

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank, solicitor, accountant, fund manager or other appropriate independent financial adviser who is authorised under FSMA if you are resident in the United Kingdom, or, if you are not, from another appropriately authorised independent financial adviser.

This document has been approved by the FCA as competent authority under Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”). The FCA only approves this prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and such approval shall not be considered as an endorsement of the issuer that is the subject of this prospectus or of the quality of the securities that are the subject of this prospectus. Investors should make their own assessment as to the suitability of investing in the New Ordinary Shares. This document has been drawn up as part of a simplified prospectus in accordance with Article 14 of the Prospectus Regulation.

If you sell or have sold or otherwise transferred all of your Existing Ordinary Shares before 8.00 a.m. on 11 May 2020 being the date upon which the Existing Ordinary shares will be marked “ex” the entitlement to the Open Offer, please forward this document together with the accompanying Form of Proxy and, if relevant, Application Form, if and when received, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer is/was effected for delivery to the purchaser or the transferee. However, the distribution of this document, the Application Forms and/or any related documents, and/or the transfer of the Open Offer Entitlements and/or Excess Open Offer Entitlements through CREST into jurisdictions other than the UK may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of such jurisdictions. In particular, this document, the enclosures and any other such documents should not be distributed, forwarded to or transmitted in or into the United States or any other Restricted Jurisdiction. In such circumstances, if you sell or have sold or otherwise transferred only part of your holding of Existing Ordinary Shares, you should retain any such documents received.



(incorporated and registered in England and Wales with registered number 01393773)

Firm Placing of 133,348,799 New Ordinary Shares at 60 pence per share

Placing and Open Offer of 33,317,868 New Ordinary Shares at 60 pence per share

and

Notice of General Meeting

Rothschild & Co

Sponsor and Financial Adviser

HSBC

***Joint Global Co-ordinator and
Bookrunner***

Investec

***Joint Global Co-ordinator and
Bookrunner***

Liberum Capital

***Joint Global Co-ordinator and
Bookrunner***

The Existing Ordinary Shares have been admitted to the premium listing segment of the Official List, and to trading on the London Stock Exchange’s main market for listed securities. Application will be made to the FCA for the New Ordinary Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities (together “**Admission**”). It is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence at 8.00 a.m. on 29 May 2020.

Your attention is drawn to the letter from the Chairman of Costain which is set out in Part V (Chairman’s Letter) of this document. You should read the whole of this document and the documents incorporated herein by reference. Shareholders and any other persons contemplating the acquisition of New Ordinary Shares should refer to the section of this document entitled “Risk Factors” for a description of certain important factors, risks and uncertainties that may affect the Costain Group’s business and the New Ordinary Shares and which should be taken into account when considering whether or not to subscribe for or acquire New Ordinary Shares.

A notice convening the General Meeting to be held at Costain House, Vanwall Business Park, Maidenhead, Berkshire, SL6 4UB on 27 May 2020 at 5.00 p.m. is set out at the end of this document. A Form of Proxy for use in connection with the General Meeting is enclosed with this document. Whether or not you intend to attend the General Meeting in person, to be valid, the Form of Proxy should be completed, signed and returned in accordance with the instructions printed on it so as to be received by Equiniti as soon as possible and, in any event, by no later than 5.00 p.m. on 25 May 2020. You may also submit your proxy electronically at www.sharevote.co.uk using the Voting ID, Task ID and Shareholder Reference Number (SRN) on the Form of Proxy. Alternatively, if you have already registered with Equiniti's online portfolio service, Shareview, you can submit your Form of Proxy at www.shareview.co.uk. Full instructions are given on both websites. If you hold Existing Ordinary Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Equiniti (CREST participant ID RA19), so that it is received by no later than 5.00 p.m. on 25 May 2020. The completion and return of a Form of Proxy (or the electronic appointment of a proxy) will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof, if you wish to do so and are so entitled.

The latest time and date for acceptance and payment in full under the Open Offer is 11.00 a.m. on 27 May 2020. The procedures for acceptance and payment are set out in Part IX (Terms and Conditions of the Capital Raising) of this document and, where relevant, in the Application Form. Qualifying Non-CREST Shareholders will be sent an Application Form. Qualifying CREST Shareholders (who will not receive an Application Form) will receive a credit to their appropriate stock accounts in CREST in respect of their Open Offer Entitlements and Excess Open Offer Entitlements which is expected to be enabled for settlement on 12 May 2020.

Applications under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim arising out of a sale or transfer of Ordinary Shares prior to the date on which the Ordinary Shares were marked "ex" the entitlement by the London Stock Exchange. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer. The Application Form is personal to Qualifying Shareholders and cannot be transferred, sold, or assigned except to satisfy bona fide market claims. Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer. No statement in this document or incorporated by reference into this document is intended as a profit forecast or profit estimate for any period and no statement in this document or incorporated by reference into this document should be interpreted to mean that the earnings or earnings per share will necessarily be greater or lesser than those for the relevant preceding financial periods for Costain.

Investors should only rely on the information contained in this document and contained in any documents incorporated into this document by reference. No person has been authorised to give any information or make any representations other than those contained in this document and any document incorporated by reference and, if given or made, such information or representation must not be relied upon as having been so authorised by Costain, the Costain Board or Rothschild & Co. Costain will comply with its obligation to publish supplementary prospectuses containing further updated information required by law or by any regulatory authority but assumes no further obligation to publish additional information.

The release, publication or distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and, therefore, any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe, any applicable requirements. Failure to comply with any such restrictions may constitute a violation of the securities laws of any jurisdiction. This document has been prepared to comply with requirements of English law, the Listing Rules, the Prospectus Regulation Rules, the Prospectus Regulation and the Rules of the London Stock Exchange and information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside England.

N. M. Rothschild & Sons Limited ("**Rothschild & Co**"), which is authorised and regulated by the FCA in the United Kingdom, is acting exclusively for Costain and no-one else in connection with the Capital Raising and will not regard any other person (whether or not a recipient of this document) as a client of Rothschild & Co in relation to the Capital Raising or any arrangement referred to in, or information contained in, this document and will not be responsible for providing the protections afforded to Rothschild & Co clients nor for giving advice in relation to the Capital Raising, or any arrangement referred to in, or information contained in, this document.

HSBC Bank plc (“**HSBC**”), which is authorised by the PRA and regulated by the PRA and FCA in the United Kingdom, Investec Bank plc (“**Investec**”), which is authorised by the PRA and regulated by the PRA and FCA in the United Kingdom and Liberum Capital Limited (“**Liberum**”), which is authorised and regulated by the FCA in the United Kingdom are acting exclusively for Costain and no-one else in connection with the Capital Raising and will not regard any other person (whether or not a recipient of this document) as their respective clients in relation to the Capital Raising and will not be responsible to anyone other than Costain for providing the protections afforded to their respective clients nor for providing advice in connection with the Capital Raising or any arrangement referred to in, or information contained in, this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on Rothschild & Co or the Bookrunners under FSMA or the regulatory regime established thereunder, none of Rothschild & Co or the Bookrunners nor any of their respective affiliates accepts any responsibility whatsoever or makes any representation or warranty, express or implied, concerning the contents of this document, including its accuracy, completeness or verification, or concerning any other statement made or purported to be made by any of them, or on behalf of them in connection with Costain, the New Ordinary Shares, the Capital Raising or Admission and nothing in this document is or shall be relied upon as a promise or representation in this respect, whether as to the past or future. Subject to applicable law, each of Rothschild & Co, the Bookrunners and their respective affiliates accordingly disclaim all and any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise (save as referred to above)) which any of them might otherwise have in respect of this document or any statement purported to be made by them, or on their behalf, in connection with the Company, or the arrangements described in this document.

