

Shanks Group plc ("Shanks" or the "Group")

Shanks to exit from its UK Solid Waste business

Shanks Group plc, a leading international sustainable waste management business, today announces that it has signed a binding agreement to sell the majority of its UK Solid Waste business - which collects, sorts and processes commercial and industrial waste in the UK - to Biffa (the 'Disposal Assets').

In addition, Shanks will exit its remaining UK Solid Waste business, with processes underway to sell its Blochairn and Kettering materials recycling facilities. Shanks will retain its profitable Elstow facility ('Elstow') which serves municipal customers in Bedfordshire.

Highlights

- Delivers on Shanks' strategy of focusing on markets where it has a sustainable competitive advantage and can deliver attractive returns
- Represents effective exit from loss-making UK Solid Waste operations where Shanks is sub-scale and not positioned to win
- Delivers a £3m uplift in pro forma annualised underlying profit before tax, representing an 11% increase on prior year profit before tax
- Generates expected net cash proceeds for Shanks of approximately £14m including working capital receipts, with £8m from the Disposal Assets and a further £6m million from the sale of Blochairn and Kettering
- Following the transactions, the Group's UK operations will be focused on its profitable and growing UK Municipal business, which provides recycling and waste management services to local authorities in the UK, and is underpinned by long-term contracts
- Shanks is well positioned for future growth, with a portfolio of strong businesses in attractive key markets

Commenting on this important strategic move, Peter Dilnot, Group Chief Executive of Shanks, said:

"These transactions deliver on our strategy of focusing on markets where we have sustainable competitive advantage and can generate attractive returns. We are exiting a market where we are sub-scale and not positioned to win, and focusing our UK operations on our growing UK Municipal and Organics businesses.

Shanks is well positioned for future growth, with a portfolio of strong businesses in attractive target markets. In addition to our growing UK Municipal business, we are market leaders in Benelux Solid Waste, have a differentiated business in European Hazardous Waste, and an established leadership position in Organics. The combination of these businesses provides a strong platform for delivering profitable growth and generating attractive returns.

On behalf of the Board, I would like to thank all employees in the UK Solid Waste business for their contribution and commitment to the Group."

Strategic rationale

Shanks is committed to building a platform for growth and to delivering strong returns to shareholders. As part of that strategy, the Group is actively managing its portfolio of assets to focus on businesses in attractive markets and where it has a sustainable competitive advantage. The exit from the challenging UK Solid Waste market and the corresponding focus on our growing UK Municipal business is firmly in line with the Group's strategy. It also generates cash and improves the overall profitability of the Group going forward.

Shanks' UK Solid Waste business covers the collection, sorting, treatment and ultimate disposal of solid waste materials from industrial and commercial sources. These can range from black bag refuse, through various grades of mixed or comingled recyclates, to high purity mono-streams such as paper or glass. For a number of years, European Solid Waste markets have faced increasing headwinds and to operate successfully participants need to have a leading position with significant scale. The Group's Solid Waste business in the Benelux has such a leading market position and is well underway with a structural cost programme which will increase profitability over time and position the business to take advantage of a cyclical recovery in due course. In contrast, Shanks' UK Solid Waste business is sub-scale, loss-making and the Directors believe it is unlikely to return to material profitability in the foreseeable future. Accordingly, the Group decided to exit the UK Solid Waste market and initiated discussions with Biffa, a market leader in UK Solid Waste and an ideal owner of the Disposal Assets.

In selling the Disposal Assets to Biffa and progressing with the sale of Kettering and Blochairn, Shanks is able to focus its UK activities around its profitable and growing Municipal business. The Group has an established market presence in UK Municipal and the business generates long-term, predictable revenues with attractive returns.

Terms of the disposal to Biffa

The Disposal Assets comprise 11 facilities in England and Scotland and all of Shanks' UK Solid Waste business with the exception of Elstow (which is being transferred to the Group's UK Municipal business) and Kettering and Blochairn which the Group will exit separately in the near future.

The cash consideration payable for the Disposal Assets is £9.5m on a debt free and working capital free basis. It is expected that Shanks will benefit from an additional cash inflow of approximately £3m following the sale of the Disposal Assets as the historic associated working capital unwinds. The net cash inflow for Shanks upon completion of the sale of the Disposal Assets and after transaction and restructuring costs is expected to be approximately £8m.

As part of the transaction, approximately 300 employees will transfer to Biffa under TUPE. As a result of the sale of the Disposal Assets, the Group expects to reduce the cost of its UK divisional central services by an annualised £2m.

The transaction is expected to complete by the end of December 2013 following TUPE consultation and is conditional on routine regulatory clearances.

