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29 September 2016

Shanks Group plc
(“Shanks”, the “Company” or, together with its subsidiaries, the “Group”)

Proposed Merger with van Gansewinkel Groep BV
(“VGG” or together with its subsidiaries, the “VGG Group”)
and
Proposed Firm Placing and Rights Issue

Summary

- Merger terms agreed between Shanks and VGG to form a leading waste-to-product business in the Benelux region, one of the most advanced recycling markets in the world
- Cash and share consideration payable to VGG’s ultimate beneficial shareholders of €482 million, on a cash free/debt free basis
- Combined Group expected to achieve annual risk-weighted pre-tax cost synergies of approximately €40 million in the third full year following Completion
- Significant earnings enhancement expected in the second full financial year following Completion
- Merger has support from major shareholders in both companies and has positive advice from the relevant Works Councils
- Certain shareholders of VGG Topco 1 SCA (the ultimate parent of VGG), representing an aggregate of approximately 41% of its issued share capital, have irrevocably undertaken to vote in favour of the Merger
- VGG is trading significantly ahead of budget and compared to management’s expectations
- Shanks overall current trading for the year to date is in line with management’s expectations at constant currency; Shanks’ Benelux-based divisions performing strongly
- Integration planning already underway to ensure delivery of benefits; new brand planned to be launched at Completion
- Merger is subject to Shanks and VGG shareholder approvals and anti-trust clearance, with Completion anticipated by the end of December 2016
- On Completion, customers of the Combined Group will be offered a broader range of complementary recycling technologies and services
- Combined Group has the scale, capability and technologies to deliver sustainable growth and attractive returns
- Shanks’ CEO and CFO to lead the Combined Group; VGG’s CEO and CFO will actively support integration for a short period post Completion

Peter Dilnot, Chief Executive Officer of Shanks, said:

"We are delighted to announce the merger of Shanks and VGG. This is a transformational deal with a compelling industrial rationale that is fully aligned with our growth strategy. The combined business will benefit customers through the provision of a broader range of services across a larger geographic area and employees through the creation of a platform for growth. The merger has a clear strategic benefit for the Shanks Group, and the Board believes that the resulting commercial opportunities and synergies will deliver attractive long term financial returns that should significantly enhance shareholder value."

Strategic Rationale

- The Merger with the VGG Group will create a leading waste-to-product business in the Benelux region, one of the most advanced recycling markets in the world.
- Shanks and VGG Group have highly complementary businesses and there is a compelling strategic and commercial rationale for a merger, including:
    - Creating a strong business with the scale, capability and expertise to grow profitably over the longer-term;
    - Enhancing geographical coverage;
    - Bringing together two groups with reinforcing and complementary portfolios and technologies;
    - Providing customers of the Combined Group with a broader range of complementary technologies;
    - Accelerating the commercial development of the two businesses; and
    - Generating significant cost and revenue synergies.

Transaction Highlights

- Based on the closing Shanks share price of 100.5p on 28 September 2016, the proposed consideration payable by Shanks for VGG would be settled through the:
    - payment of approximately €286 million in cash, financed through new debt facilities and an equity issue of approximately £141 million; and
    - the issue of up to approximately 190 million new Consideration Shares, representing up to approximately 23.8% of its enlarged issued share capital following completion of the Merger and the equity issue.
- Inclusive of an increase in expected underlying net cash in the VGG business at Completion, the Merger is anticipated to result in VGG shareholders receiving a total value of approximately €562 million, and implies a debt-free, cash-free value of approximately €482 million.
- The Shanks Board believes that the Combined Group can be expected to achieve annual risk weighted pre-tax cost synergies of approximately €40 million in the third full year following Completion. Approximately 30 per cent. of these synergies would be delivered within twelve months following Completion, 75 per cent. would be delivered within 24 months following Completion and 100 per cent. would be delivered within 36 months following Completion.
- The Shanks Board expects the Merger to be significantly earnings enhancing for the Shanks Group in the second full financial year after Completion (i.e. the financial year ending March 2019) and the return on investment to exceed the Shanks Group's weighted average cost of capital over the same period[1].

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[1] This statement is not a profit forecast and should not be interpreted to mean that the future earnings per share of the Combined Group will necessarily match or exceed the historical published earnings per share for Shanks.

- The Equity Issue, which has been fully underwritten by Investec, comprises:
    - a Firm Placing of 45,000,000 Firm Placing Shares at 100 pence per share (representing approximately 11.3 per cent. of Shanks' existing issued share capital) to raise gross proceeds of £45 million; and
    - a 3 for 8 Rights Issue at 58 pence per share to raise gross proceeds of approximately £96 million (representing a 34.5% discount to the theoretical ex-rights price of 88.5p calculated by reference to the Placing Price of 100.0 pence per Ordinary Share, and a 42.3 per cent. discount to the Closing Price of 100.5 pence on 28 September 2016 (being the last day on which the London Stock Exchange and banks in London are normally open for business before the announcement of the terms of the Equity Issue)).
- Shanks has entered into the New Facilities Agreement pursuant to which €600 million of multicurrency facilities, comprising a €150 million term facility and a €450 million revolving credit facility, will be made available to the Combined Group.
- A Combined Circular and Prospectus in connection with the transaction is expected to be published later today*.
- Anticipated Completion by the end of December 2016, subject to Shanks and VGG shareholder approval and regulatory clearances.

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Rob van Veldhuizen	
Floris Schorer	

Webcast details:

Management will be holding a webcast presentation at 9:30am BST today, 29 September, the details of which are below:

Webcast:	www.shanksplc.com
Telephone conference:	
UK:	0800 368 0649
UK (local)	020 3059 8125
Belgium:	028 948 067
Netherlands:	0207 946 721
All other locations:	+ 44 20 3059 8125
Confirmation password:	Shanks

* Shareholders who are deemed to have consented to receive communications by electronic means will receive a hard copy notification/form of proxy (detailing where the Combined Circular and Prospectus can be viewed online). Shareholders who have requested to receive all communications by email will receive an email including a website link to the Combined Circular and Prospectus and details regarding voting online. The full Combined Circular and Prospectus will also be made available on the Shanks Group website at: www.shanksplc.com/investor-centre/van-gansewinkel-merger and submitted to the National Storage Mechanism at www.morningstar.co.uk/uk/NSM.

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Forward looking statements may and often do differ materially from actual results. Any forward looking statements reflect the Group's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's or the VGG Group’s business, results of operations, financial position, liquidity, prospects, growth or strategies and the industry in which it operates.

Forward looking statements speak only as of the date they are made and cannot be relied upon as a guide to future performance. Save as required by law or regulation, the Company disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements in this announcement that may occur due to any change in its expectations or to reflect events or circumstances after the date of this announcement.

Certain figures contained in this announcement, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum or percentage change of the numbers contained in this announcement may not conform exactly with the total figure given.

Neither the content of the Group's nor VGG Group's website, nor any website accessible by hyperlinks on the Group's or VGG Group's website is incorporated in, or forms part of, this announcement.

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Proposed Merger with van Gansewinkel Groep BV
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Proposed Firm Placing and Rights Issue

1. INTRODUCTION

The Board of Shanks today announces that it has reached agreement on the terms of its proposed merger with VGG, under which Shanks would acquire the entire issued share capital of VGG, free from any liens, charges or encumbrances, from Van Gansewinkel Netherlands 4 B.V. and its ultimate beneficial shareholders for consideration of €482 million on a debt-free, cash-free basis.

The consideration will be satisfied through:

- a payment of approximately €286 million in cash, of which approximately €130 million will be financed through new debt facilities and of which approximately £141 million will be financed through the Equity Issue; and
- the issue of up to approximately 190 million new Consideration Shares, representing up to approximately 23.8% of the enlarged issued share capital following completion of the Merger and the Equity Issue.

The Board believes that the Merger is a rare opportunity to effect a transformational transaction, and that the Merger will create a leading waste-to-product business in the Benelux region, one of the most advanced recycling markets in the world. The Merger is aligned with Shanks' core strategy of actively managing its portfolio to improve returns, and accelerating growth through the acquisition of value-enhancing businesses, particularly where strong synergies exist with existing Shanks Group businesses. Given the structure of and conditions in the Benelux region waste management market, the Board has believed for a long time that a merger with the VGG Group would transform and enhance the Shanks Group's market position, and believes that completion of the Merger has the potential to deliver significant returns for Shareholders. The Board anticipates Completion will occur by the end of December 2016.