THE CAPITAL RAISING DESCRIBED IN THIS DOCUMENT IS NOT BEING AND WILL NOT BE MADE TO SHAREHOLDERS OR INVESTORS IN THE UNITED STATES OR ANY OF THE OTHER RESTRICTED JURISDICTIONS. All Restricted Shareholders and any person (including, without limitation, a nominee or trustee) who has a contractual or legal obligation to forward this document or any Application Form, if received, or other document to a jurisdiction outside the United Kingdom should read Part X (Overseas Shareholders) of this document.

NOTICE TO US INVESTORS

This document, including the Application Form, does not constitute an offer of New Ordinary Shares to any person with a registered address in, or who is resident in, the United States or any other Restricted Jurisdiction. New Ordinary Shares have not been and will not be registered under the Securities Act, or with any regulatory authority or under the applicable securities laws of any state or other jurisdiction of the United States, or the relevant laws of any state, province or territory of any other Restricted Jurisdiction and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States or any other Restricted Jurisdiction. This document does not constitute an offer to sell or a solicitation of an offer to buy New Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. Neither this document nor the Application Forms will be distributed in or into the United States or any of the other Restricted Jurisdictions.

The New Ordinary Shares have not been approved or disapproved by the SEC, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Ordinary Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States. There will be no public offer of the New Ordinary Shares in the United States.

NOTICE TO OVERSEAS SHAREHOLDERS

EXCEPT AS OTHERWISE SET OUT HEREIN, THE CAPITAL RAISING DESCRIBED IN THIS DOCUMENT IS NOT BEING MADE TO SHAREHOLDERS OR INVESTORS IN ANY RESTRICTED JURISDICTIONS. NONE OF THE SECURITIES REFERRED TO IN THIS DOCUMENT SHALL BE SOLD, ISSUED OR TRANSFERRED IN ANY JURISDICTION IN CONTRAVENTION OF APPLICABLE LAW.

For a description of the restrictions on offers, sales and transfers of the New Ordinary Shares and the distribution of this document, see Part IX (Terms and Conditions of the Capital Raising) and Part X (Overseas Shareholders) of this document.

All Overseas Shareholders and any person (including, without limitation, a nominee, custodian or trustee who has a contractual or other legal obligation to forward this document or any Application Form, if and

when received, or other document to a jurisdiction outside the UK), should read Part X (Overseas Shareholders) of this document.

Certain information in relation to the Company is incorporated by reference into this document. Capitalised terms have the meanings ascribed to them in the section entitled “Definitions” of this document.

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information for any purposes other than in considering an acquisition of New Ordinary Shares is prohibited, except to the extent such information is otherwise publicly available. By accepting delivery of this document, each offeree of the New Ordinary Shares agrees to the foregoing.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by Costain, Rothschild & Co, HSBC, Investec or Liberum. None of Costain, Rothschild & Co, HSBC, Investec or Liberum takes any responsibility for, or can provide assurance as to the reliability of, other information that you might be given. Costain will comply with its obligation to publish a supplementary prospectus containing further updated information required by law or by any regulatory authority but assumes no further obligation to publish further information. Subject to FSMA, the Listing Rules, the Disclosure Guidance and Transparency Rules, the Prospectus Regulation Rules and the Prospectus Regulation, neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Costain since the date of this document or that the information in this document is correct as at any time after this date. Without limitation, the contents of the Group’s website (other than the information incorporated by reference into this document (as set out in Part XIII (Documentation incorporated by reference) of this document)) do not form part of this document.

THE CONTENTS OF THIS DOCUMENT OR ANY SUBSEQUENT COMMUNICATION FROM COSTAIN OR ROTHSCHILD & CO OR ANY OF THEIR RESPECTIVE AFFILIATES, OFFICERS, DIRECTORS, EMPLOYEES OR AGENTS ARE NOT TO BE CONSTRUED AS LEGAL, FINANCIAL OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT HIS, HER OR ITS OWN SOLICITOR, INDEPENDENT FINANCIAL ADVISER OR TAX ADVISER FOR LEGAL, FINANCIAL OR TAX ADVICE.

INFORMATION TO DISTRIBUTORS

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended (“**MiFID II**”); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing **MiFID II**; and (c) local implementing measures (together, the “**MiFID II Product Governance Requirements**”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the New Ordinary Shares have been subject to a product approval process, which has determined that the New Ordinary Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the “**Target Market Assessment**”). Notwithstanding the Target Market Assessment, distributors should note that: the price of the New Ordinary Shares may decline and investors could lose all or part of their investment; the New Ordinary Shares offer no guaranteed income and no capital protection; and an investment in the New Ordinary Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Capital Raising. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Bookrunners will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the New Ordinary Shares.

The date of this document is 7 May 2020.

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**PART I
SUMMARY INFORMATION**

Section 1—Introduction and warnings	
<i>Name and international securities identification number (ISIN) of the New Ordinary Shares</i>	Costain Group PLC ordinary shares, ISIN: GB00B64NSP76.
<i>Identity and contact details of the issuer, including its legal entity identifier (LEI)</i>	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.
<i>Identity and contact details of the competent authority approving the prospectus</i>	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.
<i>Date of approval of the prospectus</i>	7 May 2020.
<i>Warnings</i>	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?	
<i>The domicile and legal form of the issuer, the law under which the issuer operates and its country of incorporation</i>	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.
<i>The issuer's principal activities</i>	<p>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.</p> <p>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.</p> <p>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.</p>

