

Results for the half-year ended 30 June 2012



Engineering solutions...to meet national needs

- > Another strong performance
- > Dividend increased for fifth consecutive year
- > High quality order book
- > On course to deliver year-end results in line with expectations



- > Revenue¹ up 2% to £477.9m (H1 2011: £468.5m)
- > Underlying² operating profit up 16% to £10.7m (H1 2011: £9.2m)
- > Adjusted³ profit before tax up 67% to £17.0m (H1 2011: £10.2m)
 - > Including transfer of PFI assets and one-off pension scheme costs
- > Basic earnings per share up 78% to 21.2p (H1 2011: 11.9p)
- > Strong net cash position of £131.5m (June 2011: £149.2m)
 - > After £17.9m acquisition spend in August 2011
- > Interim dividend increased by 8% to 3.50p (June 2011: 3.25p)

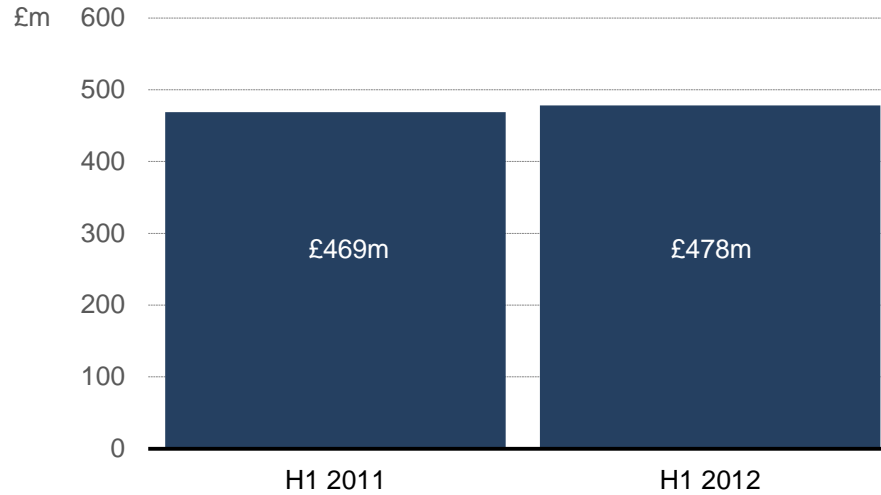
¹Including share of joint ventures & associates

² Underlying operating profit (before amortisation of acquired intangible assets and employment related acquisition consideration) of £10.7m in 2012 excludes the £2.7m one-off costs resulting from pension scheme liability actions

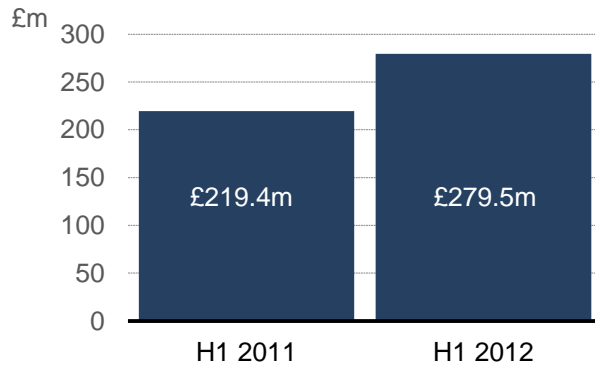
³Results stated before amortisation of acquired intangible assets and employment related acquisition consideration and after £10.5m profit arising from transfer of PFI assets into Group pension scheme and £2.7m one-off costs resulting from pension scheme liability actions