Funds and accounts managed or advised by Beach Point Capital Management LP and Cross Ocean Partners, the largest two shareholders of VGG Topco 1 SCA (the ultimate parent of VGG), representing an aggregate of approximately 41% of its share capital, have irrevocably undertaken to vote in favour of the Merger.

Headquartered in Eindhoven, the Netherlands, the VGG Group is a leading waste management service provider, recycler and supplier of high-quality secondary raw materials in the Benelux region. The Merger has a clear strategic benefit for the Shanks Group, and the resulting commercial opportunities and potential cost synergies provide the opportunity for attractive financial returns that should significantly enhance Shareholder value. The Board expects the Merger to be significantly earnings enhancing for the Shanks Group in the second full financial year after Completion (i.e. the financial year ending March 2019) and the return on investment to exceed the Shanks Group's weighted average cost of capital over the same period[2].

In view of the size of the VGG Group in relation to the Shanks Group, the Merger is classified under the Listing Rules as a reverse takeover and accordingly requires the approval of Shanks' shareholders. A notice of the General Meeting to be held on 24 October 2016, at which Shanks' shareholders' approval will be sought for the Merger, will be included in a Combined Circular and Prospectus expected to be published later today.

Shanks proposes to undertake an Equity Issue to raise gross proceeds of approximately £141 million (€164 million), the net proceeds of which will be used to fund part of the cash consideration payable under the Merger Agreement. The Equity Issue comprises the issue of 45,000,000 Firm Placing Shares at a price of 100 pence per Firm Placing Share and 166,201,962 Rights Issue Shares at a price of 58 pence per Rights Issue Share (on the basis of 3 Rights Issue Shares for every 8 existing Ordinary Shares or Firm Placing Shares) (together representing 53.0 per cent. of Shanks' existing issued share capital and 34.7 per cent. of its enlarged issued share capital immediately following completion of the Equity Issue).

Applications will be made to the FCA and the London Stock Exchange, respectively, for the Equity Issue Shares to be admitted to the premium listing segment of the Official List and to trading on the Main Market. It is expected that Equity Issue Admission will become effective and dealings in the Firm Placing Shares and the Rights Issue Shares (nil paid) will commence on the London Stock Exchange at 8.00 a.m. on 26 October 2016, the second trading day after the approval of the Merger by Shareholders at the General Meeting. It is expected that dealings in the Rights Issue Shares (fully paid) will commence on the Main Market at 8.00 a.m. on 10 November 2016.

The Equity Issue is not conditional on Completion. In the unlikely event that the Equity Issue were to proceed but Completion does not occur, the Directors will assess the options available to Shanks, including the return of the net proceeds of the Equity Issue to Shareholders. The timing of any return of capital would take into account the Shanks Group's sources of funding (including the renewal of certain existing committed facilities in the ordinary course) and any planned non-core disposals. Any such return of capital may be implemented in more than one tranche.

As the Merger constitutes a reverse takeover under the Listing Rules, admission of the Ordinary Shares to the premium listing segment of the Official List and to trading on the Main Market will be cancelled on Completion. Further applications will be made to the FCA and the London Stock Exchange, respectively, for Consideration Share Admission and Re-Admission. There can be no guarantee, however, that Consideration Share Admission or Re-Admission will occur. In connection with Re-admission, the Combined Group will prepare and, if approved by the FCA, publish the Re-admission Prospectus. Re-admission is conditional upon the Combined Group being eligible for admission to the Official List and receipt of approval by the FCA of the Re-admission Prospectus. Re-admission will only become effective once a dealing notice has been issued by the FCA and the London Stock Exchange has acknowledged that the Ordinary Shares will be re-admitted to trading. There can be no guarantee that the conditions to Re-admission will be met, failure of which would mean that Completion could not occur.

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2 This statement is not a profit forecast and should not be interpreted to mean that the future earnings per share of the Combined Group will necessarily match or exceed the historical published earnings per share for Shanks.

2. BACKGROUND TO AND REASONS FOR THE MERGER AND THE EQUITY ISSUE

2.1 The Merger

A core principle of Shanks' strategy is actively to manage the Shanks Group's portfolio to maximise returns and accelerate growth through the acquisition of value-enhancing businesses, particularly where strong synergies exist with existing Shanks businesses. Given the structure of and conditions in the Benelux region waste management market, the Board has believed for a long time that a merger with the VGG Group would transform and enhance the Shanks Group's market position and should deliver significant Shareholder value. The Board believes that the Shanks Group and the VGG Group have highly complementary businesses and that there is a compelling strategic and commercial rationale for a merger of the two.

(a) ***Create a leading waste-to-product business in one of the most advanced recycling markets in the world***

The combination of the Shanks Group and the VGG Group will create a focussed enterprise with stronger growth prospects and the scale, capabilities and resources to remain at the forefront of recycling technology in what the Directors believe is one of the most advanced recycling markets in the world, providing the platform to build one of the largest and most developed waste and recycling businesses globally. The Benelux region has a clear vision to create a circular economy that minimises waste. This is reflected by some of the highest recycling rates in the world and reflects not only government incentives and legislation driving this trend but corporate and consumer behaviour supporting this approach. The Combined Group would have a very broad capability across multiple industry verticals, product and service offerings and waste types. This scale and breadth of capability should enable leading technologies and processes within each of the Shanks Group and the VGG Group today and facilitate the development of new and/or improved techniques and technologies to further the Combined Group's efficiency and capability.

Being a leading recycling platform in the recycling market should also present the business with significant growth and investment opportunities to build on the existing competitive advantages that each of the Shanks Group and the VGG Group have developed separately. The increased profitability and cash generation should also facilitate increased investment in new technologies and processes to further advance the sector as well as the Combined Group's position. This could be achieved through the development of new technologies, or through process improvements to enable the recycling of waste streams currently sent to incineration or landfill.

Additionally, the broader combined platform should also enable the Combined Group to build stronger market positions where neither the Shanks Group nor the VGG Group are the current market leader, such as organics recycling in the Netherlands.

(b) ***Enhanced geographical coverage***

The Combined Group would have significantly enhanced geographical presence within the Benelux market and have greater access to adjacent EU markets, especially for specialised recycling technologies.

In the Netherlands, the Shanks Group currently primarily services the Randstad area, partnering with other local firms in order to provide a wider Netherlands coverage. The Merger will result in the Combined Group having a fully national presence across the Netherlands bringing the opportunity to service all areas and clients in-house. This will allow the Combined Group not only to service nation-wide customers better but also to provide a full waste-to-product service and allow it to address increased potential waste volumes to maximise utilisation of the Combined Group's facilities.

In Belgium, the two groups also have complementary geographic footprints, where the VGG Group has traditionally had a stronger presence in the Flanders region, while Shanks traditionally has focussed on Wallonia. The Combined Group will be able to provide a full waste service offering throughout Belgium. This has the benefit of being able to service larger, national contract opportunities within the Combined Group, as well as access to a greater number of potential clients and input volumes. In addition, the Merger will refocus the Combined Group's presence in Belgium around the faster growing commercial and industrial centres in the Flanders region. The Directors believe that this will allow the Combined Group to target and service a greater number of large customers across multiple commercial and industrial sectors.

In addition to creating the leading waste-to-product business in the Benelux region, the Combined Group will have a presence in both France and Germany for certain specialised recycling technologies; two regions in which the Shanks Group does not currently have significant operations. The Directors believe that this increased footprint will provide the Combined Group with the opportunity to further expand their specialised services as well as a broader service offering in these areas. In the longer term, these new jurisdictions could represent attractive new markets in which the Combined Group seeks to leverage its competitive advantage in one of the most advanced recycling markets in the world into less advanced economies to replicate its existing business plan. In the short term, there could also be opportunities for the Combined Group to use its presence and customer relationships in adjacent jurisdictions to source additional waste volumes to further enhance the utilisation of existing facilities.

(c) ***Bring together two groups with complementary portfolios***

The portfolios of the Shanks Group and the VGG Group are highly complementary in service provision as well as geography. For the year ended 31 March 2016, approximately 90 per cent. of the Shanks Group's revenue in the Benelux region for its Commercial Waste division was generated from the construction and demolition and the industrial and commercial sectors while the VGG Group has a stronger municipal collections presence in the Benelux region which generated 12.4 per cent. of the VGG Group's Waste Collection revenue (including PPP) for the year ended 31 December 2015. Bringing these capabilities together provides the Combined Group with a leading presence across an increased number of key customers.