	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.																		
<i>The issuer's major shareholders, including whether it is directly or indirectly owned or controlled and by whom</i>	<p>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:</p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">Voting rights as at the Latest Practicable Date</th> </tr> <tr> <th>Number of voting rights</th> <th>% of voting rights</th> </tr> </thead> <tbody> <tr> <td>J O Hambro Capital Management Limited . . .</td> <td>11,227,580</td> <td>10.37⁽¹⁾</td> </tr> <tr> <td>Ennismore Fund Management Limited</td> <td>8,698,003</td> <td>8.03</td> </tr> <tr> <td>Standard Life Aberdeen plc</td> <td>5,214,923</td> <td>4.82</td> </tr> <tr> <td>KBI Global Investors LTD</td> <td>3,212,629</td> <td>2.97</td> </tr> </tbody> </table> <p>(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.</p> <p>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.</p>		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	
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<i>The identity of the issuer's key managing directors</i>	Alex Vaughan (Chief Executive Officer) Anthony Bickerstaff (Chief Financial Officer)																		
<i>The identity of the issuer's statutory auditors</i>	PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH, United Kingdom																		
What is the key financial information regarding the issuer?																			
<i>Key financial information</i>	<p>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:</p> <p>Consolidated Statement of Comprehensive Income:</p> <table border="1"> <thead> <tr> <th></th> <th>Year ended 31 December 2019</th> <th>Year ended 31 December 2018</th> </tr> <tr> <th></th> <th>(£ million)</th> <th>(£ million)</th> </tr> </thead> <tbody> <tr> <td><i>Group revenue</i></td> <td>1,155.6</td> <td>1,463.7</td> </tr> <tr> <td><i>Group operating profit / (loss)</i></td> <td>(3.2)</td> <td>43.1</td> </tr> <tr> <td><i>Profit / (loss) for the year attributable to equity holders of the parent</i></td> <td>(2.9)</td> <td>32.8</td> </tr> <tr> <td><i>Basic earnings / (loss) per share</i> .</td> <td>(2.7)p</td> <td>30.9p</td> </tr> </tbody> </table>		Year ended 31 December 2019	Year ended 31 December 2018		(£ million)	(£ million)	<i>Group revenue</i>	1,155.6	1,463.7	<i>Group operating profit / (loss)</i>	(3.2)	43.1	<i>Profit / (loss) for the year attributable to equity holders of the parent</i>	(2.9)	32.8	<i>Basic earnings / (loss) per share</i> .	(2.7)p	30.9p
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	<p>Consolidated Statement of Financial Position:</p> <table> <thead> <tr> <th></th> <th style="text-align: right;"><u>Year ended 31 December 2019</u></th> <th style="text-align: right;"><u>Year ended 31 December 2018</u></th> </tr> <tr> <th></th> <th style="text-align: right;">(£ million)</th> <th style="text-align: right;">(£ million)</th> </tr> </thead> <tbody> <tr> <td><i>Total assets</i></td> <td style="text-align: right;">552.5</td> <td style="text-align: right;">574.6</td> </tr> <tr> <td><i>Total equity</i></td> <td style="text-align: right;">157.7</td> <td style="text-align: right;">182.3</td> </tr> <tr> <td><i>Net financial debt (long term debt plus short term debt minus cash)</i></td> <td style="text-align: right;">(64.9)</td> <td style="text-align: right;">(118.8)</td> </tr> </tbody> </table> <p>Consolidated Statement of Cash Flow:</p> <table> <thead> <tr> <th></th> <th style="text-align: right;"><u>Year ended 31 December 2019</u></th> <th style="text-align: right;"><u>Year ended 31 December 2018</u></th> </tr> <tr> <th></th> <th style="text-align: right;">(£ million)</th> <th style="text-align: right;">(£ million)</th> </tr> </thead> <tbody> <tr> <td><i>Net cash flows (used in) / generated from operating activities</i></td> <td style="text-align: right;">(32.2)</td> <td style="text-align: right;">(48.1)</td> </tr> <tr> <td><i>Net cash flows (used in) / generated from investing activities</i></td> <td style="text-align: right;">4.0</td> <td style="text-align: right;">1.3</td> </tr> <tr> <td><i>Net cash flows (used in) / generated from financing activities</i></td> <td style="text-align: right;">19.8</td> <td style="text-align: right;">(12.4)</td> </tr> </tbody> </table>		<u>Year ended 31 December 2019</u>	<u>Year ended 31 December 2018</u>		(£ million)	(£ million)	<i>Total assets</i>	552.5	574.6	<i>Total equity</i>	157.7	182.3	<i>Net financial debt (long term debt plus short term debt minus cash)</i>	(64.9)	(118.8)		<u>Year ended 31 December 2019</u>	<u>Year ended 31 December 2018</u>		(£ million)	(£ million)	<i>Net cash flows (used in) / generated from operating activities</i>	(32.2)	(48.1)	<i>Net cash flows (used in) / generated from investing activities</i>	4.0	1.3	<i>Net cash flows (used in) / generated from financing activities</i>	19.8	(12.4)
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<i>Pro forma financial information</i>	Not applicable.																														
<i>Brief description of any qualifications in the audit report relating to the historical financial information</i>	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?																															
<p>Prior to investing in the Ordinary Shares, prospective investors should consider the associated risks. The key risks specific to the Company are:</p> <ul style="list-style-type: none"> • 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 Places 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.

PART II RISK FACTORS

Any investment in Costain or in the New Ordinary Shares carries a number of risks. Prospective investors should review this prospectus carefully and in its entirety (together with any documents incorporated by reference into it) and consult with their professional advisers before acquiring any New Ordinary Shares. You should carefully consider the risks and uncertainties described below, in addition to the other information in this document and the information incorporated into this document by reference, before making any investment decision. Prospective investors should note that the risks relating to the Group, its industry and the New Ordinary Shares summarised in the section of this document headed “Summary” are the risks that the Directors believe to be most essential to an assessment by a prospective investor of whether to consider an investment in such securities. However, as the risks and uncertainties which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the “Summary” but also, among other things, the risks and uncertainties below.

The risks and uncertainties described below represent all those known to the Directors as at the date of this document which the Directors consider to be material. However, these risks and uncertainties are not the only ones facing the Group; additional risks and uncertainties not presently known to the Directors, or that the Directors currently consider to be immaterial, could also impair the business of the Group. If any or a combination of these risks actually occurs, the business, financial condition and operating results of the Group could be adversely affected. In such case, the market price of the Ordinary Shares could decline and you may lose all or part of your investment.

The information given is as of the date of this document and, except as required by the FCA, the London Stock Exchange, the Listing Rules, the Prospectus Regulation Rules or any other applicable law, will not be updated.

Risks relating to the Costain Group's business activities and industry

1. Failure to deliver projects effectively

The Costain Group bids for and enters into a variety of contracts that include (for example), “cost plus”, “target cost” and framework contracts with clients that span a number of years. If projects are not delivered effectively, this could adversely affect the contract margins that the Group seeks to achieve as well as the Group’s reputation, business, results of operations and future revenue streams. The ability of the Costain Group to deliver projects effectively may be affected by unexpected operational issues or difficulties resulting in delivery failures, additional unbudgeted work required in order to complete the project, and failure in the performance of obligations by the Costain Group’s joint venture partners, sub-contractors and service providers.

Contract mobilisation and execution

The profitability of contracts entered into by the Group depends on the contract being secured on favourable terms from the outset, the risks associated with the contract being adequately priced or covered by insurance and the contract being carried out effectively. In order to effectively execute such contracts, the works need to be managed appropriately, delivered defect-free, on time, and with costs controlled. The Costain Group may encounter unexpected operational issues or difficulties with such projects; for example, issues relating to technical engineering, regulatory changes, disputes with clients, accidents, bad weather and changes in client requirements. These operational issues or difficulties may result in delivery failure. For larger projects, these risks are inherently greater. Delivery failure, including widespread or significant defects, on high profile projects could result in significant reputational damage and increased costs. If such operational issues or difficulties are not resolved and result in material delivery failures, this may result in the Costain Group incurring significant costs which may result in lower profits, an adverse impact to the Group’s reputation and may otherwise negatively affect the Costain Group’s business, financial condition and operating results.

Change management

The Costain Group’s long-term contract activities may require extra or change order work as directed by the client, even if the client has agreed the scope or price of the work to be performed in advance. This process may result in disputes over whether the work performed is beyond the scope of work

included in the original project plans and specifications or the price the client is willing to pay for the extra work if the client agrees that the work performed qualifies as extra work. Even when the client agrees to pay for the extra work, the Costain Group may be required to fund the cost of such work for a period of time until the change order is approved and funded by the client. If the Costain Group does not recover the expected amounts under these claims, this could have a material adverse impact on the Costain Group's business, prospects, reputation and financial condition.

