PART I
SUMMARY INFORMATION

Section 1—Introduction and warnings	
Name and international securities identification number (ISIN) of the New Ordinary Shares	Costain Group PLC ordinary shares, ISIN: GB00B64NSP76.
Identity and contact details of the issuer, including its legal entity identifier (LEI)	The legal and commercial name of the issuer is Costain Group PLC. The Company is a public limited company domiciled and incorporated in England and Wales and its registered number is 01393773. The Company's registered office is at Costain House, Vanwall Business Park, Maidenhead, Berkshire, SL6 4UB. The telephone number of the Company is +44 (0)1628 842444. The legal entity identifier of the Company is 213800PKIJBZ2EDTKC88.
Identity and contact details of the competent authority approving the prospectus	This prospectus has been approved by the FCA as competent authority under the Prospectus Regulation. The head office of the FCA is at 12 Endeavour Square, London, E20 1JN. The telephone number of the FCA is +44 (0)20 7066 1000.
Date of approval of the prospectus	7 May 2020.
Warnings	This summary should be read as an introduction to the prospectus. Any decision to invest in the New Ordinary Shares should be based on a consideration of the prospectus as a whole by the investor, including the information incorporated by reference. The investor could lose all or part of the invested capital. Where a claim relating to the information contained in a prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent, when read together with the other parts of the prospectus, or where it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.
Section 2—Key information on the issuer	
Who is the issuer of the securities?	
The domicile and legal form of the issuer, the law under which the issuer operates and its country of incorporation	The Company is a public limited company domiciled and incorporated in England and Wales and its registered number is 01393773. The Company's registered office is at Costain House, Vanwall Business Park, Maidenhead, Berkshire, SL6 4UB. The principal legislation under which the Company operates is the Companies Act 2006.
The issuer's principal activities	Costain is one of the UK's leading smart infrastructure solutions companies, operating across the strategically important transportation, water, energy and defence markets, helping clients improve their business performance by increasing capacity, improving customer service, enhancing resilience, decarbonising and delivering increased productivity and efficiency. The Group focuses on key markets working with blue-chip clients whose major spending plans are underpinned by strategic national needs, regulatory commitments, legislation or essential performance requirements. The Group operates through two core divisions: the Transportation division, which encompasses the Group's activities in the highways, rail and aviation sectors; and the Natural Resources division, which encompasses the Group's activities in the water, energy and defence sectors. The Group's operations are predominantly based in the UK.

Through its Transportation and Natural Resources divisions, the Group is providing and developing a comprehensive and integrated range of services across the whole life-cycle of infrastructure assets through consultancy, asset optimisation, digital technology and complex programme delivery.

The issuer's major shareholders, including whether it is directly or indirectly owned or controlled and by whom

As at the Latest Practicable Date, the Company had been notified in accordance with Rule 5 of the Disclosure Guidance and Transparency Rules of the following interests in its issued share capital:

	Voting rights as at the Latest Practicable Date	
	Number of voting rights	**% of voting rights**
J O Hambro Capital Management Limited . .	11,227,580	10.37(1)
Ennismore Fund Management Limited	8,698,003	8.03
Standard Life Aberdeen plc	5,214,923	4.82
KBI Global Investors LTD	3,212,629	2.97

(1) As at the Latest Practicable Date, J O Hambro Capital Management Limited was entitled to exercise, or to control the exercise of, 8.88% of the votes able to be cast on all (or substantially all) matters at general meetings of the Company. J O Hambro Capital Management Limited's other interests (1.49%) were subject to stock lending arrangements under which J O Hambro Capital Management Limited was not entitled to exercise or control any voting rights.

Upon completion of the Capital Raising, ASGC will beneficially own 41,666,666 New Ordinary Shares (representing approximately 15.15% of the Enlarged Share Capital). The Company and the Directors are not aware of any persons, who, as at the Latest Practicable Date, directly or indirectly, jointly or severally, exercise or could exercise control over the Company nor are they aware of any arrangements the operation of which may at a subsequent date result in a change in control over the Company.

The identity of the issuer's key managing directors

Alex Vaughan (Chief Executive Officer)
Anthony Bickerstaff (Chief Financial Officer)

The identity of the issuer's statutory auditors

PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH, United Kingdom

What is the key financial information regarding the issuer?