(d) ***Provide customers of the Combined Group with a broader range of complementary technologies and services***

The Directors believe that the Shanks Group and the VGG Group have complementary capabilities and technologies which would allow the Combined Group to enhance the service offerings to new and existing customers of both the Shanks Group and the VGG Group. For example, the Shanks Group is a market leader in Europe in processing hazardous waste, has a thermal treatment facility with over one million tonnes of capacity and has a significant capability in wood and paper recycling. By comparison, the VGG Group has a large glass recycling business, Maltha, as well as a strong waste electrical and electronic equipment recycling capability in its Coolrec business.

The Directors believe this broadening of the service and capability offering will have advantages for both the Combined Group and its customers. For example, the combination of recycling facilities and technologies should allow it to offer customers a genuine full service solution for the majority of their recycling and processing requirements. The Directors believe this will be attractive to customers and potential customers seeking to rationalise their supply chain as well as meet recycling targets by maximising the amount of waste that can be processed. This is a trend the Shanks Group has experienced with the success of its Total Care offering in the Netherlands and Total Waste Management offering in Belgium.

The increased product and service suite also provides the Combined Group with broader opportunities, including the ability to utilise a greater proportion of waste processed. Currently, the Shanks Group relies on third parties for off-take of certain products. Following Completion, the Combined Group will have processing facilities for such off-take and, therefore, will be able to benefit from the additional revenue and margin derived from these activities. Being able to utilise more volume should also give the Combined Group more control over input volumes to many of its facilities.

(e) ***Accelerate the commercial development of the two businesses***

The Directors believe there is significant scope to improve the Combined Group's operating efficiency through sharing best practices between the two businesses. Macro-economic challenges facing much of the Shanks Group's Commercial Waste division over the last few years have accelerated its focus on improving the operating efficiency and business development activities through its successful Commercial Effectiveness and Continuous Improvement programmes. As part of these programmes the Shanks Group has been able to develop disciplines and processes that the Directors believe gives the Shanks Group the opportunity to derive significant value by rolling out across the Combined Group. The Directors also believe that the VGG Group has greater capabilities in procurement and marketing that can be beneficially deployed across the Combined Group.

The Directors believe that greater scale will also allow the two businesses to share best practices to improve operating efficiencies, including in support and off-take areas and in procurement. The Directors believe there will also be opportunities to improve returns through the combined focus on maximising value from off-take products across a larger and more diverse portfolio.

(f) ***Generate significant synergies***

The Board believes that the Combined Group can be expected to achieve aggregate annual risk-weighted pre-tax cost synergies of approximately €40 million in the third full year following Completion. Approximately 30 per cent. of these synergies would be delivered within twelve months following Completion, 75 per cent. would be delivered within 24 months following Completion and 100 per cent. would be delivered within 36 months following Completion. These anticipated cost synergies can be categorised as follows.

- Direct synergies:
  - (i) route optimisation to increase logistic efficiency and reduce costs; and
  - (ii) site rationalisation where the Combined Group has depots or processing sites in the same geographic region.
- Scale synergies:
  - (i) improved procurement, including scale gains and the application of VGG's procurement capabilities across the Combined Group;
  - (ii) improved recyclate income, including the benefits of scale and the sharing of best practices; and
  - (iii) reduced off-take costs and optimised application of combined off-take contracts.
- Indirect synergies:
  - (i) rationalisation of the headquarters and regional overheads of the Combined Group; and
  - (ii) cost reductions from more efficient combined back-office processes and systems.

Based on the Board's current analysis, it is expected that approximately 30 per cent. of the cost synergies would arise from direct synergies, approximately 20 per cent. would arise from scale synergies and approximately 50 per cent. would arise from indirect synergies.

In addition, the Board believes that there is further upside from improved operational grip, commercial effectiveness and potential improvement in the markets in which the Combined Group will operate. In particular, the Board believes the application of the Shanks Group's Commercial Effectiveness programme to the VGG Group, including greater segmental focus, has the potential to generate incremental revenue synergies. There are also potential synergy opportunities through the cross-selling and internalisation of waste treatment and in outbound logistics management. The Combined Group is expected to also deliver long term cash savings from reduced capital expenditure, and capital procurement at scale, as well as in reduced landfill aftercare costs. Achievement of expected cost synergies and potential revenue synergies underpins the expected de-levering profile and significant increase in operating and underlying cash generation of the Combined Group.

2.2 The Equity Issue

Shanks is proposing to raise gross proceeds of approximately £141 million by way of the Firm Placing and the Rights Issue.

The Directors have carefully considered the best way to structure the fundraising. In making their decision, the Directors considered a number of factors, including the total net proceeds to be raised, certainty, the composition of Shanks' share register, the volume of demand from new investors wishing to invest in Shanks and the split of proceeds to be raised from the Firm Placing and the Rights Issue.

The Directors decided to include the Firm Placing as part of the Equity Issue as this enables Shanks to satisfy the significant demand received from new investors. The Directors decided to pursue the Firm Placing following consultation with a number of large existing and potential new investors and the Placing Price was determined following such discussions. The combination of the Firm Placing and the Rights Issue provides all existing Qualifying Shareholders with the opportunity to subscribe for new Ordinary Shares in the Rights Issue, whilst also satisfying the significant demand from new investors who are able to subscribe alongside certain existing shareholders for Firm Placing Shares and subsequently participate in the Rights Issue. The Directors therefore believe that the Firm Placing and the Rights Issue are in the best interests of Shanks.

3. SUMMARY INFORMATION ON THE SHANKS GROUP AND CURRENT TRADING

3.1 Overview

The Shanks Group is a leading international waste-to-product company with over 80 facilities handling approximately 8.4 million tonnes of waste a year. In line with the growing need to manage waste without damaging the environment, Shanks' predominant focus is on extracting value from waste, rather than its disposal through mass burn incineration or landfill.

The Shanks Group's operations are located in the Netherlands, Belgium, the United Kingdom and Canada.

Strategically, the Shanks Group's activities are closely aligned with the direction of legislation and regulation, seeking to use a wide range of different technologies and know-how to maximise recycling and landfill diversion.

The principal activities of the Shanks Group are waste processing and waste management. These activities can be broken down into the following main categories:

- *Commercial* – the Shanks Group is a market leader in the collection and treatment of commercial waste in the Netherlands and Belgium;
- *Hazardous* – the Shanks Group is a leader in the treatment of contaminated soil and water in Europe, as well as a leader in industrial cleaning in the Netherlands; and

- *Municipal* – the Shanks Group is a leading provider of sustainable waste-to-product solutions for municipal customers in the United Kingdom and Canada.

3.2 Summary financial information

The following table sets out summary historical financial information of the Shanks Group for the years ended 31 March 2014, 2015 and 2016.

	Year ended 31 March		
£ millions	**2014[1]**	**2015**	**2016**
Revenue from continuing operations[2]	633.4	601.4	614.8
Adjusted EBITDA from continuing operations[3]	87.0	73.0	68.5
Trading profit from continuing operations[4]	45.6	34.3	33.4
Operating profit (loss)	23.1	(12.4)	9.8
Underlying free cash flow[5]	56.5	23.4	56.8
Profit before tax from continuing operations[6]	30.1	21.7	21.0
Profit (loss) before tax	7.6	(20.5)	(2.5)
Profit (loss) for the year	(28.2)	(16.9)	(3.9)

(1) Financial information for the year ended 31 March 2014 has been restated following the adoption of IFRS 11.

(2) Revenue from continuing operations is defined as the Shanks Group's revenue before non-trading and exceptional items.

(3) Adjusted EBITDA from continuing operations is defined as the Shanks Group's continuing trading profit before depreciation, amortisation and profit or loss on disposal of plant, property and equipment.

(4) Trading profit from continuing operations is defined as the Shanks Group's operating profit before non-trading and exceptional items and amortisation of acquisition intangibles.

(5) Underlying free cash flow is defined as the Shanks Group's cash flow before dividends, growth capital expenditure, acquisitions and disposals.

(6) Profit before tax from continuing operations is defined as the Shanks Group's profit before taxation before amortisation of acquisition intangibles, exceptional items and changes in the fair value of derivatives.