Performance of obligations by joint venture partners, sub-contractors and suppliers

The Costain Group derived 67% of its revenue from activities carried out in joint ventures for the year ended 31 December 2019. Business which is carried out by the Costain Group through joint ventures is normally carried out on a joint and several basis. In addition, the Group is reliant on its sub-contractors and suppliers for the services it carries out (including through its joint ventures). The Group's ability to carry out projects effectively may be impacted by a failure of joint venture partners, sub-contractors and suppliers to meet their contractual, legal, regulatory or other obligations (including in the case of joint ventures, the requirement to commit working capital, equity or credit support). If a joint venture partner, sub-contractor or supplier fails to perform its obligations satisfactorily, or the relationship between the Group and such parties deteriorates leading to claims and disputes, or such parties become insolvent, the Costain Group may suffer reputational damage as a result and incur significant and unexpected additional costs (which may not be recovered) in order to ensure the continued performance and delivery of services. Performance failures by the Costain Group's joint venture partners, sub-contractors and suppliers may therefore have an adverse impact on the Costain Group's business, future revenue streams, operational results and cash flow.

2. Failure to secure new work and contract renewals or cancellations of, or changes to, existing contracts

New work and contract renewals

The success and profitability of the Costain Group's operations in the transportation, water, energy and defence markets, where clients have committed and prioritised key strategic investment, is dependent on the Group's ability to identify and secure new work in these markets.

These markets are highly competitive on the basis of both price and service, typically requiring suppliers to compete for new work through a tendering or bilateral negotiation process. An entity's reputation, prior experience and pricing may all have a bearing on winning new work or securing contract renewals. As a result of this competitive environment, the Costain Group may fail to win new contracts with new clients in its chosen growth markets, which could represent a significant missed opportunity for growth and/or secure contract renewals or new contracts with existing clients. In addition, bidding for such work can also involve a lengthy and costly process which can take many months or even years, and failure to secure the relevant contract may result in significant wasted bid costs. Failure to secure new contracts or contract renewals (which may in turn result in significant wasted bid costs) could adversely affect the Costain Group's business as this may reduce the Group's revenue, profitability and future prospects.

Cancellations and changes

Even where the Costain Group has been successful in securing new contracts and renewing existing contracts, there is a risk that such contracts may be cancelled and/or subject to changes relating to scope of work or start dates which may affect the expected revenue to be generated from the order book. Cancellations and changes may result from a change in the client's requirements or objectives as well as changes to government priorities and programmes.

Certain of the Costain Group's operations are dependent on government policy with regard to improving public infrastructure, notably in the transportation, water, energy and defence sectors. Changes to the UK Government's priorities and programmes in these sectors may result in delays to the timing of contract start dates and new awards and, in some instances, cancellation of contracts. Delays may also arise in relation to certain government-related projects due to difficulties in obtaining the required approvals. Such delays and cancellations could adversely affect the future revenue streams of the Costain Group, which could in turn adversely affect the Group's business, results of operations and financial condition.

As at 31 December 2019, the Costain Group had an order book of £4.2 billion (including £1.1 billion relating to HS2) reflecting the balance of work to be delivered from contracts secured and/or in progress together with contracts in an early contractor involvement phase where it is clear the project has funding and approval from the client and frameworks based on the value of contracts allocated to the Costain Group. Cancellations and changes relating to scope of work or start dates may result in a lower than expected revenue being generated from the order book which may negatively impact the business, results of operations and financial condition of the Costain Group.

3. COVID-19

The recent outbreak of COVID-19 (commonly referred to as coronavirus) has negatively impacted economic conditions globally and is having an adverse and disruptive effect on the UK economy. The Group's way of operating has adapted and is likely to need to continue to adapt over the coming months in response to the developments relating to the COVID-19 outbreak.

The COVID-19 outbreak has had a varied impact on the Group's operations. Where the Group provides a critical range of services to highway, local authority clients and water utility companies (which represent approximately 50% of the Group's annual revenues), the Group continues to provide services at safe levels of operation. In addition, there has been little change in the consultancy services provided to clients in the energy, defence and aviation markets (which represent approximately 10% of the Group's annual revenues). However, onsite construction activities in London, including Crossrail, HS2 enabling works and Thames Tideway contracts (which represent approximately 30% of the Group's annual revenues), have experienced temporary periods of pause at the request of clients. Home based activities which are continuing on these projects represent approximately 10% of the Group's annual revenues. In order to manage the operational impact of the COVID-19 outbreak, the Group is continuing to engage in discussions with its clients in order to ensure continuity of services (where such services can be safely provided) and, for works that have been temporarily suspended, effective provision of services once works are resumed. Notwithstanding, the overall impact of COVID-19 on the Group's business remains uncertain.

In determining the possible impact of COVID-19 on the Group's activities and assessing the Group's working capital position for the 12 months following the date of this document, the Group carried out a contract by contract analysis of the Group's most significant contracts in terms of expected profit contribution for the current financial year. This analysis was based on the Group's estimate of the relevant project's future performance (taking account of the current status of each such project as well as clients' expectations on performance) and focused on whether onsite construction activities can continue to be carried out (where such services can be safely provided) and whether consulting services can continue to be effectively provided by employees working remotely. The analysis also took into account the contractual protections which the Group has across a number of its projects as well as the assumption that complex delivery works may be accelerated after a period of slow down due to COVID-19. As 95% of the Group's revenues are derived from contracts with UK Government agencies or regulated businesses, the Group has a significant degree of contractual protection across a number of its projects, which partially offset the negative impact which may result from COVID-19. These protections have been taken into account in determining the COVID-19 reasonable worst case assumptions. In addition to the contract by contract analysis, the Group applied a non-contract specific sensitivity to take account of the possibility that there may be further site closures and salary costs not covered by UK Government initiatives or the provisions of relevant contracts.

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:

- a 56% reduction in profit contribution in respect of complex delivery works;
- 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
- a 43% reduction in new work to be obtained.

The Group has made reductions to the Group's cost base, deferred capital expenditure, PAYE and VAT payments, made use of the UK Government's job retention scheme by furloughing certain

members of the workforce and the board and senior leadership team have agreed a 30% reduction in salaries and directors' fees for up to three months in order to mitigate the financial impact of COVID-19 and protect the Group's cash position. However, the exact ramifications of the COVID-19 outbreak are highly uncertain and it is difficult to predict the duration of the pandemic, its full effect on global and local economies and the effectiveness of the Group's response in relation to the adverse impacts which may result from COVID-19.

If the COVID-19 pandemic continues for a prolonged period of time (in excess of the 6 month period of disruption assumed above), 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.

4. Failure to maintain a strong balance sheet

The Costain Group's clients are particularly focused on the financial stability and viability of their contract counterparties and are imposing stringent criteria on the financial condition of the companies that bid for their contracts, particularly with respect to large scale infrastructure contracts. Maintaining a strong balance sheet is therefore fundamental to demonstrating to clients of the Costain Group that the Group has the required financial capacity to support any particular contract size and duration. A material weakening of the Costain Group's balance sheet could place the Group at a competitive disadvantage, potentially resulting in the Group not being considered when bidding for new contracts or becoming ineligible to bid for certain contracts and may also result in clients choosing not to renew existing contracts. These circumstances could have an adverse material effect on the Costain Group, affecting its ability to maintain competitive scale and secure future sources of revenue, which could adversely affect the Costain Group's business, financial condition or operating results.