Group revenue up 2%

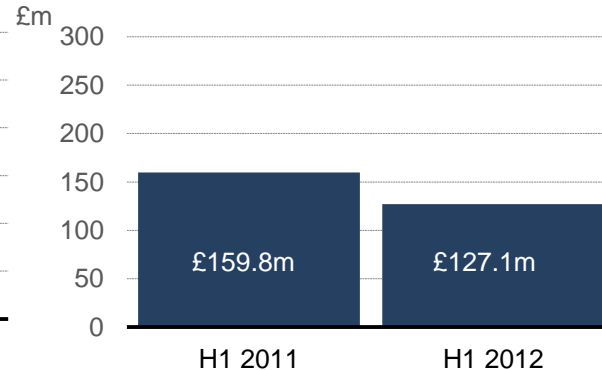
Costain Group PLC



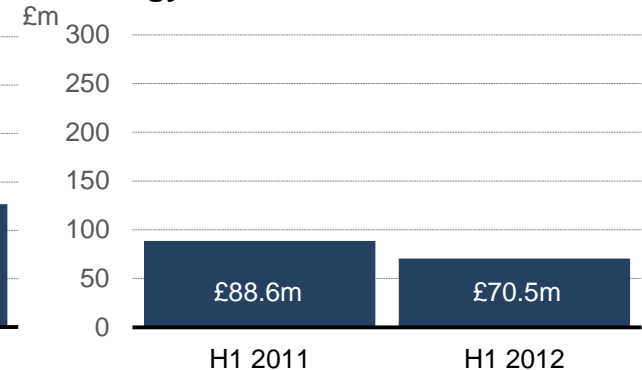
Infrastructure



Environment



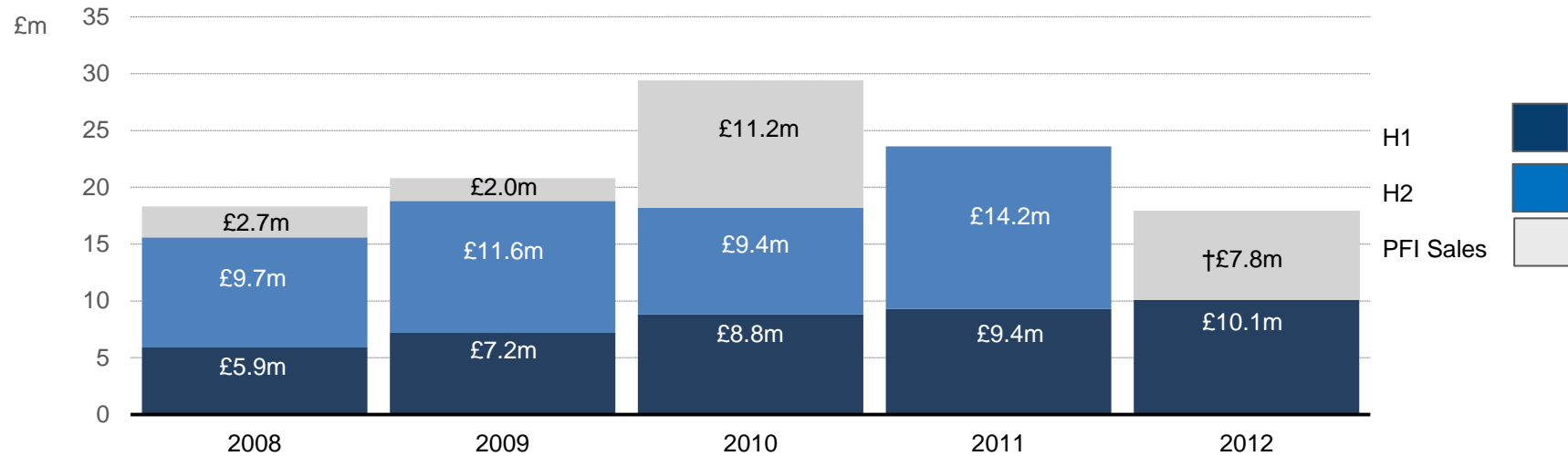
Energy & Process



Growing Group Profit



Group adj. profit from operations*



* Results stated before amortisation of acquired intangible assets and employment related acquisition consideration and after £10.5m profit arising from transfer of PFI assets into Group pension scheme and £2.7m one-off costs resulting from pension scheme liability actions

† Net of one-off costs resulting from pension scheme liability management actions