In the year ended 31 March 2016, revenue from continuing operations grew by 7 per cent. at constant currency to £615 million, and by 2 per cent. at reported currency (2015: £601 million). Trading profit grew by 4 per cent. at constant currency (a reduction of 3 per cent. at actual rates) to £33.4 million. The Commercial Waste division produced a strong performance in the year growing trading profit by 18 per cent. at constant currency on revenue that grew by 1 per cent. The benefit of improving conditions in the Dutch construction market was offset by weaker recyclate and energy prices in the second half of the financial year ended 31 March 2016. The Hazardous Waste division delivered a robust performance despite difficult oil and gas markets. Revenues in the year ended 31 March 2016 increased at 6 per cent. at constant currency and trading profit increased by 1 per cent. Record waterside and soil volumes were processed to offset intake and off-take pricing pressure, productivity pressure and lower sludge volumes. Revenue for the Municipal division had a challenging year although revenue increased by 21 per cent. at constant currency in the year ended 31 March 2016 as a result of the commissioning of new sites and construction activity in Surrey, Canada. Trading profit in the year ended 31 March 2016 for the Municipal division fell, however, by 15 per cent. at constant currency as a result of off-take, recyclate and energy price pressures, as well as higher insurance costs.

The Shanks Group delivered underlying free cash flow of £56.8 million compared to £23.4 million in the year ended 31 March 2015. Core net debt on 31 March 2016 was £192.6 million, representing a multiple of 2.6x Adjusted EBITDA.

3.3 Current trading and prospects

As noted in the trading update of 16 September 2016, overall the Shanks Group has continued to trade in line with management's expectations.

The Commercial Division has continued to perform well, delivering growth on the prior year in line with management's expectations. The Netherlands has seen positive volumes, especially in construction & demolition waste, and an improved performance from the organics segment. Recyclate prices remain subdued after a brief pick-up earlier in the year. The Belgian business has also performed well and is ahead of the prior year despite a temporary suspension of wood dust production due to disruption in the end market. SRF demand has continued to strengthen and shipments are up significantly on last year.

The Hazardous Division has also performed strongly, delivering growth ahead of management's expectations. Soil volumes have been particularly positive in the first half, with several imported projects from around Europe. Water and sludge volumes have continued to be more volatile. During the period, investment has been made in a joint venture for the storage of salt water in order to better serve the maritime market and to improve operating and processing efficiencies. Reym has performed in line with management's expectations in markets that remain challenging.

The Municipal Division has continued to experience market and operational challenges in the United Kingdom, with a resultant impact on profitability. Ongoing reductions in the available UK SRF market and increasing costs, including due to currency, in the export of RDF have further impacted margins. Additionally, the Shanks Group is continuing to experience challenges in ramping up the new Barnsley, Doncaster and Rotherham and Wakefield facilities to targeted profitability as quickly as management had expected, the latter largely a result of the contractor's insolvency last year. In July 2016, Shanks was also informed by the special purchase vehicle for the Derby PPP project, that an insolvency of one of the major contractors for Interserve PLC, the EPC contractor, could lead to a six month delay in the commissioning of that facility. While Shanks is largely protected from the effect of this insolvency as it is not involved in the construction of the project, there will be a financial impact in the second half of lost commissioning profits along with an expected £1.7m of liquidated damages. The Canadian business has performed well in the first half. The build programme in Vancouver is proceeding well and is on track to commission shortly after year end, after a delay of a few weeks.

In July 2016, the Shanks Group agreed the acquisition of the commercial waste collection activities of the City of Leiden. This bolt-on acquisition was completed on 1 August 2016 and is in line with Shanks' strategy to build operational leverage from accretive acquisitions. During August 2016, Shanks completed the sale of 50 per cent. of its equity stake in the Wakefield special purchase vehicle which was announced on 3 February 2016, receiving £4.2m. Shanks also expects in September 2016 to complete the sale of a closed facility in Hazardous Waste.

Cash remains well controlled and is in line with management's expectations. The Shanks Group's borrowings are largely maintained in Euro as a match against its Euro earnings and have, therefore, increased in reported terms as a result of the weakening of sterling. This has no impact on the Shanks Group's banking covenants which use average exchange rates for both profits and net debt.

Looking forward, the Board expects to deliver results for the year ending 31 March 2017 in line with management's expectations.

In addition, following Completion, the Board will consider changing the Combined Group's reporting and functional currency to Euro from Sterling.

4. SUMMARY INFORMATION ON THE VGG GROUP AND CURRENT TRADING

4.1 Overview

Founded in 1964, the VGG Group is a leading waste management service provider, recycler and supplier of high-quality secondary raw materials in Europe through collection, processing and treatment of commercial and residential waste. VGG is a market leader in the Benelux region, its home market, and also operates in Germany, France, Portugal and Hungary. The VGG Group is headquartered in Eindhoven, the Netherlands.

The VGG Group's operations can be divided into two key business segments:

- Waste Collection – comprising the VGG Netherlands and VGG Belgium divisions, which are specialised in the collection, sorting and recycling of commercial, domestic and chemical waste from businesses, households, municipalities and other entities; and
- Recycling – comprising the Coolrec, Maltha and VGG Minerals businesses, which converts specific waste and material streams into high-quality secondary raw materials in the Benelux region, Germany, France, Portugal and Hungary.

In addition to these current business operations, the VGG Group is involved in new initiatives and partnerships as part of its ‘waste no more' vision to improve the recovery grade and quality of secondary raw materials and to take on a leading role in the transformation to a circular economy.

During 2015, the VGG Group consolidated its position as a leader in the waste services and recycling sectors, despite challenging markets. The VGG Group's strategy has been focused on implementing cost savings and performance improvement measures within the business. In addition, the VGG Group has undertaken a debt restructuring and sold its non-core collection subsidiaries in Poland, the Czech Republic and France.

4.2 Summary financial information

The following table sets out summary historical financial information of the VGG Group for the years ended 31 December 2013, 2014 and 2015.

	Year ended 31 December		
€ millions	**2013(1)**	**2014**	**2015(2)**
Waste Collection	805.3	769.2	760.5
Recycling	175.0	165.8	165.7
Group Support(3)	13.2	12.9	13.3
Total revenue	**993.5**	**947.9**	**939.5**
Inter-segment revenue(4)	(36.5)	(25.2)	(24.7)
Revenue	**957.0**	**922.7**	**914.8**
Adjusted EBITDA(5)	**92.2**	**58.8**	**41.1**
Waste Collection	94.8	70.9	57.0
Recycling	26.2	24.2	20.2
Group Support	(4.8)	(4.4)	(3.2)
Adjusted EBITDAE(5)	**116.2**	**90.7**	**74.0**
Operating loss	(3.3)	(522.0)	(37.3)
(Loss) profit before taxation	(80.8)	(591.4)	292.4
(Loss) profit for the year	(13.5)	(555.8)	303.7

(1) Excludes the results of AVR, which was disposed of in 2013.

(2) Includes the results of the VGG Group's subsidiaries in France, Poland and the Czech Republic, which were disposed of in 2015.

(3) Group Support mainly includes revenue related to external real estate rental income.

(4) Inter-segment revenue represents revenue generated from dealings between the segments within the VGG Group.

(5) Adjusted EBITDA in relation to the VGG Group is defined as the VGG Group's operating profit (loss) for a given period, adjusted to show the result before the impact of certain depreciation and amortisation and impairment charges. Adjusted EBITDAE in relation to the VGG Group is defined as the VGG Group's Adjusted EBITDA for a given period, adjusted to show the result before the impact of certain items that the VGG Group considers to be non-recurring and exceptional items.

In the year ended 31 December 2015, revenue decreased by 0.9 per cent. as compared to the prior year. Total revenue in the Waste Collection division decreased by €8.7 million, or 1.1 per cent. during 2015. During 2015, the VGG Group disposed of operations in France, Poland, the Czech Republic and OVA/Groenendaal resulting in a decline in revenue of €21.3 million during the year for the division. The remaining increase in revenue was mainly attributable to higher volumes in the Waste Collection division in Belgium, where the VGG Group won new business from secondary disposer clients and price increases in connection with environmental tax on waste by the Belgian government, effective as of July 2015. These developments were partially offset by price pressures on the collection operations in the Netherlands. While volumes increased slightly on transport containers and transfer stations, overall volumes decreased due to the loss of a number of large customers. Total revenue in the Recycling division decreased by €0.1 million, or 0.1 per cent. during the year ended 31 December 2015 as compared to the prior year, principally due to adverse pricing effects on metals and plastics as a result of commodity price volatility during the period. Lower sales in Portugal also contributed to lower revenue in the period as a result of market prices for waste glass in the United Kingdom increasing relative to the sale price offered by Maltha, making it less attractive for the United Kingdom to export waste glass to Portugal. The impact on revenue was partially offset by growth in volume at the Coolrec segment as a result of new and extended contracts.