In addition, the Costain Group has a number of facility agreements in place (including term and revolving credit facilities, bonding facility agreements and surety facility agreements as further described in section 9 of Part XII (Additional Information) of this document) with various counterparties to help finance its operations. The continued availability of these facilities is dependent on the Costain Group maintaining a robust balance sheet and a significant deterioration of the balance sheet may therefore affect the continued availability of these facilities and/or result in relevant lenders choosing not to renew or extend such facilities. The auditor's report on the Group's audited consolidated 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. The Board considers that the Group and the Company have adequate resources to remain in operation for the foreseeable future and therefore continued to adopt the going concern basis for the preparation of the Group's financial statements for the year ended 31 December 2019. However, in assessing the going concern assumptions, the Board reviewed the base case plans, identified reasonable worst case downsides and anticipated receipt of proceeds from the Capital Raising. Applying these reasonable worst case downside scenarios, whilst the Group continues to have sufficient working capital and liquidity, the 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 if the Group was not able to obtain covenant waivers, the relevant lenders could immediately withdraw the Group's facilities and demand repayment. If the Group's facilities were withdrawn, this could result in the Group failing to secure new work and contract renewals, it could adversely affect the Costain Group's business, reputation, financial condition or operating results, 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.

In relation to the Group's joint ventures, certain decisions and operations relating to the joint venture may not be exclusively within the control of the Costain Group and may depend upon the consent or approval of the joint venture partner. This means that the Costain Group may not be able to withdraw its share of any cash held in the separate bank account of the joint venture. The inability of the Costain Group to withdraw its share of any cash may adversely affect the Group by prohibiting the Group from being able to use that cash as the Costain Group deems appropriate. This may have an adverse effect on the strength and flexibility of the balance sheet and the Costain Group's business, operations and financial condition.

Costain's major trading subsidiary is a signatory to the Prompt Payment Code administered by the Chartered Institute of Credit Management on behalf of the Department for Business, Energy and Industrial Strategy. The Prompt Payment Code has resulted in higher working capital requirements. Whilst the Group is not aware of any prospective changes to the Prompt Payment Code, any future changes to the time periods provided for in the code may further increase the Group's working capital requirements. This may adversely impact the Group's balance sheet position and adversely affect the Costain Group's business, operations and financial condition.

5. Failure to deliver the business strategy

Through its Leading Edge strategy, the Costain Group aims to accelerate the deployment of higher margin activities and deliver a divisional margin in the range of 6 to 7% over the medium term (where the divisional margin reflects the EBITA of the Costain Group's two divisions, after divisional overheads and before Group overheads are taken into account). This is to be achieved by the Costain Group developing its services to major blue-chip clients and aligning services to clients' changing investment plans by targeting the following areas:

- shaping new future solutions as a leading innovation partner and thought leader;
- supporting clients' business improvement as a valued adviser and consultant;
- investing in technology and being an insightful digital technology integrator;
- optimising the performance of clients' existing infrastructure assets; and
- delivering complex capital programmes in new ways.

The Costain Group's financial performance and future prospects depend significantly on its ability to successfully implement the new Leading Edge strategy. Successful implementation of the strategy is dependent on the quality, skills and experience of employees of the Costain Group. There is a risk that the Group may not be able to recruit, retain, motivate and develop the appropriately skilled and competent people who are required to implement the strategy or may lose key members of the senior management team who have significant experience in the relevant sectors and have developed strong relationships with clients. This could affect the Group's ability to develop and strengthen the Group's brand in relation to higher margin services to new and existing clients. If the Costain Group is unable to attract and retain the appropriately skilled people required to accelerate and develop its higher margin services, the Leading Edge strategy will not be successfully implemented. If the Costain Group does not successfully implement the Leading Edge strategy or if it is required to spend more to achieve its strategic objectives, this could have a material adverse effect on its business, financial condition and operating results.

6. Risk on contract judgements

The Costain Group uses detailed contract valuations and cost forecasts based on information available when formulating its judgements of costs and revenues and its assessments of the expected outcome of each long-term contractual obligation. This involves management exercising their judgement on compensation events on the contract, changes in the design and construction requirements, the impact of any third-party factors and progress to date on negotiations with the client.

There is a risk that the information used, and judgements exercised, by management may prove to be incorrect or inaccurate as costs and revenues can be affected by a number of factors and are dependent on the outcome of future events. Management judgements may therefore need to be revised as events unfold, uncertainties are resolved and new information becomes available. If this process is not managed properly, it could result in reduced profitability of, or losses being incurred on, a particular contract. Any such reduction in profitability or loss may be material to the Costain Group and could adversely affect the Costain Group's business, results of operations and financial condition.

7. Pension liabilities

The Costain Group is exposed to funding risks in relation to its defined benefit pension scheme.

Over a number of years, the Directors have sought to address the deficit of the Costain Pension Scheme, a defined benefit pension scheme which has been closed to new members since 1 June 2005 and to future accrual since 1 October 2009.

As at 31 December 2019, the Costain Group's pension scheme surplus in accordance with IAS 19, net of deferred tax, was £4.9 million (2018: £4.2 million deficit). The value of the surplus recognised in the Costain Group's balance sheet pursuant to IAS 19 is dependent on the market value of the assets of the Costain Pension Scheme and certain critical assumptions made in relation to the value of the liabilities of the Costain Pension Scheme (including mortality rates, inflation levels and investment returns) and is likely to vary from year to year. The position of the scheme has improved in the year as the Company contributions and a liability reduction from using more recent mortality tables more than covered increases in net liabilities arising from market movements and the actual experience of pension scheme members over the course of the year (when compared with the assumptions that had been made in respect of factors such as mortality rates, cash lump sum payments and fund transfers).

Pensions legislation requires the Costain Pension Trustee, having taken actuarial advice, to determine appropriately prudent assumptions to value the liabilities of the Costain Pension Scheme. Those assumptions, which lead to a higher liabilities figure than when IAS 19 assumptions are used, must be agreed with the sponsoring employer or, in default of such agreement, determined by the Pensions Regulator. This process determines the value of the Costain Pension Scheme's liabilities for statutory ongoing funding purposes and, to the extent there is a shortfall in the Costain Pension Scheme's assets as against that value, the Costain Pension Trustee must agree with the employer (or have set by the Pensions Regulator) a recovery plan setting out a programme for clearing the deficit.

In accordance with the requirement for a triennial review, a full actuarial valuation of the Costain Pension Scheme was carried out as at 31 March 2019. The Costain Pension Trustee and the relevant members of the Costain Group have agreed the terms of a recovery plan (setting out a programme for clearing the deficit) (the "**2019 Recovery Plan**") based on the actuarial valuation as at 31 March 2019. The 2019 Recovery Plan replaces the recovery plan agreed with the Costain Pension Trustee in 2016 (the "**2016 Recovery Plan**"), which was based on the actuarial valuation as at 31 March 2016 (the "**2016 Valuation**").

Under the terms of the 2016 Recovery Plan: (i) relevant members of the Costain Group were required to make cash contributions of £10 million for the 12 month period beginning on 1 April 2016 and ending on 31 March 2017, and then £9.6 million per annum (increasing annually with inflation) thereafter until the deficit is cleared, which was 31 March 2031 on the basis of assumptions made in the 2016 Valuation and agreed in the 2016 Recovery Plan; (ii) from 1 April 2016 to 31 March 2031, the Costain Group was required to make additional contributions so that the total deficit contributions matched the total dividend amount paid by Costain each year; and (iii) from 1 April 2020 to 31 March 2031, the Group would be required to make additional contributions equal to 66.68% of the total dividend amount paid by Costain in respect of the relevant year. The Group was also required to pay certain administration expenses.

