5.0%	4.1%
Total Trading Margin	**6.7%**	**5.6%**
Return on operating assets		
NL Commercial Waste	8.6%	7.2%
BE Commercial Waste	25.3%	15.0%
Total Return on operating assets	**11.1%**	**8.7%**

The return on operating assets in Belgium excludes all landfill related provisions

Netherlands

- Growth in construction and commercial waste volumes and favourable conditions in organics
- Recyclate pricing lower, offset by increased volumes
- Self-help initiatives continue to deliver benefits – commercial effectiveness, continuous improvement & off-take management
- Portfolio management – City of Leiden commercial waste activities & sale of Groundworks business

Belgium

- Revenue down due to exit from loss-making Industrial Cleaning Wallonia in 2015 and suspension of wood dust sales
- Core business performed well - new organisation and margin enhancement programmes
- Strong SRF demand and operational performance at Gent due to self-help initiatives

Hazardous Waste

	Sep 16 €m	Sep 15 €m	Change €m	%
Revenue	98.9	89.4	9.5	11%
Revenue (£m)	80.5	64.4	16.1	25%
Trading Profit	13.9	10.1	3.8	38%
Trading Profit (£m)	11.4	7.3	4.1	56%
Trading Margin	14.1%	11.3%		
Return on operating assets	27.6%	23.2%		

Industrial Cleaning

- Core oil and gas markets broadly flat at subdued levels
- Increased activity in the south west boosted by Total Care Centre in Theemsweg and the ultrasonic cleaning unit
- Reduced customer activity in the northern region

Water treatment

- Increased water volumes and higher throughput
- Joint venture with local partners to provide water storage and treatment capabilities

Soil performance

- Encouraging soil intake from import market
- Higher throughput compared to challenging period last year

Seveso III classification achieved

Municipal

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	Sep 16 €m	Sep 15 €m	Change €m	%
Revenue				
UK Municipal	87.9	80.4	7.5	9%
Canada Municipal	14.5	9.8	4.7	48%
Total Revenue*	**102.4**	**90.2**	**12.2**	**14%**
Total Revenue (£m)	104.1	90.2	13.9	15%
Trading Profit				
UK Municipal	(0.7)	4.2	(4.9)	-117%
Canada Municipal	1.8	1.3	0.5	38%
Bid costs	(0.1)	(0.3)	0.2	
Total Trading Profit*	**1.0**	**5.2**	**(4.2)**	**-81%**
Total Trading Profit (£m)	1.1	5.2	(4.1)	-79%
Trading Margin				
UK Municipal	-0.8%	5.2%		
Canada Municipal**	25.0%	19.3%		
Total Trading Margin**	**0.7%**	**5.8%**		

** Canada at constant currency ** Trading margins exclude Surrey construction*

UK external market impacts

- Ongoing and significant pressure on output prices
- Constrained UK SRF market and increased costs of disposing RDF across Europe worsened by weakness of sterling
- Shortage of available organic waste for Westcott Park AD facility

Operational factors

- Slower than anticipated ramp up at both BDR and Wakefield following commissioning last year
- Strong growth at EBG JV in Scotland
- Good performance at London and Ottawa – modest volume growth and strong cost control

Construction

- Six month delay at Derby waste-to-energy facility due to contractor insolvency – resulting in liquidated damages charge of £1.7m
- Canadian Surrey contract construction progressing well with full service in 2017

Directors' Valuation reduced to £100m to reflect current challenges

Improvement programmes being implemented with benefits coming through in second half

Non-trading and Exceptional Items

	Sep 16 £m	Sep 15 £m
Acquisition related costs:		
VGG merger	10.2	-
Others	-	0.1
Portfolio management	0.2	-
Restructuring charges	0.9	0.1
Others	4.1	7.0
Amortisation of acquisition intangibles	0.8	0.9
Fair value derivatives	0.1	-
Total non-trading and exceptional items	**16.3**	**8.1**

Continuing operations only

- **Portfolio management:**
  - VGG acquisition related expenditure incurred in the first half
  - Net loss of £0.2m following the sale of groundworks business and surplus land and other assets
- **Restructuring**: relating to structural cost reduction programmes announced last year
- **Others:**
  - New: liquidated damages on the Derby contract
  - Historic: costs at Wakefield relating to 2015 subcontractor insolvency and unrecoverable costs relating to the 2014 fire at ELWA

Cash Flow Performance

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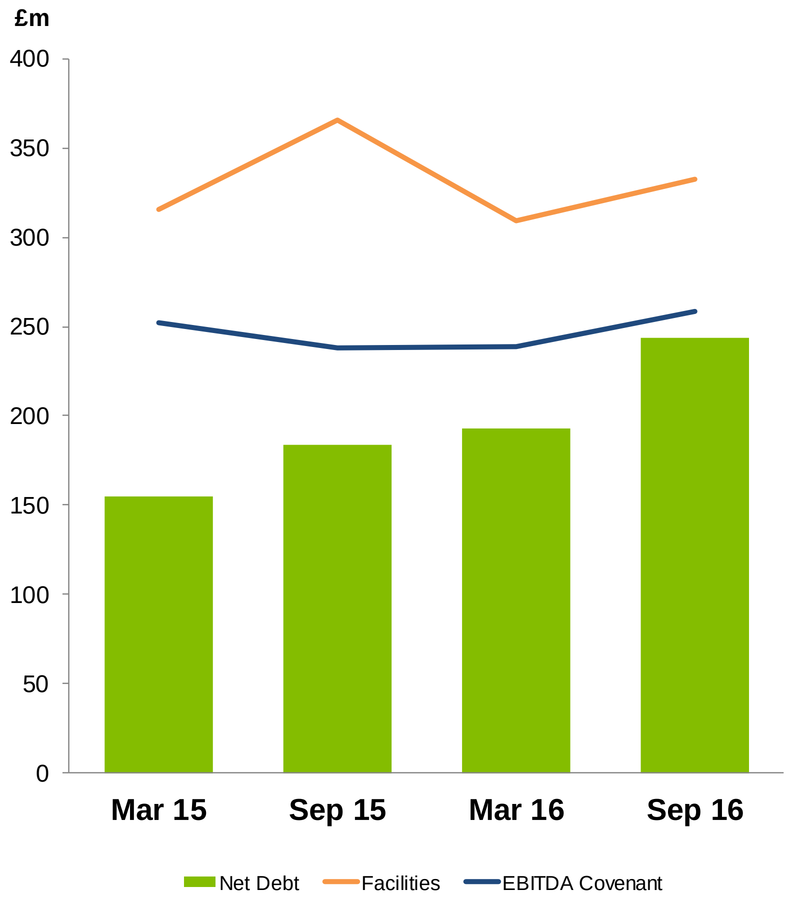
	Sep 16 £m	Sep 15 £m
EBITDA	40.3	34.9
Working capital movement and other	(17.6)	(1.4)
Net replacement capital expenditure	(14.7)	(9.2)
Interest and tax	(9.4)	(7.9)
Underlying free cash flow	**(1.4)**	**16.4**
Growth capital expenditure	(2.9)	(4.8)
Acquisitions and disposals	4.0	2.8
Restructuring spend	(0.9)	(1.2)
Dividends paid	(9.4)	(9.3)
UK PFI funding	(4.2)	(21.6)
Canada Municipal funding	(9.9)	(3.2)
Other	(6.6)	(4.6)
Net core cash flow	**(31.3)**	**(25.5)**
Free cash flow conversion	**-7%**	**95%**