In the year ended 31 December 2015, the VGG Group delivered Adjusted EBITDAE of €74.0 million as compared to €90.7 million in the year ended 31 December 2014. Operating losses decreased by 92.9 per cent. from losses of €522.0 million in 2014 to losses of €37.3 million in 2015. As at 31 December 2015, VGG Group had gross assets of €742.0 million.

4.3 **Current trading and prospects**

VGG has turned the corner in the course of 2016, and is trading significantly ahead of budget based on unaudited numbers and compared to management expectations earlier this year.

Waste Collections Netherlands and Belgium, representing around 85 per cent. of the revenue of the VGG Group, has continued to perform well. Revenue composition has improved strongly, providing a platform for the delivery of benefits from the repositioning in the market and the various cost management initiatives. Trading has been particularly strong in Belgium and the Netherlands has showed an improvement in run rate. As a result, trading for these business lines is ahead of what the Directors understand are VGG management's expectations.

Despite historic low material prices, the Recycling business lines, comprising Coolrec, Maltha and VGG's Minerals activities, have also performed well in the period. The recommissioning of Maltha's Dintelmond plant is leading to an improvement in profitability alongside margin improvement initiatives in Coolrec and positive trading in Minerals. As a result, trading for these business lines is developing well.

Cash performance has also been positive during the period. Tight control of working capital, effective capital expenditure, positive trading development and reduced exceptional and non-trading items have all contributed to a cash flow that is approximately €20 million ahead of what the Directors understand are VGG management's expectations.

Given this positive performance, the Directors expect VGG to deliver a result for the year ending 31 December 2016 ahead of what the Directors understand are management's expectations.

5. PRINCIPAL TERMS OF THE MERGER

Under the terms of the Merger Agreement, Shanks Netherlands Holdings B.V. will acquire all of the shares in VGG from Van Gansewinkel Netherlands 4 B.V. As consideration for this acquisition, VGG's ultimate shareholders will receive initial value of approximately €562 million, including the return of the net cash on their balance sheet (currently assumed to be approximately €80 million), representing approximately €482 million on a debt-free, cash-free basis.

5.1 Consideration

Consideration for the Merger will be satisfied through:

- cash consideration of approximately €286 million, to be financed through (i) amounts drawn down under the New Facilities Agreement; and (ii) the net proceeds of the Equity Issue; and
- share consideration of up to approximately 190 million new Consideration Shares, representing up to approximately 23.8% per cent. of Shanks' enlarged issued share capital following completion of the Merger and the Equity Issue

The total amount of consideration (as noted above, to be satisfied in Consideration Shares and cash on Completion) will comprise (i) an offer price (net of the total amount of principal and interest due under the VGG Senior Facilities Agreement); (ii) a late completion payment (of €750,000 per month, payable if anti-trust clearance has not been obtained before 1 January 2017); and (iii) the funding of part of the amount required to repay the outstanding principal and interest due under the VGG Senior Facilities Agreement and the transition of certain letters of credit from the VGG Group to Shanks Netherlands Holdings B.V.. The final offer price will be determined between signing and Completion based on mechanical adjustments made pursuant to the terms of the Merger Agreement based on VGG's 31 August 2016 management accounts and verified on the basis of VGG's audited consolidated financial statements as at and for the eight-month period ended on 31 August 2016. If the offer price cannot be agreed, it may be referred to an independent expert for determination.. To the extent these mechanical adjustments increase the final offer price, the cash consideration will increase accordingly. To the extent the adjustments reduce the final offer price, the cash consideration will decrease and/or the number of Consideration Shares will be reduced.

5.2 Conditions

Completion of the Merger is conditional upon satisfaction or, where capable of being waived, waiver of the following Conditions prior to the Long Stop Date (or such later date as the parties to the Merger Agreement may agree):

(a) approval of the Merger by relevant competition authorities in the Netherlands and Belgium;

(b) approval by the shareholders of VGG Topco S.C.A. at a shareholders meeting to be held on or around 13 October 2016 and in any event at least 20 days after the date on which the Combined Circular and Prospectus is published;

(c) the Majority Lenders, as defined in and under the VGG Senior Facilities Agreement, having consented to the Merger;

(d) the Majority Lenders, as defined in and under the €528 million PIK loan issued by VGG Holdco B.V. having consented to the Merger;

(e) each hedge counterparty under the VGG Senior Facilities Agreement having agreed to the close out of the hedging transaction;

(f) the agent under the VGG Senior Facilities Agreement having received evidence that, with effect from Completion (i) each letter of credit under the VGG Facility Agreement and each letter of credit under ancillary facilities to the VGG Facility Agreement will be deemed drawn under the New Facilities Agreement, (ii) no member of the Van Gansewinkel Netherlands 4 B.V. group will have any liability under the VGG Senior Facilities Agreement or any ancillary facility in respect of any letters of credit, and (iii) no member of the Van Gansewinkel Netherlands 4 B.V. group will have any liability in relation to any letter of credit under the VGG Facility Agreement and each letter of credit under ancillary facilities to the VGG Facility Agreement;

(g) Van Gansewinkel Netherlands 4 B.V. receiving evidence that, with effect from Completion that the ING letter of credit provided by ING Belgium will be deemed to be drawn under the New Facilities Agreement;

(h) approval by the Shareholders of the Resolutions;

(i) Equity Issue Admission becoming effective;

(j) the Re-admission Prospectus being approved by the FCA and:

    (i) the FCA having confirmed to Shanks or the Joint Sponsors (and such confirmation not having been withdrawn) that the applications for Consideration Share Admission and Re-admission have been approved and (after satisfaction of any conditions to which such approval is expressed to be subject) will become effective as soon as the FCA's decision to admit the Consideration Shares and readmit all of the issued Ordinary Shares is announced in accordance with LR 3.2.7G of the Listing Rules; and

    (ii) the London Stock Exchange having confirmed to Shanks or the Joint Sponsors (and such confirmation not having been withdrawn) that the Consideration Shares will be admitted and all of the issued Ordinary Shares will be re-admitted to trading on the Main Market;

(k) no material adverse effect having occurred (being an event (or group of related events) with a negative effect on the VGG Group's EBITDA of €25 million or more in any 12 month period or an increase in the VGG Group's liabilities of €100 million or more);

(l) the following events not having taken place by the time that all the above Conditions are satisfied or waived:

    (i) any court or competent authority having prohibited or an illegality that arises through the change of law that would prohibit or prevent (i) the consummation of the Merger, (ii) drawdown under the New Facilities Agreement or (iii) the exercise of the rights and obligations of the parties to the New Facilities Agreement; and/or

    (ii) Shanks, Shanks Netherlands Holdings B.V., Van Gansewinkel Netherlands 4 B.V. (as defined in the New Facilities Agreement) being declared Bankrupt (as defined in the New Facilities Agreement); and

(m) the earlier to occur of:

    (i) the parties having agreed in writing the final consideration; and

    (ii) 29 December 2016, provided that if the draft locked box accounts are provided to Shanks Netherlands Holdings B.V. later than 14 November 2016, the date of 29 December 2016 shall be extended by the number of days after 14 November 2016 that the draft locked box accounts are delivered.

If any of the conditions under the Merger Agreement remain unfulfilled before the Long Stop Date, Shanks Netherlands Holdings B.V. and Van Gansewinkel Netherlands 4 B.V. shall each be entitled to terminate the Merger Agreement.