Under the terms of the 2019 Recovery Plan, from 1 April 2020 to 31 January 2029, the Costain Group is required to make: (i) cash contributions of £10.2 million per annum (increasing annually with the Consumer Price Index) (the "**Shortfall Correction Contribution**"); and (ii) if, in any year, the total dividend amount paid by Costain exceeds the Shortfall Correction Contribution, an additional contribution equal to such excess. Any additional payments in this regard would have the effect of reducing the recovery period in the agreed plan.

The powers of the Pensions Regulator may also impact on any plans to make returns of capital from the Costain Group to Shareholders. For example, the Pensions Regulator has powers to levy contribution notices and financial support directions in certain circumstances in order to ensure that additional contributions are paid into a pension scheme or that other financial support is put in place to the benefit of a pension scheme. In the event that the market value of the scheme's assets declines in relation to its assessed liabilities, the Costain Group may be required to increase its contributions to cover any further funding shortfalls. This could have an adverse impact on the Costain Group's operational results and cash flow.

8. Litigation, claims and disputes

The Costain Group is involved in, and may become involved in additional legal, administrative, regulatory and other proceedings, inquiries and investigations that may be costly and may divert management's attention away from the running of the business. Liabilities or financial penalties resulting from any current or threatened legal actions may have a material adverse effect on the Costain Group's financial condition, results of operations and cash flows.

Claims or disputes involving clients, suppliers, sub-contractors and other counterparties (for example, joint venture partners) may be brought against or by the Costain Group. In particular, the risk of significant claims arising between the Costain Group and its clients relating to breach of contract (or otherwise relating to or arising from the terms and conditions of a contract), programme delays or changes in scope of work is generally considered to be greater in the context of large, complex infrastructure projects as compared to lower value building contracts. This is particularly the case when a project has been subject to significant delay or significant cost overrun.

Any such claims or disputes brought against or by the Costain Group may take significant time and resource (whether internal or external to the Costain Group) and incur significant cost (which may not be recoverable), and it is often difficult to predict or forecast accurately the value or outcome of any such claims or how long they will take to resolve. There can be no guarantee or assurance as to the number or value of any such claims that the Costain Group may bring or be subject to in the future.

Claims or disputes brought or raised by the Costain Group against clients may include claims for additional costs incurred by the Costain Group which arise out of project delays and changes to the previously agreed scope of work. There can be no guarantee or assurance as to the outcome of any such proceedings, the costs associated with them or the time that they may take. Such proceedings could affect the Costain Group's relationships with current and potential clients, which could in turn negatively affect the Group's business, reputation and financial condition.

9. Failure to prevent a major accident, hazard or incident

The Costain Group operates in complex and hazardous environments that are subject to a broad range of laws, regulations, and standards including those relating to pollution, the health and safety of employees, protection of the environment and the storage and handling of hazardous substances and waste materials.

Failure to manage the inherent risks associated with those complex and hazardous environments may result in a major accident, hazard or incident resulting in injury or loss of life to employees, sub-contractors, clients' employees, members of the public and/or damage to the environment. These circumstances could result in civil and/or criminal legal actions being taken against the Costain Group, significant fines being incurred by the Costain Group, significant adverse publicity and may have a negative impact on the Costain Group's reputation and/or its ability to secure new work. Therefore, failure to prevent a major accident, hazard or incident could materially adversely affect the Costain Group's business, reputation and financial condition.

The Costain Group's accident frequency rate (calculated as the number of RIDDOR accidents per 100,000 hours worked) in the financial year ended 31 December 2019 was 0.05 (which is good performance by industry standards) but there has been one fatality in the last four years on projects operated by the Costain Group. The Costain Group cannot guarantee that measures taken to ensure health and safety and to ensure compliance with environmental and applicable other regulations will be sufficient to prevent future accidents, claims being made against or fines by incurred by the Costain Group, which may negatively impact the business, reputation and financial condition of the Costain Group.

10. Failure to ensure that the Costain Group's technology is robust, systems are secure, and data is protected

Costain is one of the UK's leading smart infrastructure solutions companies, operating across the strategically important transportation, water, energy and defence markets. It works on some of the most critical national infrastructure programmes in the UK safeguarding security. The effectiveness, availability, security and integrity of the Costain Group's IT systems and data are essential for Costain's clients and its operations. New IT systems and change management systems may not be successfully implemented and managed. These factors may lead to an IT environment that is inadequate to support the needs and objectives of the Costain Group's business. Failure to manage technology and data risks could result in loss of confidential or personal data, regulatory fines (including fines as a result of breaching EU GDPR), reputational damage, breach of contract and/or cyber-attacks.

A significant performance failure of the Costain Group's IT systems or data security could lead to loss of control over critical business information and/or systems (such as contract costs, invoicing, payroll management and/or internal porting), resulting in an adverse impact on the ability of the business

affected to operate effectively or to fulfil its contractual obligations which may in turn lead to a loss of custom, revenue and profitability and the incurring of significant consequential and remedial costs.

Risks relating to changes in law and the political and economic environment

1. Adverse economic conditions could negatively affect the financial performance of the Costain Group

The Costain Group derives the significant majority of its revenue from the UK and this is expected to continue to be the case in the immediate future. The Costain Group will, therefore, continue to be exposed to the impact of global and local economic conditions affecting the UK and may be adversely affected if the UK's economy deteriorates or is disrupted (whether by terrorist activity, epidemic or pandemic, or otherwise). The recent outbreak of COVID-19 has negatively impacted economic conditions globally and is having a disruptive effect on the UK economy. The UK's relationship with Europe, in particular the risk that the UK will not be able to secure a trade deal with the European Union, may have an adverse effect on the UK economy which in turn may negatively impact the Costain Group.

Any deterioration in the UK's economic environment may negatively affect the level of demand from existing and prospective clients. Factors that could adversely influence client demand include increases in interest rates, exchange rates or inflation, restrictions on the availability of credit, and any deterioration in business or consumer confidence. These factors affect clients' ability and confidence to place orders and may lead to a rise in the number of clients who are not able to pay for the services, which, in turn, may affect the revenue streams, and therefore the business and financial condition of the Costain Group.

2. The Costain Group is subject to complex and substantial regulation which may change

The Costain Group is required to comply with a wide range of laws, regulations, administrative requirements and policies in the UK which relate to, among other matters, planning, developing, building, land use, fire, health and safety, environment, employment, bribery, payment of suppliers, competition and money laundering.

Changes in relevant laws, regulations or policies, or the interpretation thereof, including retrospective application thereof, may give rise to substantial compliance, remediation and other costs, and could prohibit or severely restrict the operation of the Costain Group which, in turn, may negatively impact the business of the Costain Group.

Risks relating to the Capital Raising and Ordinary Shares

1. Prospective investors should be aware that the value of an investment in New Ordinary Shares may go down as well as up and any fluctuations may be material and may not reflect the underlying asset value

The market price of the New Ordinary Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the New Ordinary Shares. The fluctuations could result from national and global economic and financial conditions, the market's response to the Capital Raising, market perceptions of Costain and various other factors and events, including but not limited to regulatory changes affecting the Costain Group's operations, variations in the Costain Group's operating results, business developments of the Costain Group and/or its competitors and the liquidity of the financial markets. Furthermore, the Costain Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the New Ordinary Shares.

2. The market price for Ordinary Shares may decline below the Offer Price

There is no assurance that the public trading market price of the Ordinary Shares will not decline below the Offer Price. Should that occur, relevant Shareholders will suffer an immediate loss as a result. Moreover, there can be no assurance that, following Shareholders' acquisition of New Ordinary Shares, Shareholders will be able to sell their New Ordinary Shares at a price equal to or greater than the acquisition price for those shares.