Key financial information

Selected key historical financial information relating to the Group for the financial years ended 31 December 2018 and 31 December 2019 is set out below. The information has been presented in accordance with Annex I of European Commission Delegated Regulation (EU) 2019/979:

***Consolidated Statement of Comprehensive Income*:**

	Year ended 31 December 2019	**Year ended 31 December 2018**
	(£ million)	**(£ million)**
Group revenue	1,155.6	1,463.7
Group operating profit / (loss)	(3.2)	43.1
Profit / (loss) for the year attributable to equity holders of the parent	(2.9)	32.8
Basic earnings / (loss) per share .	(2.7)p	30.9p

	Consolidated Statement of Financial Position:

	Year ended 31 December 2019	Year ended 31 December 2018
	(£ million)	(£ million)
Total assets	552.5	574.6
Total equity	157.7	182.3
Net financial debt (long term debt plus short term debt minus cash)	(64.9)	(118.8)

Consolidated Statement of Cash Flow:

	Year ended 31 December 2019	Year ended 31 December 2018
	(£ million)	(£ million)
Net cash flows (used in) / generated from operating activities	(32.2)	(48.1)
Net cash flows (used in) / generated from investing activities	4.0	1.3
Net cash flows (used in) / generated from financing activities	19.8	(12.4)

Pro forma financial information	Not applicable.
Brief description of any qualifications in the audit report relating to the historical financial information	Not applicable. The audit reports on the historical financial information incorporated by reference into this document are unqualified. However, the auditor's report on the Group's audited consolidated financial statements for the year ended 31 December 2019 contains a material uncertainty in respect of going concern to which the auditor drew attention by way of emphasis without modifying their report.

What are the key risks that are specific to the issuer?

Prior to investing in the Ordinary Shares, prospective investors should consider the associated risks. The key risks specific to the Company are:

- The success of the Group depends on its ability to deliver projects effectively. If unexpected operational difficulties result in delivery failures (including widespread or significant delays), the Group may suffer reputational damage and incur significant costs which may result in lower profits. The Group's inability to recover full amounts in relation to extra or change work in respect of a long-term contract may also have a material adverse effect on the Group's business and prospects. The Group's ability to carry out projects effectively may also be impacted by failure of its joint venture partners, sub-contractors and suppliers to fulfil their respective obligations, which may result in the Group incurring unexpected additional costs in order to ensure the continued performance and delivery of services. If projects are not delivered effectively, this could adversely affect the contract margins that the Group seeks to achieve and also the Group's reputation, business, results of operations and future revenue streams.
- The Group's inability to secure new work and contract renewals in highly competitive markets, and the risk of cancellations and changes (including changes to scope of work and start dates resulting in delays) being made to existing contracts may have an adverse material effect on the Group's revenue, profitability, business, future prospects and operational results.
- In determining the potential impact resulting from COVID-19 in a reasonable worst case scenario, the Group assumed an extended 6 month period of disruption in its activities arising from social distancing and lock-down measures (whether on a continuous or intermittent basis). This assumption would result in the following impacts to the Group's business against the Directors' expectations for that 6 month period: (i) a 56% reduction in profit contribution in respect of complex delivery works; (ii) a 10% reduction in profit contribution in respect of higher margin services (on the basis that such higher margin services can be provided by personnel working from home); and (iii) a 43% reduction in new work to be obtained. If the COVID-19 pandemic continues for a prolonged period of time (in excess of the 6 month period of disruption assumed by the Group), this may further affect the margins expected to be achieved on certain contracts, result in further delays to existing contracts

and delays in receiving payments from clients and may result in existing contracts being cancelled and the Group failing to secure new work. The COVID-19 pandemic may therefore have a material adverse effect on the Group's business, cash flows, profitability, results of operation and financial condition.