5.3 Lock-up and orderly marketing arrangements

The holders of the Consideration Shares will enter into lock-up and orderly marketing agreements on Completion, with respect to the Consideration Shares. Under the terms of the lock-up agreement, no holder of Consideration Shares may Dispose of any Consideration Shares prior to the date falling 420 days after the Completion date without the prior written consent of the Joint Sponsors. Subject to orderly marketing provisions, the holders of Consideration Shares may Dispose of Consideration Shares as follows:

(a) from the expiry of the Initial Lock-up Period to (and including) the date which falls 300 days after the Completion Date (the "**First Sell Down Period**"), Consideration Shares up to, in aggregate, one third of the Consideration Shares held;

(b) from the expiry of the First Sell Down Period to (and including) the date which falls 420 days after the Completion Date (the "**Second Sell Down Period**"), Consideration Shares up to, in aggregate two thirds of the Consideration Shares held minus the number of Consideration Shares disposed of by the holder during the First Sell Down Period; and

(c) at the expiry of the Second Sell Down Period there shall be no restrictions on disposals of the Consideration Shares.

The Disposal of any Consideration Shares will be subject to orderly marketing requirements for the period from the expiry of the Initial Lock-up Period to (but excluding) the date falling 60 days following the expiry of the Second Sell Down Period.

For purposes of this paragraph 5.3:

"**Disposal**" means mortgaging, pledging, lending, charging, assigning, selling, transferring, issuing or granting options, rights or warrants or otherwise disposing of, Consideration Shares (including, for the avoidance of doubt, transferring any legal or beneficial interest in Consideration Shares or voting or economic rights in Consideration Shares), but excludes certain limited security interests in those Consideration Shares; and

"**Initial Lock-up Period**" means the period commencing on Completion and ending on the later of the:

(d) day falling 180 days after (and including) the day of Completion; and

(e) the date of publication of the Shanks' preliminary results for the financial year ending March 2017.

6. FINANCING OF THE MERGER AND THE COMBINED GROUP

On 29 September 2016 (the "**Signing Date**"), Shanks entered into the New Facilities Agreement pursuant to which €600 million of multicurrency facilities, comprising a €150 million term facility and a €450 million revolving credit facility will be provided to certain members of the Combined Group. The term facility will be available to the borrowers from the Signing Date (subject to the satisfaction of the relevant conditions precedent) to: (i) pay part of the offer price for the Merger; (ii) pay certain costs and expenses incurred by the Shanks Group in connection with the Merger; and (iii) discharge part of the existing debt of the VGG Group. Shanks Netherlands Holdings B.V., which is a borrower under the New Facilities Agreement and will acquire all of the issued share capital in VGG under the terms of the Merger Agreement, intends to draw down a sufficient amount under the facilities on the date of

Completion to fund the part of the cash consideration payable for the Merger not being paid using the net proceeds of the Equity Issue.

Shanks is proposing to raise gross proceeds of approximately £141 million through the Equity Issue to fund the part of the cash consideration payable for the Merger not being paid using amounts drawn down under the New Facilities Agreement. Shanks proposes to enter into forward contracts to hedge its exposure in relation to such proceeds during the period from completion of the Equity Issue and Completion. In connection with the Equity Issue, Shanks has entered into an Underwriting Agreement in respect of all the Equity Issue Shares to be issued.

The €286 million of total cash consideration will be used by Shanks Netherlands Holdings B.V. in part as payment of the cash portion of the offer price to VGG Netherlands B.V. upon Completion and in part as funding required to repay amounts under the VGG Senior Facilities Agreement.

On Completion, the non-cash consideration for the Merger will be paid through the issue of up to approximately 190 million new Consideration Shares to Van Gansewinkel Netherlands 4 B.V., the holding company of VGG, certain of VGG's ultimate shareholders and the agent of certain of VGG's ultimate shareholders, in each case subject to and conditional upon Consideration Share Admission and Re-admission and certain lock-up provisions. Upon Completion, Shareholders will have their proportionate shareholdings in Shanks diluted by approximately 23.8 per cent. as a consequence of the issue of the Consideration Shares.

Following Completion, the Board anticipates the net debt to Adjusted EBITDA ratio for the Combined Group, pre-synergies, to be broadly similar to Shanks' current standalone leverage expectations. Over time, the Board expects leverage to reduce with the realisation of synergies in the Combined Group and continued application of Shanks' strategy, including active portfolio management.

7. SYNERGIES AND INTEGRATION OF VGG

7.1 Synergies

The Board believes that the Combined Group can be expected to achieve aggregate annual risk-weighted pre-tax cost synergies of approximately €40 million in the third full year following Completion. Approximately 30 per cent. of these synergies would be delivered within twelve months following Completion, 75 per cent. would be delivered within 24 months following Completion and 100 per cent. would be delivered within 36 months following Completion. These synergies are contingent on the completion of the Merger and could not be achieved by the Shanks Group and the VGG Group operating independently. The estimated synergies reflect both the benefits and relevant costs.

The Board believes that these cost synergies can be achieved as a result of:

(a) direct synergies expected to arise predominantly from route optimisation gains and a site rationalisation programme. Shanks has identified significant areas of logistics overlap between the two businesses, principally in the Randstad area of the Netherlands, where the Directors believe it will be possible to reduce costs through greater logistics efficiency and a reduced fleet size. Each of the Shanks Group and the VGG Group has a number of depots and processing sites where it may be possible to reduce locations and move operations to a single site in the same local area;

(b) scale synergies due to the increased scale and presence of the Combined Group, including savings generated from improved procurement both from economies of scale generating increased purchasing power as well as being able to leverage the VGG Group's strong procurement team across the wider group. In addition, the Directors believe that the Combined Group will be able to achieve better recyclate income by using the increased recyclate volumes and improve quality mix to service larger contracts and having a greater reach of potential customers to optimise pricing. The Directors also believe there is an opportunity to reduce off-take costs and optimise the application of off-take contracts; and

(c) indirect synergies achievable through further rationalisation of the Combined Group headquarters and regional overheads as well as back office processes and systems.

Based on the Board's current analysis, it is expected that approximately 30 per cent. of the cost synergies would arise from direct synergies, approximately 20 per cent. would arise from scale synergies and approximately 50 per cent. would arise from indirect synergies.

The Directors expect that the integration process and the realisation of these cost synergies will result in one-off exceptional cash costs of €50 million to be incurred over a three-year period.

Basis of belief

Initial discussions were held between senior finance, strategy and operational personnel from Shanks and VGG for the purposes of allowing Shanks to quantify initial estimates of potential synergies and associated costs relating to the Merger.

Shanks then established a framework and methodology to refine these estimates through diligence discussions. Shanks engaged with certain relevant functional heads, advisers and other personnel at Shanks and VGG to provide input into the development process so it could assess and reach a conclusion on the nature and quantum of the identified synergy initiatives.

In preparing the above statement regarding expected synergies, Shanks and VGG have shared certain operating and financial information to facilitate Shanks' detailed analysis and evaluation of the potential synergies available as a result of the Merger. This information has been shared between a limited number of senior finance, strategy and operational personnel from Shanks.

The cost bases used as the basis for the quantification exercise were the Shanks actual cost base for the 12 months ended 31 March 2016 and the VGG actual cost base for the 12 months ended 31 December 2015 or more recent management estimates.

7.2 **Integration and employees**

Shanks envisages that the Merger would be implemented using a 'merger of equals' principle, with senior management representation from both the Shanks Group and the VGG Group reflecting respective strengths and additional targeted new hires from within and outside the industry. The Combined Group is expected to continue to be orientated on a market and geographic basis, supported by strong functional capabilities across the organisation. During and after the integration process, the Directors will continue actively to manage the Combined Group's portfolio of businesses to maximise shareholder returns.

Extensive pre-completion integration planning, including detailed planning of organisation structures, is currently being undertaken, which the Directors believe will enable the new Combined Group to commence integration effectively following Completion. This includes the appointment of a full time Integration Director. This role will report directly to the Shanks Group CEO, to oversee the integration process. As part of the integration of Shanks and VGG, the Directors intend to change the name of Shanks and to develop a new brand for the Combined Group aimed at reflecting the significant change and opportunity that the combination represents and creating an energetic culture. However, the Directors do not intend to remove existing trading brands from certain mono-stream activities where the particular brand is strong and/or important to the development of that offering.

8. BOARD AND MANAGEMENT TEAM

The Board attaches great importance to the skills and experience of the management and employees of the VGG Group and Shanks Group and believes that they will be an important factor in the success of the Combined Group.