Segmental income statement

Half year ended 30 June 2012

	H1 2012		H1 2011		Full Year 2011	
	£m	Margin	£m	Margin	£m	Margin
Infrastructure	10.9	3.9%	5.7	2.6%	10.2	2.2%
Environment	1.6	1.3%	6.7	4.2%	17.5	4.7%
Profit from 2012 PFI transfer to Pension Scheme	10.5		-		-	
Energy & Process	2.4	3.4%	1.8	2.0%	4.7	3.3%
Land Development	(1.0)		(0.7)		(2.0)	
Central costs	(3.8)		(4.1)		(6.8)	
Pension liability management one-off cost	(2.7)		-		-	
Profit from operations*	17.9		9.4		23.6	
Net finance(expense)/income	(0.9)		0.8		1.9	
Profit before tax*	17.0		10.2		25.5	
Basic EPS*	23.1p		12.1p		31.1p	

* Before amortisation of acquired intangible assets & employment related consideration

Net finance (expense)/income

	H1 2012 £m	H1 2011 £m	FY 2011 £m
Net bank deposit/loan interest	(0.5)	(0.1)	0.1
IAS19 pension scheme interest:			
Expected return on scheme assets	13.7	16.3	32.3
Interest cost on present value of obligations	<u>(14.1)</u>	<u>(15.4)</u>	<u>(30.5)</u>
IAS19 pension scheme net interest	(0.4)	0.9	1.8
Net finance (expense)/income	(0.9)	0.8	1.9

Strong cash position

	H1 2012	H2 2011	FY 2011
	£m	£m	£m
Cash and cash equivalents at beginning of period	140.1	144.3	144.3
Cash (used by)/ generated by operating activities	(2.5)	23.0	34.8
Cash used by investing activities	(1.9)	(14.4)	(34.8)
Dividends	(4.2)	(3.8)	(4.3)
Effects of foreign exchange rate changes	-	0.1	0.1
Cash and cash equivalents at end of period	131.5	149.2	140.1
Net cash reconciliation			
Cash and cash equivalents at end of period	133.2	151.2	141.7
Less: Interest bearing loans and borrowings	(1.7)	(2.0)	(1.6)
Reported net cash	131.5	149.2	140.1

Average month-end cash balance - £120.0m (June 2011: £132.8m; FY 2011: £130.4m)

Actions to manage pension obligation

Net deficit of £29.6m (June 2011: £26.5m, December 2011: £39.7m)

Further actions taken to manage the obligations:

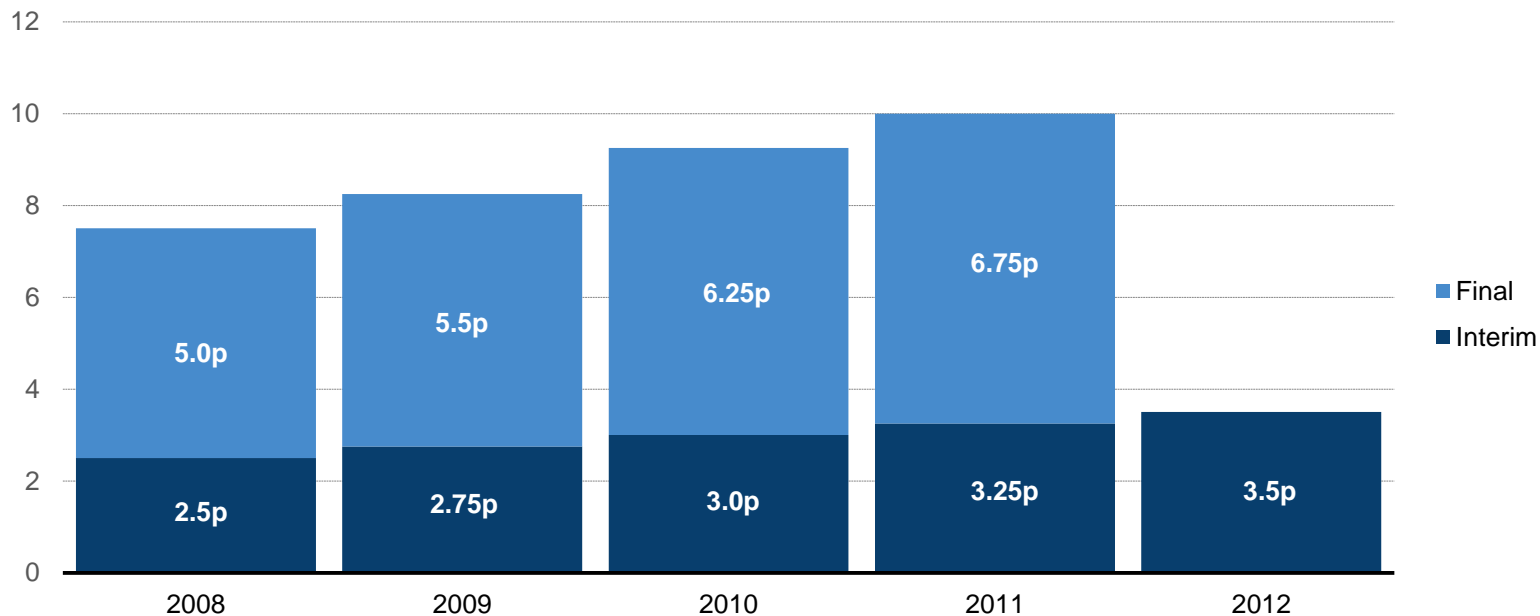
- > 2012: Risk Management Measures
- > £20.3m PFI transfer to scheme completed in February 2012
- > ETV and PIE offers to members completed, resulting in c. £35m asset and liability reduction & £2.7m P&L charge expensed in 2012
- > Combined reduced deficit by £18m (gross, before deferred tax)