- The Group relies on a strong balance sheet to secure work from clients and facilities from lenders. A material weakening of the Group's balance sheet may lead to an inability to demonstrate to clients that the Group has the required financial capacity to support any particular contract size or duration and may result in the Group being unable to secure work. The Group also relies on a number of facility agreements to help finance its operations, and significant deterioration of the balance sheet may or failure to complete the Capital Raising may affect the availability of such facilities. The auditor's report on the Group's audited financial statements for the year ended 31 December 2019 is unqualified, but contains a material uncertainty in respect of going concern to which the auditor drew attention by way of emphasis without modifying their report. In assessing the going concern assumptions for 2019, the Board reviewed the base case plans, identified reasonable worst case downsides and anticipated receipt of proceeds from the Capital Raising. Whilst the Group would continue to have sufficient working capital and liquidity in a reasonable worst case scenario, headroom on the leverage covenants contained in the Group's facilities is limited from June 2020 absent the net proceeds from the Capital Raising. In the event that the leverage covenants were to be breached and the Group failed to obtain covenant waivers, relevant lenders could immediately withdraw the Group's facilities and demand repayment which could adversely affect the Group's business, reputation, financial condition or operating results and the Group may have insufficient cash resources to repay the lenders and/or to continue trading and the Group could be forced into insolvent liquidation. The inability of the Group to withdraw cash from joint venture project bank accounts may also adversely affect the Group's balance sheet strength and flexibility.
- The Group's Leading Edge Strategy, which focuses on deployment of higher margin services, is fundamental for the Group's financial performance and future prospects. The implementation of the strategy relies on the recruitment and retention of appropriately skilled and competent employees, particularly in senior management, as well as the strengthening of the Group's brand with new and existing clients. If the Group cannot successfully deliver its Leading Edge strategy, or is required to spend more to do so, the Group's business, financial condition and operational results may be adversely affected.
- The Group is exposed to funding risks in relation to its defined benefit pension scheme. If the Group is required to increase its contributions to cover any future funding shortfalls, this could have an adverse impact on the Group's operational results and cash flows.
- The Group relies on management exercising their judgement in determining costs, revenues, and assessments of expected outcomes of each long-term contract obligation. If the information used, and judgements exercised, by management prove inaccurate and cannot be revised effectively, profitability on particular contracts may be reduced and losses may be incurred by the Group.
- Any claims or disputes brought against or by the Costain Group, particularly in respect of large infrastructure projects, may take significant time and resource to resolve. This may result in significant costs, which may not be recoverable, penalties and damage to the Group's business, reputation and financial condition.
- The Group faces environmental and health and safety liability risks, in particular in relation to its operations in complex and hazardous environments.
- Any material failure of the Group's IT systems and data security could disrupt its business and result in the loss or disclosure of confidential information, regulatory fines, and/or damage to its reputation and business.
- The Group is exposed to the impact of global and local economic conditions affecting the UK, including the negative economic and disruptive impact of the COVID-19 outbreak, and its business may be adversely affected if the UK's economy deteriorates.
- The Group is subject to a wide range of laws, regulations and administrative requirements, changes in which may give rise to substantial compliance, remediation and other costs, and may restrict the operations of the Group.

Section 3—Key information on the securities

What are the main features of the securities?

The Firm Placing and Placing and Open Offer comprise in aggregate 166,666,667 New Ordinary Shares of which 133,348,799 New Ordinary Shares are proposed to be issued under the Firm Placing and 33,317,868 New Ordinary Shares are proposed to be issued under the Placing and Open Offer, in each case at 60 pence per New Ordinary Share. When admitted to trading, the New Ordinary Shares will be registered with the following ISIN: GB00B64NSP76.

The Existing Ordinary Shares are denominated and quoted in Pounds Sterling on the London Stock Exchange and the New Ordinary Shares will be traded and quoted in the same way. On the Latest Practicable Date, the Company had 108,283,074 Existing Ordinary Shares of 50 pence each in issue (all of which were fully paid or credited as fully paid).

The New Ordinary Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Ordinary Shares and rank in full for all dividends and distributions declared in respect of Ordinary Shares after their issue.