9. PRINCIPAL TERMS OF THE EQUITY ISSUE

Shanks is proposing to offer a total of 211,201,962 Equity Issue Shares (representing approximately 53.0 per cent. of Shanks' existing issued share capital and 34.7 per cent. of Shanks' enlarged issued share capital immediately following completion of the Equity Issue) comprising:

- an offer of 45,000,000 Firm Placing Shares to Placees; and
- an offer of 166,201,962 Rights Issue Shares to Qualifying Shareholders.

The Equity Issue has been fully underwritten by the Sole Underwriter and Bookrunner and is conditional, *inter alia*, upon:

- the Underwriting Agreement having become unconditional in all respects (save for the condition relating to Equity Issue Admission) and not having been terminated in accordance with its terms;
- Equity Issue Admission becoming effective by not later than 8.00 a.m. on 26 October 2016 (or such later date as Shanks may agree with the Joint Sponsors); and
- the passing, without material amendment, of the Resolutions.

The Equity Issue is not conditional on Completion. If the Equity Issue were to proceed but Completion does not occur, Shanks will use reasonable endeavours to consider ways to return of the Equity Issue proceeds to Shareholders.

If the Underwriting Agreement is not declared or does not become unconditional in all respects by 8.00 a.m. on 26 October 2016 (or such later date as Shanks may agree with the Joint Sponsors) or if it is terminated in accordance with its terms, the Equity Issue will be revoked and will not proceed and Equity Issue Admission will not occur. The Underwriting Agreement is not capable of termination following Equity Issue Admission.

Applications will be made to the FCA and the London Stock Exchange, respectively, for the Equity Issue Shares to be admitted to the premium listing segment of the Official List and to trading on the Main Market. It is expected that Equity Issue Admission will become effective and dealings in the Firm Placing Shares and the Rights Issue Shares (nil paid) will commence on the London Stock Exchange at 8.00 a.m. on 26 October 2016, the second trading day after the approval of the Merger by Shareholders at the General Meeting. It is expected that dealings in the Rights Issue Shares (fully paid) will commence on the Main Market at 8.00 a.m. on 10 November 2016. These dates and times may be changed without further notice.

9.1 The Firm Placing

Shanks is offering 45,000,000 Firm Placing Shares (representing approximately 11.3 per cent. of Shanks' existing issued share capital and 7.4 per cent. of Shanks' enlarged issued share capital immediately following completion of the Equity Issue) as part of the Firm Placing to certain Shareholders and prospective institutional investors.

The Firm Placing is to be made at a Placing Price of 100 pence per Firm Placing Share. The Placing Price is payable in full upon Equity Issue Admission.

The Placing Price represents a 0.5 per cent. discount to the closing price of 100.5 pence per Ordinary Share on 28 September 2016 (being the last Business Day before the announcement of the terms of the Equity Issue). The Placing Price (including the size of the Firm Placing discount) has been determined, following discussions with both existing Shareholders and Placees, to be at the level that the Board considers necessary to ensure the success of the Firm Placing and the Rights Issue, taking into account the aggregate proceeds to be raised.

The Firm Placing will, therefore, raise gross proceeds of £45 million.

The issue of the Firm Placing Shares is fully underwritten by the Sole Underwriter and Bookrunner pursuant and subject to the terms of the Underwriting Agreement.

The Firm Placing Shares will be placed with certain Shareholders and prospective institutional investors in transactions exempt from, or not subject to, the registration requirements of the US Securities Act.

Shareholders will have their proportionate shareholdings in Shanks diluted by 10.2 per cent. as a consequence of the Firm Placing.

The Firm Placing Shares will rank *pari passu* in all respects with each other and all existing Ordinary Shares, including entitlement to participate in the Rights Issue, as well as for voting purposes and the right to receive dividends or other distributions declared, made or paid after Equity Issue Admission.

9.2 **The Rights Issue**

The Rights Issue will be made on the basis of:

3 Rights Issue Shares for every 8 existing Ordinary Shares or Firm Placing Shares

held by (or conditionally allotted pursuant to the Firm Placing to) Qualifying Shareholders at the Record Date.

Entitlements to Rights Issue Shares will be rounded down to the nearest whole number and fractional entitlements will not be allotted to Shareholders but will be aggregated and issued into the market for the benefit of Shanks. Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

The Rights Issue is to be made at an Issue Price of 58 pence per Rights Issue Share. The Issue Price is payable in full on acceptance by no later than 11.00 a.m. on 9 November 2016.

The Issue Price represents:

- a 34.5 per cent. discount to the theoretical ex-rights price of 88.5 pence calculated by reference to the Placing Price of 100 pence; and
- a 42.3 per cent. discount to the Closing Price of 100.5 pence per Ordinary Share on 28 September 2016 (being the last Business Day before the announcement of the terms of the Equity Issue).

The Rights Issue will, therefore, raise gross proceeds of approximately £96 million.

The Rights Issue Shares are being offered to certain Shareholders and prospective institutional investors in transactions exempt from, or not subject to, the registration requirements of the US Securities Act.

Qualifying Shareholders and Placees who do not take up their entitlements to Rights Issue Shares will have their proportionate shareholdings in Shanks diluted by up to approximately 27.3 per cent. as a consequence of the Rights Issue. Shareholders who do not participate in the Firm Placing and who do not take up their entitlements in the Rights Issue will be diluted by 34.7 per cent. in aggregate as a result of the Equity Issue.

The Rights Issue Shares to be issued under the Rights Issue, when fully paid, will rank *pari passu* in all respects with each other and all existing Ordinary Shares, including for voting purposes and the right to receive dividends or other distributions declared, made or paid after Equity Issue Admission.

10. DIVIDEND POLICY

Post-Completion, Shanks' current dividend per share will be adjusted to take account of the Equity Issue.

The Board's dividend policy is to rebuild the dividend cover from its current level to 2.0 to 2.5 times underlying earnings per share and resume a progressive dividend policy once this has been achieved.

It is expected that any final dividend of the Combined Group for the year ending 31 March 2017 will be proposed at its next annual general meeting and paid in July or August 2017 and that any interim dividend for the year ending 31 March 2017 will be declared in November 2016 and paid in January 2017.

11. ACTION TO BE TAKEN IN RESPECT OF THE EQUITY ISSUE

If you are a Qualifying Shareholder whose existing Ordinary Shares are in certificated form (a "**Qualifying Non-CREST Shareholder**") with a registered address outside the United States and the other Excluded Jurisdictions (subject to certain exceptions), you will be sent a Provisional Allotment Letter giving you details of your Nil Paid Rights by post on or about 25 October 2016. If you are a Qualifying Shareholder whose existing Ordinary Shares are in uncertificated form (a "**Qualifying CREST Shareholder**"), you will not be sent a Provisional Allotment Letter. Instead, provided that you have a registered address outside the United States and the other Excluded Jurisdictions (subject to certain exceptions), you will receive a credit to your appropriate stock accounts in CREST in respect of Nil Paid Rights, which it is expected will take place as soon as practicable after 8.00 a.m. on 26 October 2016. Such crediting does not in itself constitute an offer of Rights Issue Shares.

If you sell or have sold or otherwise transferred all of your Ordinary Shares held (other than ex-rights) in certificated form before 26 October 2016, please forward the Combined Circular and Prospectus and any Provisional Allotment Letter, if and when received, at once to the purchaser or transferee or the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee, except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including, but not limited to, the United States and the Excluded Jurisdictions.

If you sell or have sold or otherwise transferred all or some of your Ordinary Shares (other than ex-rights) held in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

The latest time and date for acceptance and payment in full in respect of the Rights Issue is expected to be 11.00 a.m. on 9 November 2016, unless otherwise announced by Shanks.

For Qualifying Non-CREST Shareholders, the Rights Issue Shares will be issued in certificated form and will be represented by definitive share certificates, which are expected to be despatched by no later than 24 November 2016 to the registered address of the person(s) entitled to them.

For Qualifying CREST Shareholders who take up their rights, the Registrar will instruct CREST to credit the stock accounts of the Qualifying CREST Shareholders with their entitlements to Rights Issue Shares. It is expected that this will take place by 8.00 a.m. on 10 November 2016.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsor regarding the action to be taken in connection with the Combined Circular and Prospectus and the Rights Issue.

If you are in any doubt as to the action you should take, you should immediately seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under FSMA or, if you are outside the United Kingdom, by another appropriately authorised independent financial adviser.