Dividend matching represents only annual contributions to March 2014

	30 June 2012	31 Dec 2011	30 June 2011
	£m	£m	£m
Fair value of scheme assets	542.8	547.9	543.4
Present value of defined benefit obligations	(581.8)	(600.8)	(579.2)
Recognised liability for defined benefit obligations	(39.0)	(52.9)	(35.8)
Deferred tax	9.4	13.2	9.3
Net pension deficit	(29.6)	(39.7)	(26.5)

Increased dividend

- > Interim dividend increased by 8% to 3.50p (June 2011: 3.25p)
- > Payment on 26 October 2012 to shareholders on the register as at 21 September 2012
- > Option to take shares in lieu



Strategic update & operational review



Costain's business model



Our strategy is focused on major customers addressing national needs

Sector 'unique' customer aligned divisional structure

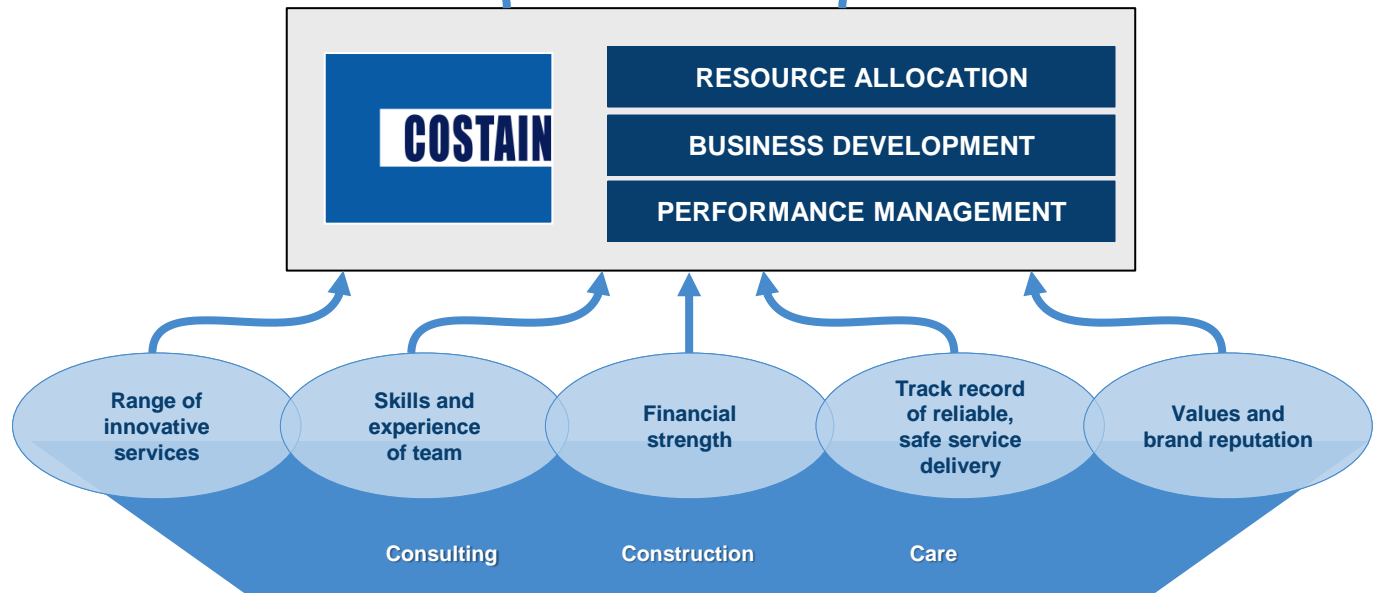
Delivered though longer-term, larger contracts and extensions, incorporating a broader range of services