3. Shareholders are likely to experience dilution in their ownership of the Company

If a Qualifying Shareholder who is not a Placee does not take up any of his or her Open Offer Entitlements 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. Subject to certain limited exceptions, Shareholders in the United States and the Restricted Jurisdictions will not be able to participate in the Open Offer and will therefore experience dilution as a result of the Capital Raising.

In addition, Shareholders may experience immediate and substantial dilution by further share issues. Other than pursuant to the Capital Raising, Costain has no current plans for an offering of shares apart from possible offerings in relation to employee share plans or scrip dividend schemes. However, it is possible that Costain Directors may decide to offer additional shares in the future. If Costain Shareholders did not take up such offer of shares or were not eligible to participate in such offering, their proportionate ownership and voting interests in Costain would be reduced and the percentage that their Ordinary Shares would represent of the total share capital of Costain would be reduced accordingly.

4. Sufficient liquidity in the market and potential share price volatility

Admission should not be taken as implying that there will be a liquid market for the New Ordinary Shares. 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. The Company cannot predict the extent to which an active market for the Ordinary Shares will develop or be sustained, or how the development of such market might affect the market price for Ordinary Shares. An illiquid market for the Ordinary Shares may result in lower trading prices and increased volatility, which could adversely affect the value of any investment.

In addition, ASGC has agreed that it will not dispose of its Ordinary Shares for a period of 180 days following Admission. There is therefore a risk that the liquidity in the Ordinary Shares, measured against the total number of Ordinary Shares in issue, will be lower than is currently the case.

5. Following the Capital Raising, ASGC may be able to influence decision-making within the Company

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). Under the terms of the Relationship Agreement, ASGC will: (i) provided that it holds at least 10% of the issued share capital in the Company, have the right to nominate 1 director to the Board, or (ii) provided that it holds at least 20% of the issued share capital in the Company, have the right to nominate 2 directors to the Board. Whilst ASGC's participation in the Capital Raising gives the Company opportunity to significantly strengthen its business through the addition of a new investor, as a result of the above factors, ASGC may, following the Capital Raising, be able to influence decision-making within the Company.

6. The ability of Overseas Shareholders to bring actions, or to enforce judgments, against Costain, the Costain Directors or the officers of Costain may be limited

The ability of an Overseas Shareholder to bring an action against Costain may be limited under law. Costain is a public limited company incorporated in England and Wales. The rights of holders of Ordinary Shares are governed by English law and the Costain Articles. These rights differ from the rights of shareholders in typical US corporations and some other non-UK corporations. An Overseas Shareholder may not be able to enforce a judgment against some or all of the Costain Directors and the Costain Group's executive officers. The majority of the Costain Directors and the Costain Group's executive officers are residents of the UK. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Costain Directors and the Costain Group's executive officers within the Overseas Shareholder's country of residence or to enforce against the Costain Directors and the Costain Group's executive officers judgments of courts of the Overseas Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that an Overseas Shareholder will be able to enforce any judgments in

civil and commercial matters or any judgments under the securities laws of countries other than the UK against the Costain Directors or the Costain Group's executive officers who are residents of the UK or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Costain Directors or the Costain Group's executive officers in any original action based solely on foreign securities laws brought against the Costain Group or the Costain Directors or the Costain Group's executive officers in a court of competent jurisdiction in England or other countries.

7. Overseas Shareholders may be subject to exchange rate risks

The Ordinary Shares are priced in Pounds Sterling, and will be quoted and traded in Pounds Sterling. In addition, any dividends Costain may pay will be declared and paid in Pounds Sterling. Accordingly, holders of Ordinary Shares resident outside the UK jurisdictions are subject to risks arising from adverse movements in the value of their local currencies against the Pounds Sterling, which may reduce the value of the New Ordinary Shares, as well as that of any dividends paid.

8. Admission of the New Ordinary Shares may not occur when expected

Application for Admission of the New Ordinary Shares is subject to the approval (subject to satisfaction of any conditions which such approval is expressed) of the FCA and Admission will become effective as soon as a dealing notice has been issued by the FCA and the London Stock Exchange has acknowledged that the New Ordinary Shares will be admitted to trading. There can be no guarantee that any conditions to which Admission is subject will be met or that the FCA will issue a dealing notice.

9. The Company's ability to pay dividends on the Ordinary Shares will depend on the availability of distributable reserves

The level of any dividend paid in respect of the Ordinary Shares is, subject to the Costain Articles, within the discretion of the Board and is subject to a number of factors, including the business and financial condition of, earnings and cash flow of, and other factors affecting, the Group, as well as the availability of funds from which dividends can be legally paid. The level of any dividend in respect of the Ordinary Shares is also subject to the extent to which the Company receives funds, directly or indirectly, from its operating subsidiaries. The Company will therefore be entirely dependent on the cash flows from its subsidiaries to pay dividends to its shareholders (to the extent the boards of those companies consider it appropriate to do so). The future prospects, financial condition and results of operations of the Company are primarily dependent on the respective trading performance of members of its Group and upon the level of distributions, interest payments and loan repayments, if any, received from them and upon amounts received on asset disposals and the level of their respective cash balance. The failure of the Costain Group's subsidiaries to generate profits and cash may result in the Company having insufficient funds to make dividend payments to its shareholders.

IMPORTANT INFORMATION

Without prejudice to the Company's obligations under FSMA, the Prospectus Regulation Rules, the Prospectus Regulation, the Disclosure Guidance and Transparency Rules, the Listing Rules, the Market Abuse Regulation and other applicable regulations, the delivery of this document shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information contained herein is correct as at any time after its date.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by the Company or by the Bookrunners.

Investors must not treat the contents of this document or any subsequent communications from the Company or the Directors or any of their respective affiliates, officers, directors, employees or agents as advice relating to legal, taxation, accounting, regulatory, investment or any other matters. Each prospective investor should consult his, her or its own solicitor, independent financial adviser or tax adviser for legal, financial or tax advice.

The section headed "Summary" should be read as an introduction to this document. Any decision to invest in Ordinary Shares should be based on consideration of this document as a whole by the investor. In particular, investors must read the sections headed "What are the key risks that are specific to the issuer?" and "What are the key risks that are specific to the securities?" of the Summary together with the risks set out in the section headed "Risk Factors" in Part II of this document.

NO INCORPORATION OF WEBSITE INFORMATION

Other than the information incorporated by reference into this document (as set out in Part XIII (Documentation incorporated by reference) of this document), the contents of the Company's website or any website directly or indirectly linked to the Company's website have not been verified and do not form part of this document and investors should not rely on it or any of them.