- EBITDA up 1% at constant currency
- Prior period working capital benefited from initial sale of trade receivables in Belgium
- Increase in working capital due to volume growth and anticipated one-off items
- Higher ratio of replacement capital expenditure to depreciation of 74% (2015: 52%) due to Vliko new facility build
- Growth capital represents spend on operator enhancements in Municipal contracts
- Acquisitions and disposals include the proceeds for sale of equity in Wakefield
- Canada Municipal is the Surrey build cost
- Other includes pension deficit funding, M&A fees (£2m), onerous contracts and provision spend

Cash flow performance in line with expectations

Movement in Core Net Debt



- Net debt increase driven by planned investment outflows (£25m), merger costs (£2m) and FX movement (£19m)
- Leverage covenant protection from currency fluctuations as core net debt converted at same average FX rate as earnings
- New €600m facility for merger signed September: leverage expected to have peaked

	Mar 15	Sep 15	Mar 16	Sep 16
Headroom (facilities plus cash)	£154m	£169m	£116m	£93m
Net debt / EBITDA	2.3x	2.7x	2.6x	3.0x
Interest cover	3.6x	3.6x	5.0x	6.9x

Group wholly refinanced with debt and equity in preparation for merger

H1 to H2 outlook

- Earnings expectations unchanged for the full year
- Year end core net debt, pre merger of c.£120m at €1.15 FX rate
- FX impact of £4m to PBT at €1.15 to previous guidance
- No guidance reflecting the merger until completion date known

Outlook

Peter Dilnot

Municipal Division - UK

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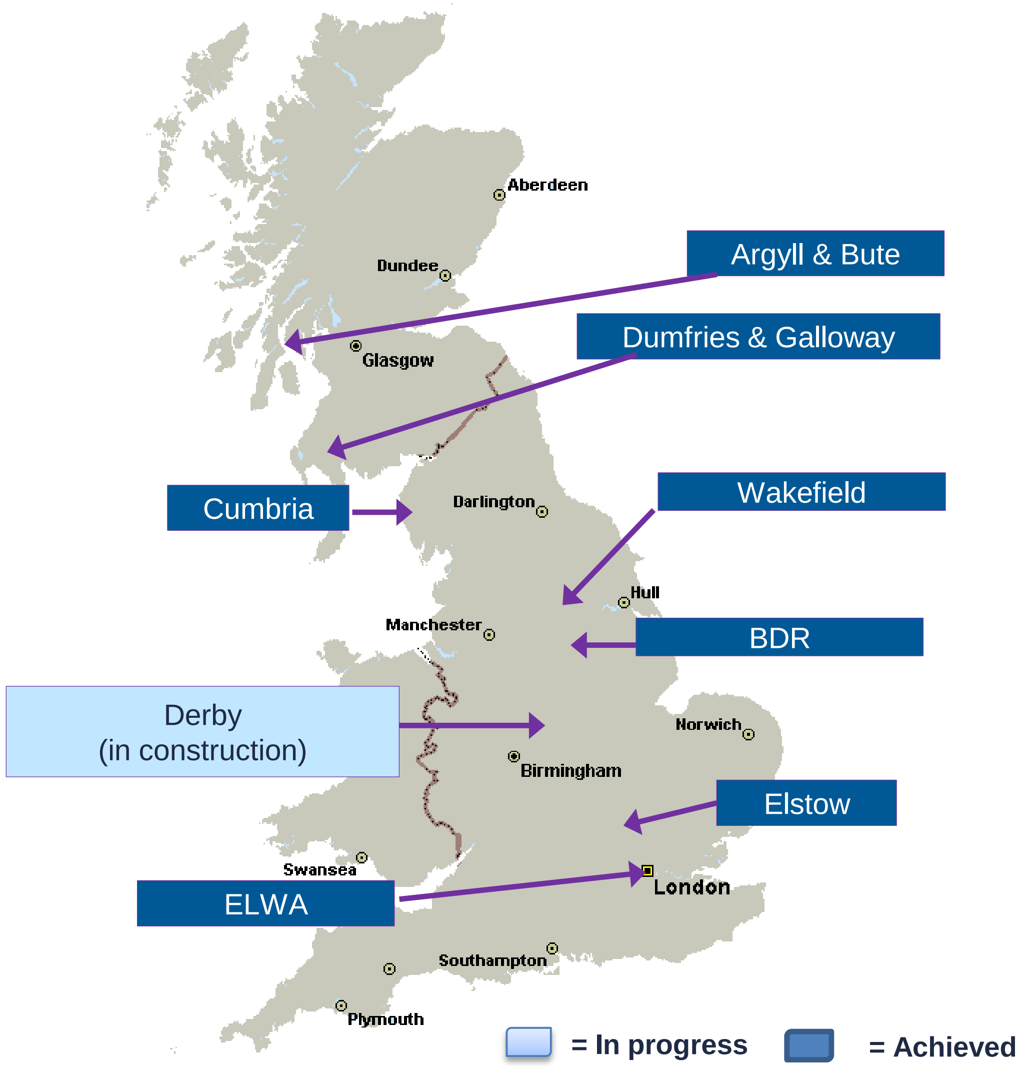
Contract	Phase
Derby	Build
Wakefield	Ramp-up
BDR	Ramp-up
ELWA	Optimise
Cumbria	Optimise
D&G	Optimise
A&B	Optimise
Elstow	Optimise



Intake underpinned by long-term contracts; off-take and operational improvement levers

UK Municipal Recovery Plan

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	Lever	Contracts	Revenue	Margin
H2 +	Full operational ramp-up of new assets	BDR, Wakefield & Derby	✓	✓
	Cost management and controls	All		✓
FY18 +	Off-take contract improvement and realignment	All		✓
	Increased throughput from improved plant productivity	All	✓	✓
	Intake adjustments through contractual changes	Confidential	✓	✓