Costain: Tier One provider of Engineering Solutions

Essential capabilities and attributes



Over 90% repeat orders



Engineering solutions

COSTAIN

Integrated service offering



London Bridge Station major redevelopment whilst keeping station fully operational

Fresh solutions to complex problems



Modularisation techniques for process plant installation at Sellafield

Addressing new markets



Water management Joint Venture with Severn Trent for commercial users



Artist's impression of London Bridge (Network Rail)

Engineering solutions

COSTAIN

Maintaining national assets



Leading provider of services to HA, building and maintaining major road network

Smart solutions for large scale projects

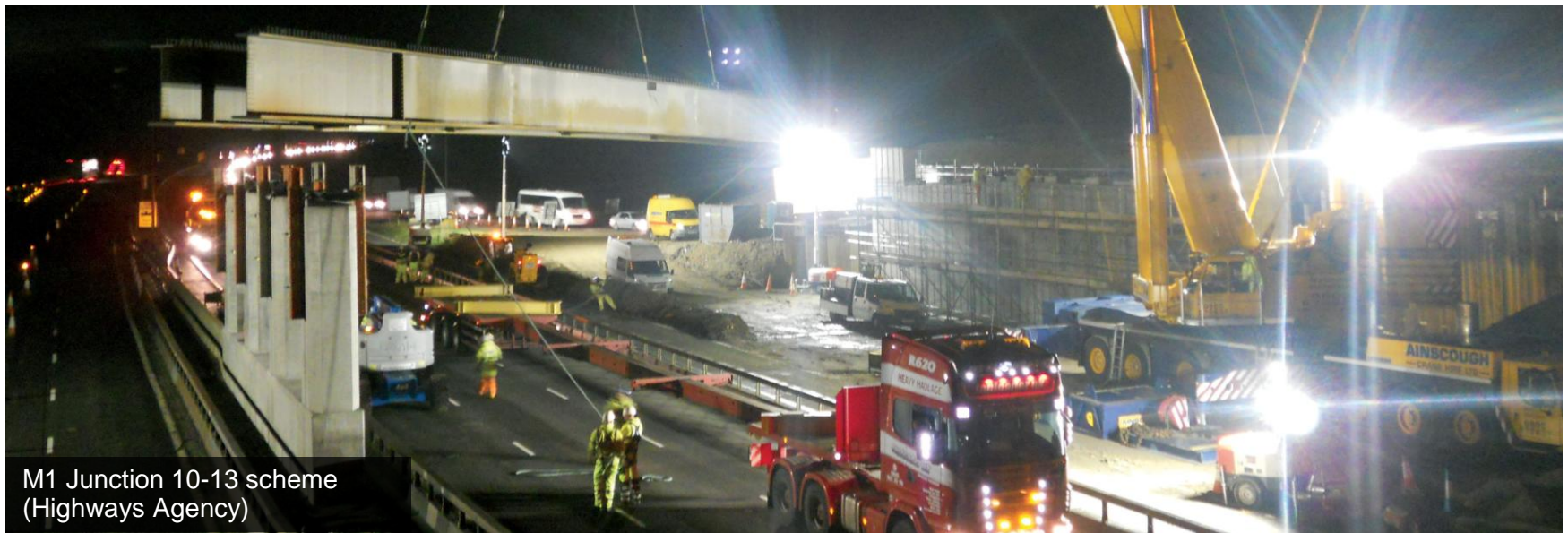


Design and delivery of waste process infrastructure for Europe's largest waste PFI project