Subject to any special rights, restrictions or prohibitions as regards voting for the time being attached to any Ordinary Shares (for example, in the case of joint holders of a share, the only vote which will count is the vote of the person whose name is listed before the other voters on the register for the share), Shareholders shall have the right to receive notice of and to attend and vote at general meetings of Costain. Subject to the provisions of the Companies Act, Costain may from time to time declare dividends and make other distributions on the Ordinary Shares. Subject to any special rights attaching to any class of shares, Shareholders are entitled to participate in the assets of Costain attributable to their shares in a winding-up of Costain or other return of capital, but they have no rights of redemption. There are no restrictions on the free transferability of the Ordinary Shares.

Costain will target a dividend cover of around three times underlying earnings, taking into account the free cash flow generated in the period. Consistent with the rationale for the Capital Raising, and with Costain's response to COVID-19, Costain will not pay a final dividend in respect of the financial year ended 31 December 2019. The first dividend to be paid under the new policy is expected to be, subject to the circumstances at the time, an interim dividend for the six months ending 30 June 2020, payable in October 2020.

Where will the securities be traded?

Application will be made to the FCA and to the London Stock Exchange for the New Ordinary Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission of the New Ordinary Shares will become effective, and that dealings in the New Ordinary Shares will commence, by 8.00 a.m. on 29 May 2020.

What are the key risks that are specific to the securities?

- Prospective investors should be aware that the value of an investment in the Company may go down as well as up and any fluctuations may be material. The market value of the Ordinary Shares can fluctuate substantially and may not always reflect the underlying value or prospects of the Group.
- Following the issue of the New Ordinary Shares to be allotted pursuant to the Capital Raising, Shareholders not participating in the Firm Placing will experience dilution in their ownership of the Company. In addition, any future issue of shares may further dilute the holdings of Costain Shareholders.
- There is no guarantee that there will be sufficient liquidity in the Ordinary Shares to sell or buy any number of Ordinary Shares at a certain price level.

Section 4—Key information on the offer of securities to the public and/or the admission to trading on a regulated market

Under which conditions and timetable can I invest in this security?

Terms and conditions of the Capital Raising

Firm Placing: The Company is seeking to raise approximately £80 million (gross) through the Firm Placing of 133,348,799 New Ordinary Shares at the Offer Price to the Firm Placees. The Firm Placing is not subject to clawback. The Firm Placing is subject to the same conditions and termination rights which apply to the Placing and Open Offer.

Open Offer: The Company intends to raise approximately £20 million (gross) through the Placing and Open Offer of 33,317,868 New Ordinary Shares at the Offer Price.

Subject to the fulfilment of the conditions below, Qualifying Shareholders are being given the opportunity to subscribe for New Ordinary Shares pro rata to their existing shareholdings on the basis of 4 Open Offer Shares at 60 pence each for every 13 Existing Ordinary Shares held by them and registered in their names at the Record Time and so in proportion to any other number of Existing Ordinary Shares then held, rounded down to the nearest whole number of Open Offer Shares. Qualifying Shareholders may therefore apply for any whole number of Open Offer Shares up to their Open Offer Entitlement. Qualifying Shareholders are also being given the opportunity to apply for Excess Open Offer Shares at the Offer Price through the Excess Application Facility. The total number of Open Offer Shares is fixed and will not be increased in response to any applications under the Excess Application Facility. Such applications will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Open Offer Entitlements in full or in respect of the aggregated fractional entitlements to Open Offer Shares.

Placing: Any New Ordinary Shares which are not applied for under the Open Offer will be allocated to Placing Placees pursuant to the Placing.

General

The Capital Raising is conditional upon the following:

- the Resolution being passed by Shareholders at the General Meeting;
- Admission becoming effective by not later than 8.00 a.m. on 29 May 2020 (or such later time and/or date (being not later than 8.00 a.m. on 12 June 2020) as the Company, Rothschild & Co and the Bookrunners may agree); and
- the Placing Agreement becoming unconditional.

Accordingly, if any of such conditions are not satisfied, or, if applicable, waived, the Capital Raising will not proceed. In such circumstances, application monies will be returned without payment of interest, as soon as practicable.

The Capital Raising is being fully underwritten by the Bookrunners, subject to the conditions set out in the Placing Agreement.

Application will be made to the FCA and to the London Stock Exchange for the New Ordinary Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission of the New Ordinary Shares will become effective, and that dealings in the New Ordinary Shares will commence, by 8.00 a.m. on 29 May 2020.