APPENDIX I

SUMMARY EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	Time/date[1]
Announcement of the Merger and Equity Issue	29 September 2016
Publication and posting of the Combined Circular and Prospectus (including the Notice of General Meeting) and the Form of Proxy	29 September 2016
General Meeting	10.00 a.m. on 24 October 2016
Conditional allotment of Firm Placing Shares	after the General Meeting on 24 October 2016
Record Date for entitlements under the Rights Issue	Close of business in London on 24 October 2016
Equity Issue Admission and dealings in the Firm Placing Shares and the Rights Issue Shares (nil paid) commence on the Main Market	8.00 a.m. on 26 October 2016
Recommended latest time for requesting withdrawal of Nil Paid Rights or Fully Paid Rights from CREST (i.e. if your Nil Paid Rights or Fully Paid Rights are in CREST and you wish to convert them into certificated form)	4.30 p.m. on 3 November 2016
Latest time and date for depositing renounced Provisional Allotment Letters, nil paid or fully paid, into CREST or for dematerialising Nil Paid Rights or Fully Paid Rights into a CREST stock account (i.e. if your Nil Paid Rights and Fully Paid Rights are represented by a Provisional Allotment Letter and you wish to convert them to uncertificated form)	3.00 p.m on 4 November 2016
Latest time and date for acceptance in CREST and payment in full and registration of renounced Provisional Allotment Letters	11.00 a.m. on 9 November 2016
Anticipated Completion	by end of December 2016

(1) The above dates and times may be brought forward or extended and any changes will be notified via a Regulatory Information Service. References to times are to London time unless otherwise stated.

APPENDIX II

DEFINITIONS

"Board" or "Directors"	the directors of Shanks as at the date of the Combined Circular and Prospectus and whose names are set out in Part 7 (Directors, senior management and corporate governance) of the Combined Circular and Prospectus;
"Business Day"	a day on which the London Stock Exchange and banks in London are normally open for business;
"Combined Circular and Prospectus"	the combined class 1 circular and prospectus in connection with the Merger and the Equity Issue published on the date of this announcement;
"Combined Group"	the group to be formed by the merger of the Shanks Group and the VGG Group;
"Company" or "Shanks"	Shanks Group plc, a public limited company incorporated and registered in Scotland under the Companies Act, with registered number SC077438;
"Completion"	completion of the Merger;
"Consideration Share Admission"	admission of the Consideration Shares to the premium listing segment of the Official List and to trading on the Main Market;
"Consideration Shares"	the up to 190,187,502 new Ordinary Shares to be issued at Completion as part consideration for the Merger;
"CREST"	the facilities and procedures for the time being of the relevant system of which Euroclear has been approved as "Operator" pursuant to the CREST Regulations;
"CREST Regulations"	the UK Uncertificated Securities Regulations 2001 (SI 2001 No. 200l/3755);
"Equity Issue"	the Firm Placing and the Rights Issue;
"Equity Issue Admission"	admission of the Firm Placing Shares and the Rights Issue Shares (nil paid) to the premium listing segment of the Official List and to trading on the Main Market;
"Equity Issue Shares"	the Firm Placing Shares and the Rights Issue Shares;
"Euroclear"	Euroclear UK and Ireland Limited;
"Excluded Jurisdictions"	the United States, Australia, Canada, Japan or the Republic of South Africa, or any other jurisdiction where the extension into or availability of the Equity Issue would breach any applicable law;
"Ex-Rights Date"	the time and date on which the holders of existing Ordinary Shares cease to have a right to participate in the Rights Issue (expected to be 8.00 a.m. (London time) on 26 October 2016);

"FCA" .... the UK Financial Conduct Authority (or its successor bodies);

"Firm Placing" .... the offer of the Firm Placing Shares;

"Firm Placing Shares" .... the new Ordinary Shares being offered pursuant to the Firm Placing;

"FSMA" .... the Financial Services and Markets Act 2000, as amended;

"Fully Paid Rights" .... the rights to acquire Rights Issue Shares, fully paid;

"General Meeting" .... the general meeting of Shanks to be held at the offices of Ashurst LLP at Broadwalk House, 5 Appold Street, London EC2A 2HA at 10 a.m. on 24 October 2016 to vote on the Resolutions;

"Greenhill" .... Greenhill & Co. International LLP;

"Group" .... Shanks and its subsidiaries and subsidiary undertakings from time to time;

"Investec" .... Investec Bank plc;

"Issue Price" .... 58 pence per Right Issue Share;

"Joint Sponsors" .... Greenhill and Investec;

"London Stock Exchange" .... London Stock Exchange plc;

"Long Stop Date" .... 28 March 2017;

"Main Market" .... the London Stock Exchange's main market for listed securities;

"Merger" .... the proposed acquisition of the entire issued share capital of VGG by Shanks Netherlands Holdings B.V. pursuant to the Merger Agreement;

"Merger Agreement" .... the agreement between Shanks, Shanks Netherlands Holdings B.V. and Van Gansewinkel Netherlands 4 B.V. dated 29 September 2016 relating to the Merger;

"New Facilities Agreement" .... the €600 million multicurrency facilities agreement between Shanks, ING Bank N.V. as Arranger, ING Bank N.V., Coöperatieve Rabobank U.A., ABN Amro Bank N.V., KBC Bank N.V., BNP Paribas Fortis S.A./N.V. and HSBC Bank plc as Original Lenders, ING Bank N.V. as Issuing Bank and Coöperatieve Rabobank U.A. as Facility Agent dated 29 September 2016 pursuant to which a €150 million term facility and a €450 million revolving credit facility will be provided to certain members of the Combined Group;

"Nil Paid Rights" .... Rights Issue Shares in nil paid form provisionally allotted to Qualifying Shareholders pursuant to the Rights Issue;

"Notice of General Meeting" .... the notice of General Meeting which forms part of the Combined Circular and Prospectus;

"Official List" .... the list maintained by the FCA pursuant to Part VI of FSMA;

"Ordinary Shares" .... ordinary shares of 10 pence each in the capital of Shanks;

"Overseas Shareholders"	Shareholders who are resident in, ordinarily resident in or citizens of, or who have a registered address in, a jurisdiction outside the United Kingdom;
"Placee"	placees procured by the Sole Underwriter and Bookrunner to subscribe for Firm Placing Shares pursuant to the Firm Placing;
"Placing Price"	100 pence per Firm Placing Share;
"Provisional Allotment Letter"	the renounceable provisional allotment letter relating to the Rights Issue to be issued to Qualifying Non-CREST Shareholders other than certain Overseas Shareholders;
"Qualifying CREST Shareholders"	Qualifying Shareholders whose existing Ordinary Shares are in uncertificated form;
"Qualifying non-CREST Shareholders"	Qualifying Shareholders whose existing Ordinary Shares are in certificated form;
"Qualifying Shareholders"	Shareholders on the Shanks' statutory register of members and Placees who have been conditionally allotted Firm Placing Shares pursuant to the Firm Placing at the Record Date;
"Re-admission"	admission of the ordinary share capital of the Combined Group to the premium listing segment of the Official List and to trading on the Main Market;
"Re-admission Prospectus"	the prospectus to be published in connection with Re-admission;
"Record Date"	the close of business in London on 24 October 2016;
"Registrar"	Computershare Investor Services PLC;
"Resolutions"	the resolutions to be proposed at the Shanks General Meeting as set out in the Notice of General Meeting, with any permitted amendments thereto;
"Rights Issue"	the offer of Rights Issue Shares by way of rights to certain Shareholders;
"Rights Issue Shares"	the new Ordinary Shares being offered pursuant to the Rights Issue;
"Shareholder"	a registered holder of an Ordinary Share;
"Sole Underwriter and Bookrunner"	Investec;
"Underwriting Agreement"	the underwriting agreement dated 29 September 2016 between Shanks and the Joint Sponsors;
"US Securities Act"	the US Securities Act of 1933, as amended;
"VGG"	van Gansewinkel Groep B.V., a private company incorporated and registered in the Netherlands a limited liability company (besloten vennootschap), with registered number 24390763;
"VGG Group"	VGG and its subsidiaries;

"VGG Senior Facilities Agreement"............................... the VGG Group's senior facilities agreement dated 1 March 2006, among VGG, Global Loan Agency Services Limited (as agent), KBC Bank N.V. (as issuing bank) and GLAS Trust Corporation Limited (as security agent);