New management in place to reposition Municipal Division

Long-Term Growth Drivers

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Global Goals

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

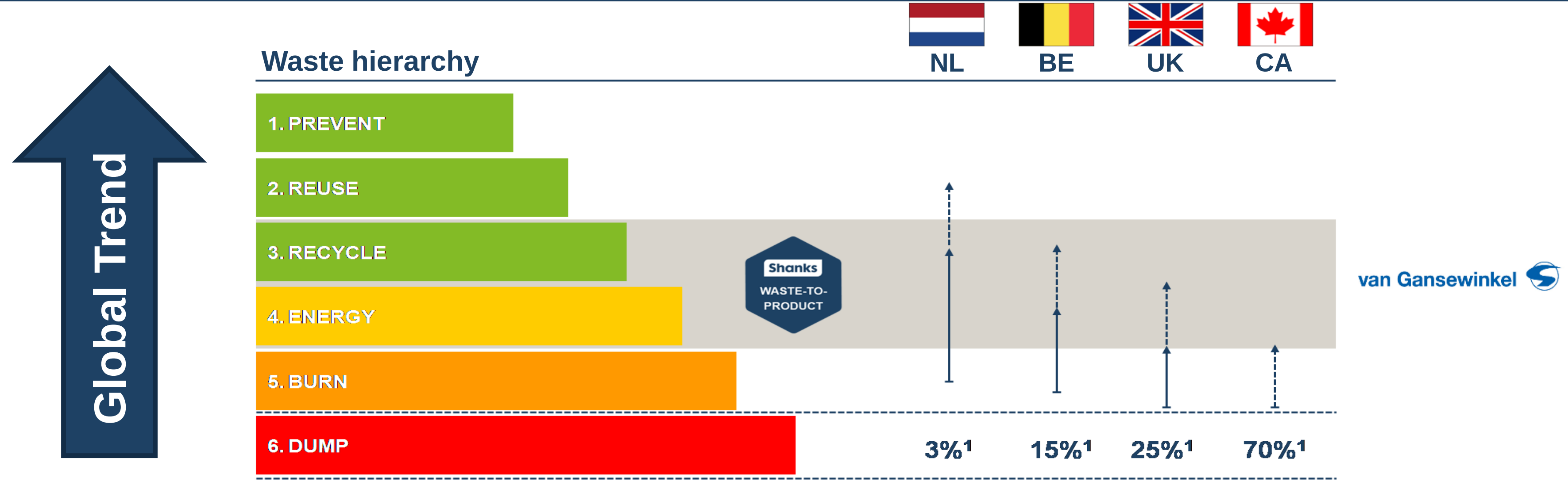
Legislation and Regulation

EU
- EU Circular Economy
- EfW Package

National
- Landfill and incinerator taxes
- Green Certificates

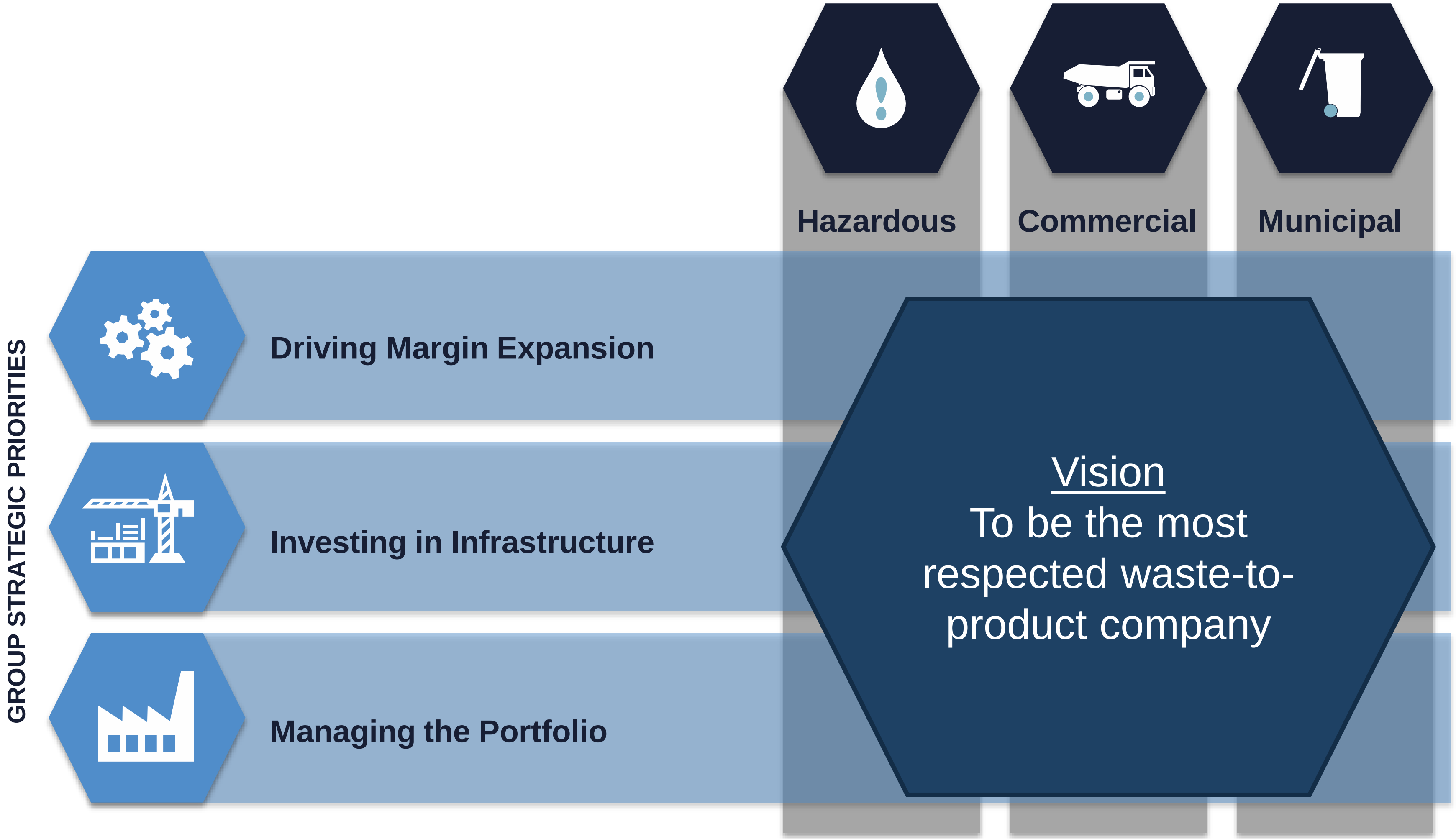
Regional
- Municipal recycling targets
- Segregated collections