Specialist expertise



Providing full in-house engineering capability at Centrica Easington gas terminal



M1 Junction 10-13 scheme
(Highways Agency)

Innovative solutions



Energy Technologies Institute (ETI) development of carbon capture technology

Proven capability



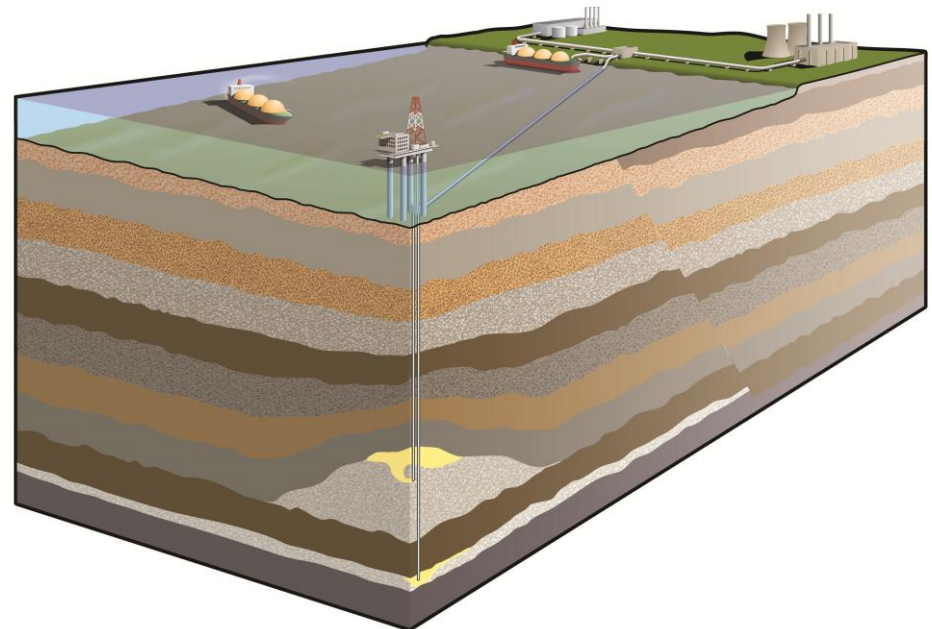
Crossrail Paddington Station and advanced works at Crossrail Bond Street