The New Ordinary Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Ordinary Shares and rank in full for all dividends and distributions declared in respect of Ordinary Shares after their issue.

Expected timetable

Each of the times and dates in the table below is indicative only and may be subject to change. The times and dates set out in the expected timetable of principal events below and mentioned throughout this document may be adjusted by the Company in which event details of the new times and dates will be notified to the London Stock Exchange and, where appropriate, Qualifying Shareholders. References to times in this document are to London time unless otherwise stated. The ability to participate in the Open Offer is subject to certain restrictions relating to Shareholders with registered addresses or located or resident in countries outside the UK.

If you have any queries on the procedure for acceptances and payment, you should contact the shareholder helpline on 0371 384 2849 (or +44 (0) 121 415 0264 if calling from overseas) between 9.00 a.m. and 5.00 p.m. Monday to Friday (excluding English and Welsh public holidays). Calls to the shareholder helpline from outside the United Kingdom will be charged at the applicable international rates.

Record Time for entitlement under the Open Offer	**6.00 p.m. 4 May 2020**
Announcement of the Capital Raising and publication of the Prospectus	7 May 2020
Posting of the Prospectus (including the Notice of General Meeting), Forms of Proxy and Application Forms	11 May 2020
Ex-Entitlements Date for the Open Offer	11 May 2020
Open Offer Entitlements and Excess Open Offer Entitlements credited to stock accounts of Qualifying CREST Shareholders in CREST	as soon as practicable after 8.00 a.m. on 12 May 2020
Recommended latest time for requesting withdrawal of Open Offer Entitlements from CREST	4.30 p.m. 20 May 2020

Latest time and date for depositing Open Offer Entitlements into CREST	3.00 p.m. 21 May 2020
Latest time and date for splitting Application Forms (to satisfy bona fide market claims only)	3.00 p.m. 22 May 2020
Latest time and date for receipt of Forms of Proxy or electronic proxy appointments	5.00 p.m. 25 May 2020
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate)	**11.00 a.m. 27 May 2020**
General Meeting	**5.00 p.m. 27 May 2020**
Results of the Capital Raising announced through a Regulatory Information Service	28 May 2020
Admission and commencement of dealings in New Ordinary Shares	**by 8.00 a.m. 29 May 2020**
New Ordinary Shares credited to CREST stock accounts (uncertified holders only)	by 8.00 a.m. 29 May 2020
Expected despatch of definitive share certificates (where applicable)	on or around 9 June 2020

Dilution

If a Qualifying Shareholder who is not a Placee does not take up any of his or her Open Offer Entitlement or Excess Open Offer Entitlements, such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will be diluted by 60.6% as a result of the Capital Raising.

If a Qualifying Shareholder who is not a Placee takes up his or her Open Offer Entitlements in full (assuming he or she does not participate in the Excess Application Facility), such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will be diluted by 48.5% as a result of the Firm Placing.

Costs and Expenses

The total estimated costs and expenses of the Capital Raising payable by the Company are approximately £7.0 million (exclusive of VAT). Shareholders will not be charged expenses by the Company in respect of the Capital Raising.

Why is this prospectus being produced?

Reasons for the Capital Raising: The Company expects to raise net proceeds of approximately £93.0 million from the Capital Raising. The Capital Raising is being fully underwritten by the Bookrunners, subject to the conditions set out in the Placing Agreement. The Costain Directors believe that the Capital Raising provides a significant opportunity to capitalise on the growing infrastructure opportunities available to the Group, in line with its strategy. The Group intends to use the proceeds from the Capital Raising for general corporate purposes as well as allowing the Group to:

- demonstrate its increased financial capacity to clients, providing a competitive advantage in a sector where clients and suppliers are increasingly scrutinising their partners' balance sheets;
- take advantage of business growth opportunities through the investment required in bid costs and innovation and technology, enhancing the execution of the Group's Leading Edge strategy to grow higher value services with increased margins; and
- provide the financial capacity to support the requirements of clients and partners for joint operation delivery structures and project bank accounts where appropriate.

Material interests: There are no interests, including any conflicting interests, known to the Company that are material to the Company or the Capital Raising.