Shanks Unique Position



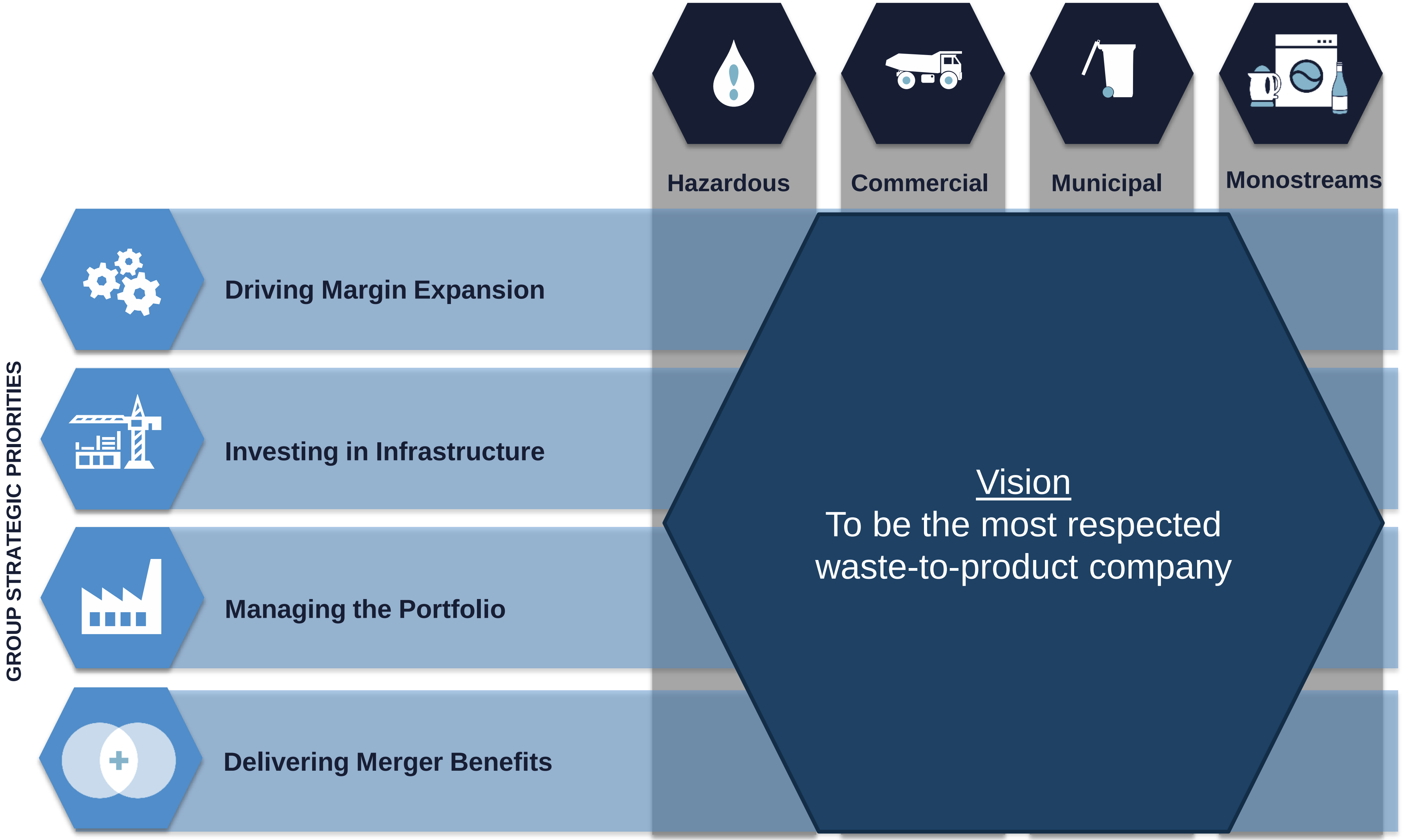
[1] Approximate percentage of total waste sent to landfill

Strategy



Hazardous
Commercial
Municipal
GROUP STRATEGIC PRIORITIES
Driving Margin Expansion
Investing in Infrastructure
Managing the Portfolio
Vision
To be the most respected waste-to-product company

Evolving Strategy



Post Merger Strategy Evolution

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Strategic priorities are clear and consistent … … emphasis shifts as merger completes

GROUP STRATEGIC PRIORITIES

	Current	Future	
Driving Margin Expansion	◐	●	• Embedding continuous improvement and commercial effectiveness across broader combined Group.
Investing in Infrastructure	◐	◐	• Shift in emphasis away from new greenfield plants to capital equipment and innovation in circular economy.
Managing the Portfolio	●	◐	• Continued 'tidying-up' of portfolio and limited tuck in acquisitions given transformational merger.
Delivering Merger Benefits	○	●	• New strategic priority to deliver cost synergies and broader benefits of merger from increased scale and capability.

Margin Expansion Progress

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Commercial Effectiveness

- Sales force management process embedded into operating rhythm
- New CRM launched in Belgium
- Targeted segment plans implemented & planned for January 17

Continuous Improvement

- Coordinated roll-out across divisions with common framework
- Training regime for management underway
- Tools leading to margin expansion, especially in BE & NL Commercial
- VVG C&D line throughput increase 15%
- Gent SRF production up 5%

Initiatives will be refined in merged group

Infrastructure Investment Returns

Division	Divisional ROA	Investment Return(1)	Future Spend
Commercial 	11.1%	16.5%	• Selective investment in extending capability or throughput
Hazardous 	27.6%	44.9%	• Targeted investment in extending capability, capacity and storage
Municipal 	4.8%	12.7%	• Surrey Bio-fuels facility • Derby PPP project
Total	12.4%	21.1%	