Financial information on the Discontinued Assets

The Discontinued Assets, which comprise the Disposal Assets and Kettering and Blochairn, generated revenue of £55.4m and operating losses (after divisional central services) of £3.6m in the year ended 31 March 2013. The annualised run-rate of operating losses for the Discontinued Assets is currently approximately £3m. The value of property, plant and equipment and intangible assets including goodwill for the Discontinued Assets as at 31 March 2013 was £35.4m, with the Disposal Assets being £14.8m.

The following table contains key financial information for the Discontinued Assets along with the reported financial results for the UK Solid Waste division for the year ended 31 March 2013:

Year to 31 March 2013 £m	Disposal Assets (a)	Kettering/ Blochairn (b)	Discontinued Assets (a) + (b)	Elstow	UK Solid Waste Business
Revenue	47.4	8.0	55.4	4.4	59.8
Trading Profit (pre-central services)	0.5	(2.1)	(1.6)	0.9	(0.7)
Divisional central services	-	-	(2.0)	(0.5)	(2.5)
Trading Profit	-	-	(3.6)	0.4	(3.2)
Intangible assets	10.9	3.5	14.4	-	14.4
Property plant & equipment	3.9	17.1	21.0	3.0	24.0

Financial impact on Shanks

The proceeds of the exit from UK Solid Waste will be used to fund investments in more attractive growth markets and to reduce the Group's borrowings.

The sale of the Disposal Assets to Biffa is expected to result in a loss on disposal of approximately £11m which will be presented in discontinued activities in the Group's results. In addition, the Group will be taking an impairment charge against Kettering and this non-cash charge is expected to be approximately £14m.

The disposals of Kettering and Blochairn are expected to realise approximately £6m in net cash upon completion.

Total transaction cash costs will be approximately £2m and restructuring cash costs are expected to be approximately £3.5m, both to be incurred in the next 12 months.

Shanks' strategy for growth

Following the exit from its UK Solid Waste operations, Shanks will continue to be a major player in the UK waste industry with a strong focus on the growing UK Municipal segment which is a core pillar of Shanks' growth strategy. Shanks meets the needs of the UK Government's sustainability agenda through the construction and operation of treatment assets that sustainably divert waste from landfill and generate green fuels and electricity.

The Group's vision remains to be the leading provider of sustainable waste management solutions in its target markets and, following the exit from UK Solid Waste, the Group will continue to execute its clear growth strategy in each of these markets, being:

1. Improving the profitability of the Benelux Solid Waste business;
2. Broadening the scope of the Hazardous Waste business;
3. Expanding the Organics footprint in target geographies; and
4. Growing the UK Municipal long term contract business.

The Group is well positioned for future growth, with a clear focus on markets with strong sustainable growth drivers and where Shanks has a competitive advantage and the ability to generate attractive returns for shareholders.

For further information:

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A video interview with Peter Dilnot, Group Chief Executive of Shanks, is available at www.shankspc.com

Management will hold an analyst presentation at 9:30 a.m. today, 15 October, at the offices of: College Hill, The Registry, Royal Mint Court, London, EC3N 4QN.

Link to a webcast of the 9:30 a.m. presentation:

<http://www.axisto-live.com/investis/clients/shanks/presentations/525bafa0df4c45006201f09e/announcement>

Participant dial-in numbers for the webcast as follows:

Belgium	0800 39 247
Netherlands	0800 024 9942
United Kingdom (International)	0800 368 0649
United Kingdom (Local)	020 3059 8125
All other locations	+ 44 20 3059 8125

Please quote '**Shanks**' to the operator for access to the call.

Notes to Editors

Shanks Group is a leading international sustainable waste management business. We meet the growing need to manage waste without damaging the environment. Our solutions reduce greenhouse gas emissions, recycle natural resources and limit fossil fuel dependency.

Shanks uses a range of sustainable and cost-effective technologies to make valuable products from what is thrown away and generate increasing returns for shareholders. We produce green energy, recovered fuel, recycled commodities and organic fertiliser.

Shanks operates in four divisions that reflect our markets: Benelux Solid Waste, Hazardous Waste, Organics and UK Municipal. It has operations in the Netherlands, Belgium, UK and Canada and employs around 4,000 people in its target markets. The Group is at the forefront in providing sustainable waste management solutions for both the public and private sectors.

Shanks's UK Municipal business operates waste treatment facilities for UK city and county councils under long-term contracts, typically 25 years. Such contracts are established primarily to divert waste from landfill in a cost-effective and sustainable way. The capital cost of the associated infrastructure is financed with non-recourse bank debt and is supported by central government PFI or PPP funding.

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