Broad service offering



Operations and maintenance contract for Oil and Pipelines Agency

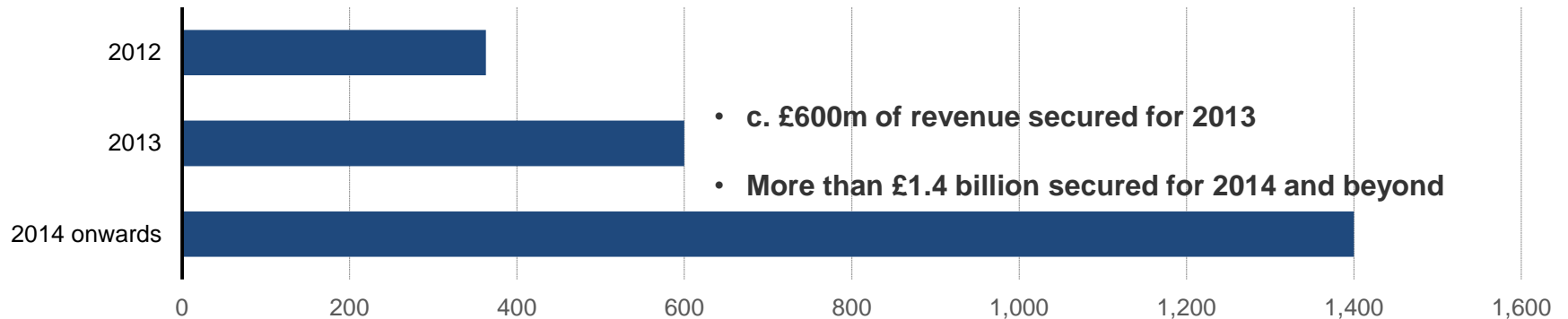
ETI carbon capture technology



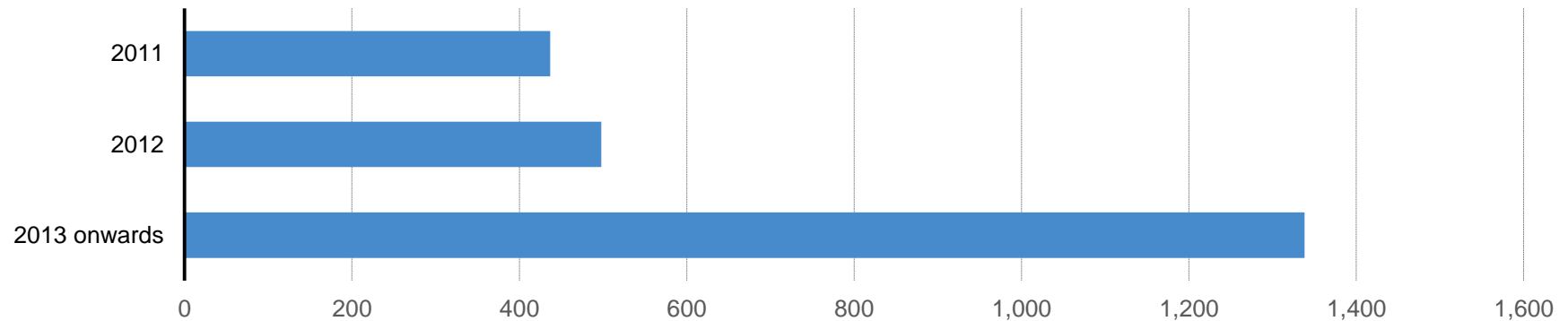
High quality order book

-
- > Increased order book of £2.4bn (June 2011: £2.3bn)
 - > Repeat business at over 90%
 - > Work secured for 2012 increased to over £850 million
 - > 28% support service activities in secured 2012 revenue
 - > Preferred bidder positions maintained at more than £400 million
 - > Bidding activity remains high

Group order book 30 June 2012 £m



Group order book 30 June 2011 £m



- > Another strong performance
- > Fifth consecutive year of dividend increase
- > Transformed into an integrated services provider
- > Major customers continuing to invest in capital and maintenance projects
- > On course to meet full year expectations



Other Items

- > **Amortisation of acquired intangible assets - £0.7m (H1 2011: £0.1m, FY 2011: £0.9m)**
 - > Amortised from date of acquisition (ClerkMaxwell - April 2011 & Promanex - August 2011)
- > **Employment related deferred consideration - £0.9m (H1 2011: £Nil, FY 2011: £0.7m)**
 - > Accounting standard requires any consideration related to employment to be expensed over the required service period.
 - > Promanex - 2 Years from acquisition date
 - > ClerkMaxwell - Annual earn out basis for 2012/2013/2014