New assets generate high quality earnings growth and meet target returns

(1) Returns from investment programme since 2008

Van Gansewinkel Overview

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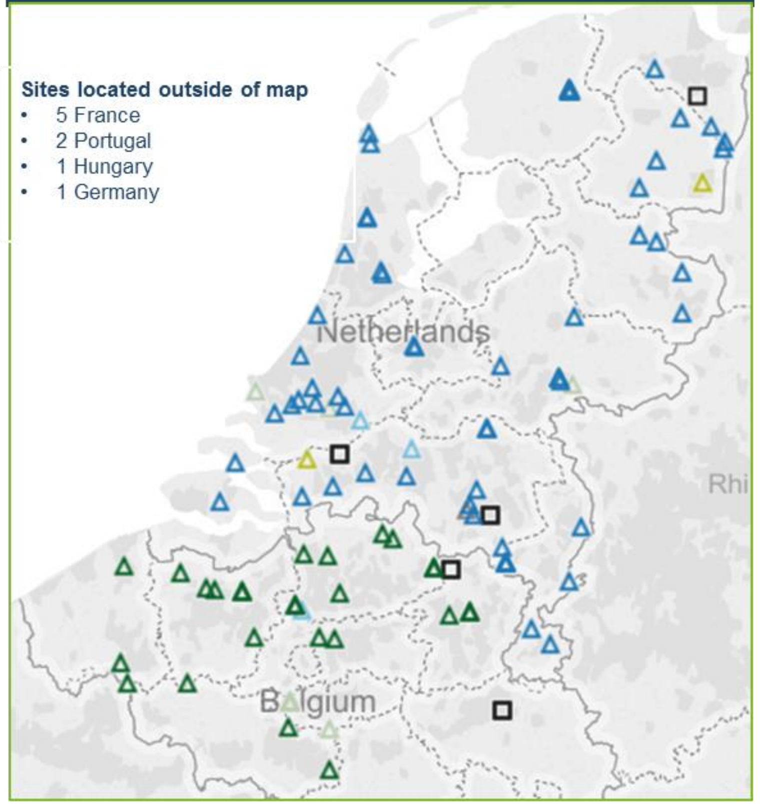
VGG site map



Business Unit: VGW NL, VGW BE, Coolrec, Maltha, Minerals

van Gansewinkel

Waste Collection	Recycling
Divisions:	***Divisions:***
Netherlands	Coolrec
Belgium	Maltha
	Minerals

Compelling Strategic Rationale

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1. Creates a leading waste-to-product business in Benelux - one of the most advanced recycling markets in the world
2. Results in enhanced geographical coverage
3. Brings together two groups with complementary portfolios
4. Provides customers of the Combined Group with a broader range of complementary technologies and services
5. Accelerates the commercial development of the two businesses through the sharing of best practice
6. Generates significant synergies through economies of scale and efficiencies
7. Creates a focused enterprise with stronger growth prospects and the scale, capabilities and resources to remain at the forefront of recycling technology

Expected Cost Synergies

Expected to achieve aggregate risk-weighted pre-tax cost synergies of approx:

€40 million

in the third full year following completion

Expected phasing:

First 12m: 30%

Second 12m: 75%

Third 12m:100%

Expected one-off cash costs to achieve of €50m over three years

Direct (30%)

- route optimisation to increase logistic efficiency and reduce costs
- site rationalisation where the Combined Group has depots or processing sites in the same geographic region

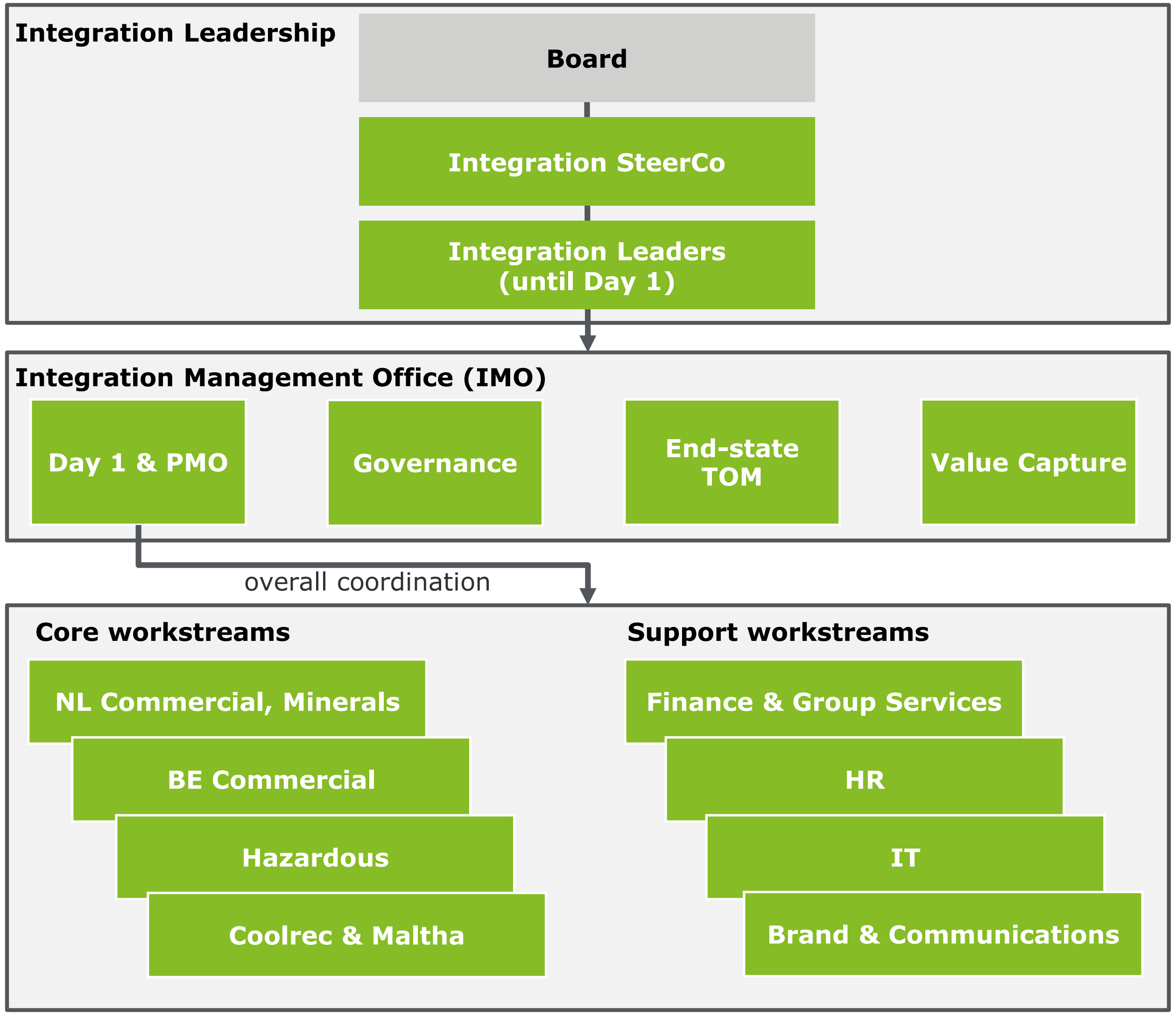
Scale (20%)

- improved procurement, including scale gains and the application of VGG's procurement capabilities across the Combined Group
- improved recyclate income, including the benefits of scale and the sharing of best practices
- reduced off-take costs and optimised application of combined off-take contracts

Indirect (50%)

- rationalisation of the headquarters and regional overheads of the combined entity
- cost reductions from more efficient combined back-office processes and systems

Integration Programme Structure



Day One

- New Leadership Team (N-1) announced and implemented
- New brand announcement with phased roll-out
- Integration Planning Team set-up to guide full integration

External support in place where needed

Highlights

Shanks
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1. Good Group trading with revenue and underlying profit growth at constant currency
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4. Shanks management expectations for positive full year performance unchanged
5. Proposed transformational merger with Van Gansewinkel to create leading Benelux waste-to-product business progressing well
6. Well positioned to deliver long-term sustainable growth and attractive returns – both as Shanks and as an enlarged group post-merger

Appendices – Group Introduction

Divisional Strategies

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Part of VGG merger

Hazardous

Growth while maintaining attractive returns

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

Commercial

Drive margin expansion and increased returns

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

Municipal

Recover profitability and growth from new assets

1. Sustain & optimise current contracts
2. Ramp-up new assets (UK & Canada)
3. Secure incremental volumes to maximise utilisation
4. Manage off-take, productivity & cost

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

Drive margin expansion and increased returns

(1) Icopellets, SRF, wood pellets +

Hazardous: Growth Strategy

Markets	Position	Strategy
• Contaminated soil remediation • Waste water and industrial sludge treatment • Industrial ship cleaning and degassing • Industrial cleaning and services	• EU market leadership in thermal soil treatment • Advantaged water technology and harbour location • Proven excellence in Dutch industrial services • Integrated and synergistic operations	1 Invest in environmental excellence 2 Ramp-up new capacity 3 Broaden scope of inputs and treatments 4 Expand geographic footprint
Increasingly stringent legislation plus macro recovery	Market leadership and scale in attractive linked niches	Growth while maintaining attractive returns

Municipal: Growth Strategy

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 & optimise current contracts
2. Ramp-up new assets (UK and Canada)
3. Secure incremental volumes to maximise utilisation
4. Manage off-take, productivity & cost

Recover profitability and growth from new assets

(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

VGG – Waste Collection

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Core operations

Netherlands Waste Collection

- **FY15 Revenue*: €462.5m**
- **FY15 EBITDAE*: €27.6m, margin 6%**
- Joint market leader
- National business mainly active in the collection and processing of waste
- Spread between North and South regions
- Includes KGA and VGIS businesses
- Challenged through downturn

Belgium Waste Collection

- **FY15 Revenue*: €254.1m**
- **FY15 EBITDAE*: €33.6m, margin 13%**
- Second largest player in market
- National business mainly active in the collection and processing of waste
- Spread evenly between East and West regions
- Reasonably stable performance through cycle

Financials

(€m) Year end 31 December	**2013**	**2014**	**2015**
Revenue	805.3	769.2	760.5
EBITDAE	94.8	70.9	57.0

Source: Extracted from September Prospectus, Historical Financial Information of the VGG Group

Example Growth Levers

- **Top-line management to improve quality of earnings**
- **On-going cost reduction to ensure lean operations**
- **Alignment of operating model closer to customer**

*** Unaudited management information**

VGG - Recycling

Core operations

Coolrec

- **FY15 Revenue*: €80.1m**
- **FY15 EBITDAE*: €5.1m, margin 6%**
- European recycler of WEEE and white goods
- Operations in Benelux, Germany and France
- Exposure to commodity prices

Minerals (Landfill)

- **FY15 Revenue*: €44.7m**
- **FY15 EBITDAE*: €11.8m, margin 26%**
- Three landfills (1 BE, 2 NL)
- Maasvlakte landfill seeking extension
- Two remaining landfills to close within 6 years
- Soil washing, bottom ash and minerals activities

Maltha

- **FY15 Revenue*: €41.3m**
- **FY15 EBITDAE*: €3.3m, margin 8%**
- 33% owned by glass producer, Owens-Illinois
- Major European glass recycler with plants in Benelux, France, Portugal
- Glass market has been challenged

Financials

(€m) Year end 31 December	**2013**	**2014**	**2015**
Revenue	175.0	165.8	165.7
EBITDAE	26.2	24.2	20.2

Source: Extracted from September Prospectus, Historical Financial Information of the VGG Group

Example Growth Levers

- **Focus on margin (exiting contracts where needed)**
- **Investing in innovative technology (e.g. Maltha)**
- **Establishing further back-to-back materials contracts**

*** Unaudited management information**

Integration Principles

“Full integration under a new brand”
We will integrate all businesses into one single, new, stronger company with a new brand

“Build deep and broad waste-to-product capabilities”
We will create value and achieve our synergy targets through generating economies of scale and expanding our offering to customers

“Go slow to go fast”
We will conduct careful forward planning followed by rapid implementation; we will not disrupt business continuity

“Seek to leverage the best of both worlds”
We will move to one way of working, learning from both businesses

“Cultivate a winning team”
We want to retain the best people and develop Shanks/VGG talent; culture and the employee experience is a key integration priority

Potential Additional Synergies

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1. Margin expansion through **cross-selling and internalisation** of waste treatment and in outbound logistics management

2. Revenue synergies from the application of Shanks' successful **commercial effectiveness programme** to VGG, including greater segmental focus

3. Long term **cash savings** from reduced capital expenditure, and capital procurement at scale, as well as in reduced landfill aftercare costs