Tax

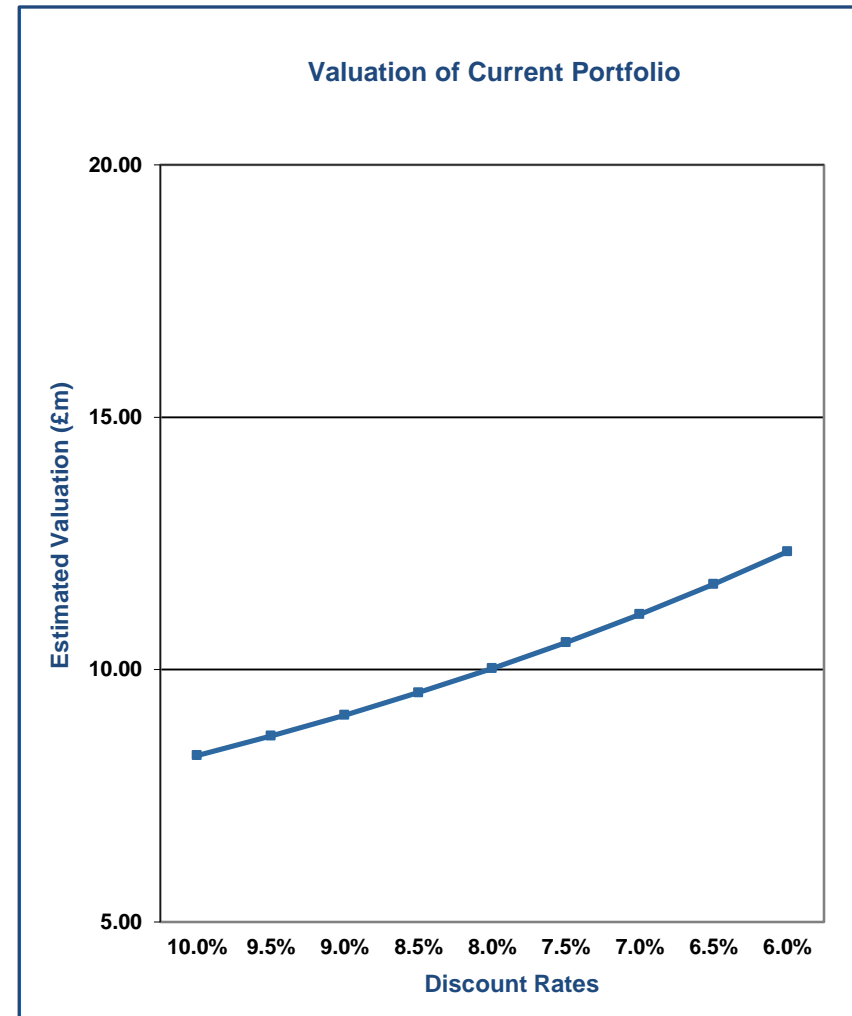
- > H1 2012 tax rate at 10.3% (H1 2011: 24.8%, FY 2011:21.8%)
- > First half includes benefit of free tax gain on profit on transfer of PFI assets into Pension Scheme
- > Normalised rate expected to be 24% - 26% on non JV profit

Balance sheet

	30 June 2012	30 June 2011	31 December 2011
	£m	£m	£m
Assets			
Non current assets (excluding pension deficit deferred tax)	101.2	82.0	95.2
Trade and other receivables	184.7	175.7	190.3
Cash	133.2	151.2	141.7
Current assets	<u>317.9</u>	<u>326.9</u>	<u>332.0</u>
Total assets	419.1	408.9	427.2
Current liabilities	<u>(343.4)</u>	<u>(332.4)</u>	<u>(348.3)</u>
Total assets less current liabilities	75.7	76.5	78.9
Non current liabilities (excluding net pension liability)	(9.6)	(8.7)	(8.4)
Pension liability net of deferred tax	<u>(29.6)</u>	<u>(26.5)</u>	<u>(39.7)</u>
Total equity	<u>36.5</u>	<u>41.3</u>	<u>30.8</u>

PFI equity portfolio – estimated valuation

	Status	Invested Capital	Committed Capital	Director's Valuation
Bridgend	Sold			
Kings	Sold			
Sirhowy	Sold			
Kent Schools	Sold			
Ealing Schools	Sold			
Shropshire	Sold			
Kent Elderly	Sold			
Kingston 3 Shires - Lincolnshire	Transferred to Pension Fund 2010			
3 Shires - Leicester				
3 Shires - Derby				
Bradford BSF I				
Lewisham BSF I	Transferred 2012			
Bradford BSF II				
Lewisham BSF II				
Aquatrine	Operations	1.1	-	5.3
Lewisham BSF III	Construction	-	1.3	2.0
Lewisham BSF IV	Construction	-	2.2	3.3
TOTALS		1.1	3.5	10.5



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