Appendices – Financial Information

Segmental Analysis

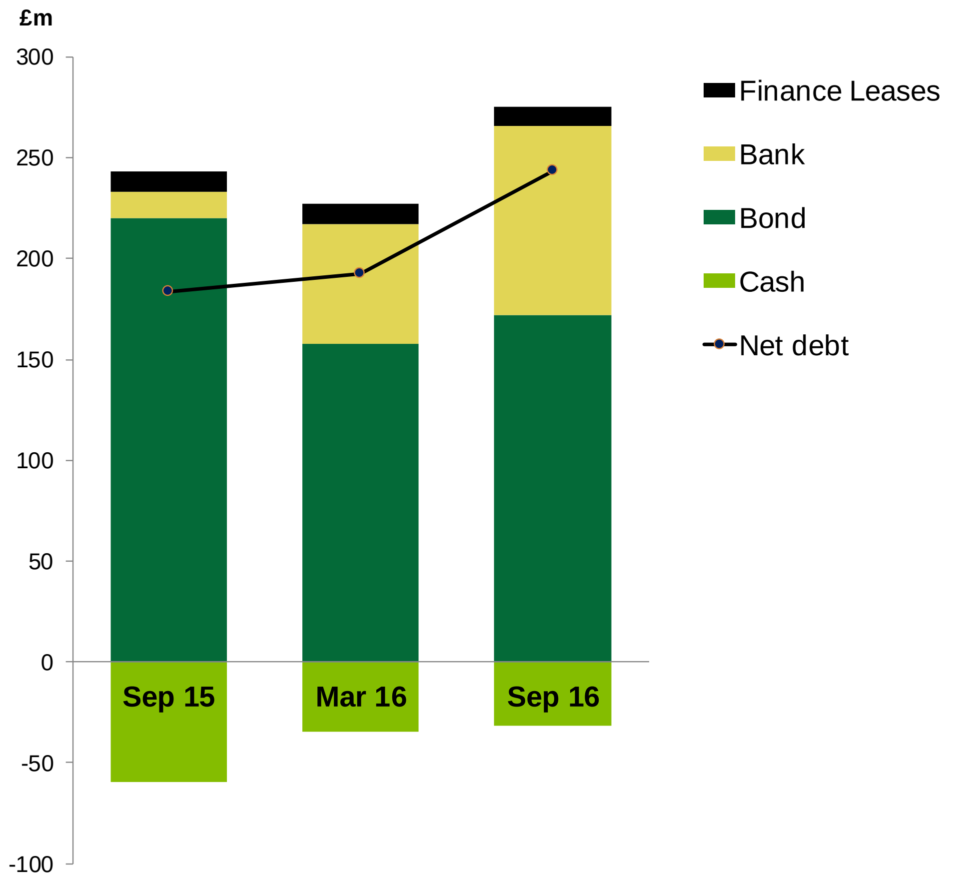
	Revenue				Trading Profit			
	Sep 16 £m	Sep 15 £m	Change %	Excluding currency change %	Sep 16 £m	Sep 15 £m	Change %	Excluding currency change %
Commercial Waste	**166.7**	145.5	15	1	**11.1**	8.1	37	20
Hazardous Waste	**80.5**	64.4	25	11	**11.4**	7.3	56	38
Municipal	**104.1**	90.2	15	14	**1.1**	5.2	(79)	(81)
Group central services	**-**	-			**(2.9)**	(3.2)	9	9
Inter-segment revenue	**(2.9)**	(3.1)			**-**	-		
	348.4	297.0	17	7	**20.7**	17.4	19	3

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

Balance Sheet

	Sep 16 £m	Mar 16 £m
Tangible fixed assets	314.0	297.0
Goodwill & other intangibles	216.2	194.5
Non current PFI/PPP financial assets	156.1	145.8
Trade and other receivables	1.7	1.1
Investments	13.9	12.1
Non current assets	701.9	650.5
Working capital	(65.7)	(74.1)
Current PFI/PPP financial assets	12.8	12.8
Pension deficit	(27.1)	(10.7)
Taxation	(19.3)	(17.8)
Provisions and other liabilities	(68.2)	(63.3)
Net core debt	(243.6)	(192.6)
PFI non recourse net debt	(88.7)	(91.1)
Derivative financial liabilities	(36.5)	(30.9)
Net Assets	**165.6**	**182.8**

Analysis of Core Net Debt £m



Infrastructure Investment Update

Division	FY 16 Completion	H1 Completion	In Construction	Future
Commercial 	• ICOVA storage shed and quay	• Vliko new facility	-	Focus on investing in capability and capacity at our existing facilities
Hazardous 	• Rotterdam 'Total Care' Centre • Water tanks and coolers • Jetty extension	• Further soil processing enhancements	• Pyrolysis plant inbound storage	
Municipal 	• BDR facility • Wakefield facility	• Upgrades at Cumbernauld AD facility (EBG)	• Derby facility • Surrey Organics (Canada)	

Total returns in line with target

UK PFI Directors’ Valuation

- Portfolio valuation includes the six fully operational contracts, plus Derby under construction
- Valuation based on the cash flows of the financing vehicles and the operating contracts - discounted at 8% and risk adjusted
- Valuation based on current disposal prices at £85m but at 2014 prices is £134m
- Directors’ valuation reduced by £15m to £100m

Current pricing £m	Sep-16
Operating contract - fully operational	33
Operating contract - initial services	4
Operating contract - not yet full services	16
SPV - fully operational	28
SPV - not yet full services	4
	85

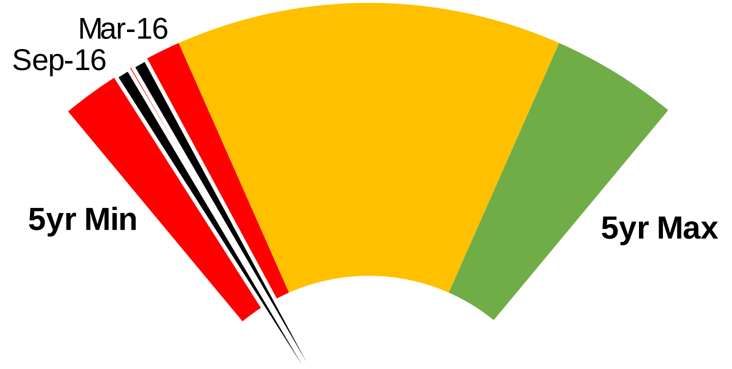
FY14 pricing £m	Sep-16
Operating contract - fully operational	82
Operating contract - initial services	4
Operating contract - not yet full services	16
SPV - fully operational	28
SPV - not yet full services	4
	134

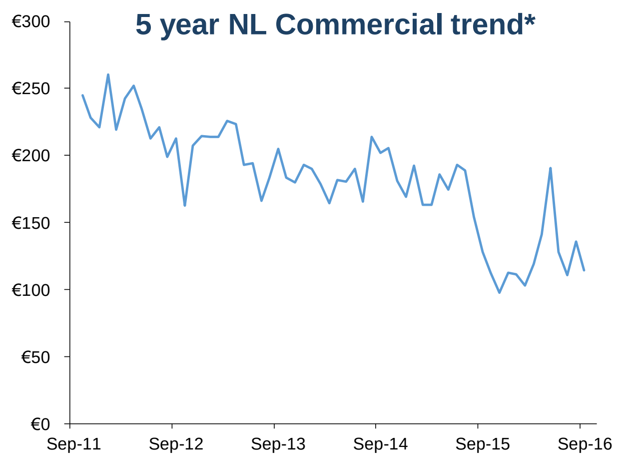
Return on Capital

Shanks
Making more from waste

	Sep 16	Mar 16	Mar 15
Post tax ROIC (on depreciated capital base including goodwill)	6.4%	6.3%	6.0%
Return on operating assets – continuing operations (trading profit on depreciated operating assets excluding debt, tax and goodwill)	12.4%	12.0%	12.2%
Pre-tax project returns – fully operational projects (on the original invested capital)	21.1%	19.5%	18.1%

Market Drivers – Metal Prices





- Prices down 4% from March 2016
- Limited impact in NL Commercial
- Continued volume uplift as offset
- Some offset through gate fee pricing

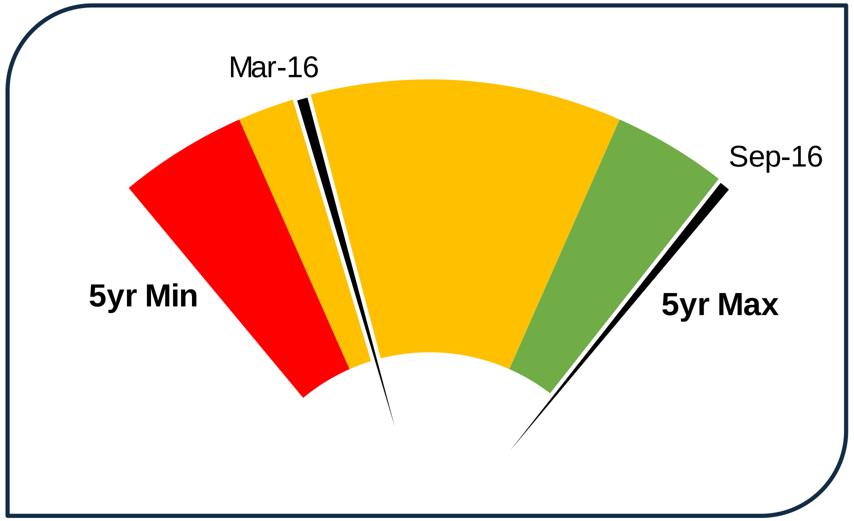
Impact of 10% movement (full year)

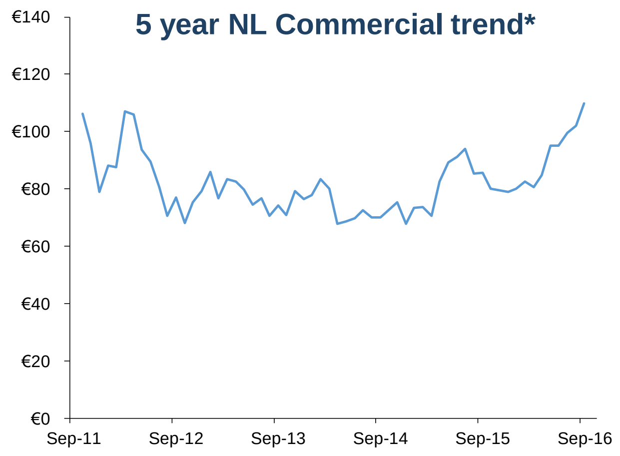
NL Commercial	£0.4m
BE Commercial	NM
Hazardous Waste	N/A
Municipal	£0.1m
	£0.5m

Metal prices continued to fall in the first six months

*Internal data
NM – Not Material

Market Drivers – Paper Prices





- Strong recovery in H1
- Prices at five year high

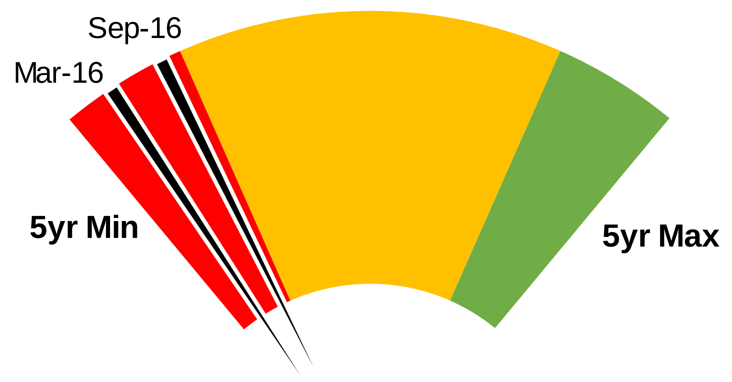
Impact of 10% movement (full year)

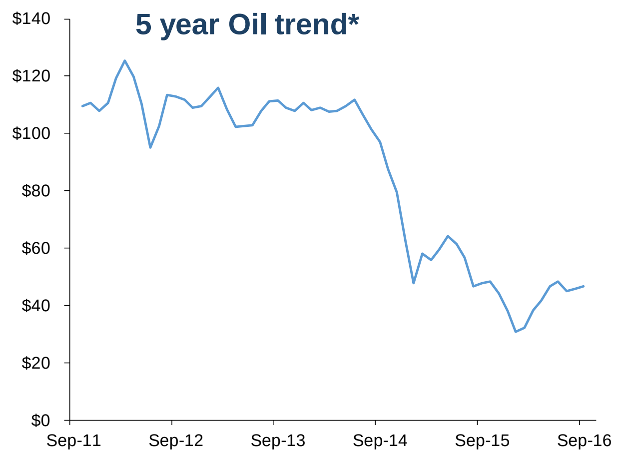
NL Commercial	£0.2m
BE Commercial	£0.2m
Hazardous Waste	N/A
Municipal	£0.1m
	£0.5m

Paper prices at five year high by the end of September 2016

*Internal data

Market Drivers – Oil Prices





- Oil price pressures well reported
- September 16 price 20% higher than at March 16
- Second order impacts on Hazardous Waste as below

Impact (full year)

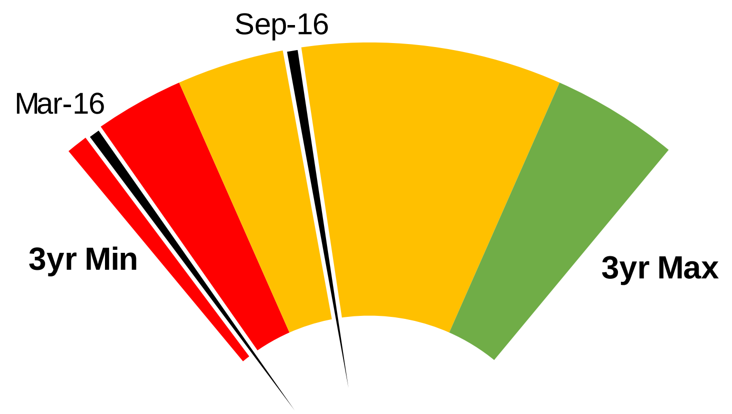
10% production increase	£3.2m
10% sludge movement	£0.9m
20% waste oil price movement	£0.2m
	£4.3m

Oil prices remain volatile

*Brent Euro spot prices

Market Drivers – Electricity Prices

Shanks
Making more from waste



- Sharp increase in pricing since March 16
- Electricity prices impacts landfills energy production and AD plants
- Follow on impact on subsidies

Impact of 10% movement (full year)

NL Commercial	£0.2m
BE Commercial	£0.3m
Hazardous Waste	N/A
Municipal	£0.2m
	£0.7m

Electricity price stabilising

*Internal data