FORWARD LOOKING STATEMENTS

Certain statements contained in this document, including those in the Parts headed "Summary", "Risk Factors", "Chairman's Letter" and "Information on the Costain Group", constitute "forward looking statements". In some cases, these forward looking statements can be identified by the use of forward looking terminology, including the terms "believes", "estimates", "plans", "prepares", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. Investors should specifically consider the factors identified in this document, which could cause actual results to differ, before making an investment decision. Such forward looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of Costain, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding Costain's present and future business strategies and the environment in which Costain will operate in the future. Such risks, uncertainties and other factors are set out more fully in the section of this document headed "Risk Factors" and include, among others: risks relating to "Failure to deliver projects effectively"; "Failure to secure new work and contract renewals or cancellations of, or changes to existing contracts"; "COVID-19"; "Failure to maintain a strong balance sheet"; "Failure to deliver the business strategy"; "Risk on contract judgements"; "Pension Liabilities"; "Litigation, claims and disputes"; "Failure to prevent a major accident, hazard or incident"; and "Failure to ensure that the Costain Group's technology is robust, systems are secure and data is protected". These forward looking statements speak only as at the date of this document. Except as required by the FCA, the London Stock Exchange or applicable law (including as may be required by the Prospectus Regulation, the FCA's Listing Rules, Prospectus Regulation Rules and the Disclosure Guidance and Transparency Rules), Costain expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements contained in this document to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

MARKET DATA

Where information contained in this document has been sourced from a third party, the Company and the Directors confirm that such information has been accurately reproduced and, so far as they are aware and have been able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

PRESENTATION OF FINANCIAL INFORMATION

Historical financial information

The historical financial information presented in this document consists of:

- the audited consolidated financial statements of the Group as of and for the year ended 31 December 2018; and
- the audited consolidated financial statements of the Group as of and for the year ended 31 December 2019.

The basis of preparation and significant IFRS accounting policies are explained in the notes to the consolidated financial statements which are incorporated by reference into this document, as explained in Part XIII (Documentation Incorporated by Reference) of this document.

The Group presents its annual accounts as of 31 December in each financial year.

Non-IFRS financial measures

The Group has included certain measures in this document that are not measures defined by IFRS or any other generally accepted accounting principles such as “underlying operating profit”, “underlying profit before tax” and “underlying basic earnings per share”. The Directors believe that these measures provide important alternative information with which to assess the Group’s performance and are measures that the Board uses to manage the Group’s business. Underlying results are reported before other items; amortisation of acquired intangible assets, employment related deferred consideration and other one-off costs as shown on the income statement.

The non-IFRS financial measures included in this document do not alone provide a sufficient basis to compare the Group’s performance with that of other companies and should not be considered in isolation or as a substitute for operating income or any other generally accepted measure as an indicator of operating performance, or as an alternative to cash generated from operating activities as a measure of liquidity. As there are no generally accepted principles governing the calculation of this measure, the Company’s calculation of “underlying operating profit”, “underlying profit before tax” and “underlying basic earnings per share” may be different from the calculation of similar titled measure disclosed by other companies and therefore comparability may be limited. The tables below reconcile: (i) underlying operating profit to reported operating profit; (ii) underlying profit before tax to reported profit before tax; and (iii) underlying basic earnings per share to reported basic earnings per share:

<u>Operating profit</u>	<u>Year ended 31 December 2019</u>	<u>Year ended 31 December 2018</u>
	<u>(£ million)</u>	<u>(£ million)</u>
Underlying operating profit	17.9	52.5
<i>Arbitration award on historical building project</i>	(9.7)	—
<i>Impairment of Alcaidesa marina</i>	(5.9)	—
<i>Loss on disposal of subsidiary undertakings</i>	(3.0)	—
<i>Pension GMP equalisation charge</i>	—	(8.6)
<i>RDEC grant income</i>	—	2.6
<i>Amortisation of acquired intangible assets</i>	(2.3)	(3.0)
<i>Employment related and other deferred consideration</i>	<u>(0.2)</u>	<u>(0.4)</u>
Reported operating profit	(3.2)	43.1

<u>Profit before tax</u>	<u>Year ended 31 December 2019</u>	<u>Year ended 31 December 2018</u>
	(£ million)	(£ million)
Underlying profit before tax	14.6	49.7
<i>Arbitration award on historical building project</i>	(9.7)	—
<i>Impairment of Alcaidesa marina</i>	(5.9)	—
<i>Loss on disposal of subsidiary undertakings</i>	(3.0)	—
<i>Pension GMP equalisation charge</i>	—	(8.6)
<i>RDEC grant income</i>	—	2.6
<i>Amortisation of acquired intangible assets</i>	(2.3)	(3.0)
<i>Employment related and other deferred consideration</i>	(0.2)	(0.4)
<i>Finance expense</i>	<u>(0.1)</u>	<u>(0.1)</u>
Reported profit before tax	(6.6)	40.2

	<u>Year ended 31 December 2019</u>			<u>Year ended 31 December 2018</u>		
	<u>Underlying</u>	<u>Other items</u>	<u>Total</u>	<u>Underlying</u>	<u>Other items</u>	<u>Total</u>
	(£ million)			(£ million)		
Profit before tax	14.6	(21.2) ⁽¹⁾	(6.6)	49.7	(9.5) ⁽²⁾	40.2
Tax	(0.1)	3.8	3.7	(9.1)	1.7	(7.4)
Profit after tax	<u>14.5</u>	<u>(17.4)</u>	<u>(2.9)</u>	<u>40.6</u>	<u>(7.8)</u>	<u>32.8</u>
Basic earnings / (loss) per share	13.5p		(2.7)p	38.2p		30.9p

(1) Includes one-off items used in the reconciliation between underlying profit before tax and reported profit before tax for the year ended 31 December 2019.

(2) Includes one-off items used in the reconciliation between underlying profit before tax and reported profit before tax for the year ended 31 December 2018.

CURRENCY PRESENTATION

Unless otherwise indicated, all references in this document to “EUR”, “€” or “euro” are to the lawful currency in the Member States of the European Union that have adopted the single currency introduced in application of the European Economic Community Treaty.

Unless otherwise indicated, all references in this document to “£”, “pounds”, “pounds sterling” or “sterling” are to the lawful currency of the United Kingdom and references to “pence” or “p” represent pence in the lawful currency of the United Kingdom.

The Group prepares its consolidated financial statements incorporated by reference into this document in pounds. Unless otherwise indicated, the financial information contained in this document has been expressed in pounds.

ROUNDING

Certain data in this document including financial, statistical and operating information as well as the financial information presented in a number of tables have been rounded to the nearest whole number or the nearest decimal place. Therefore, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data and the sum of the numbers in a table may not conform exactly to the total figure given for that table. In addition, certain percentages presented in the tables in this document reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

PART III
EXPECTED TIMETABLE OF PRINCIPAL EVENTS

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. If you have any queries on the procedure for acceptances and payment, you should contact the shareholder helpline on 0371 384 2849 (overseas callers should use +44 (0)121 415 0264) 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 applicable international rates.

	Date
Record Time for entitlements 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. on 20 May 2020
Latest time and date for depositing Open Offer Entitlements into CREST	3.00 p.m. on 21 May 2020
Latest time and date for splitting of Application Forms (to satisfy bona fide market claims only)	3.00 p.m. on 22 May 2020
Latest time and date for receipt of Forms of Proxy or electronic proxy appointments	5.00 p.m. on 25 May 2020
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer or settlement of relevant CREST instruction (as appropriate) . .	11.00 a.m. on 27 May 2020
General Meeting	5.00 p.m. on 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. on 29 May 2020
New Ordinary Shares credited to CREST accounts (uncertificated holders only)	by 8.00 a.m. on 29 May 2020
Expected despatch of definitive share certificates (where applicable)	on or around 9 June 2020

Notes:

- (A) Each of the times and dates set out in the above timetable and mentioned in this document, the Application Form and in any other document issued in connection with the Capital Raising is subject to change by the Company (with the agreement of, in certain instances, Rothschild & Co and the Bookrunners), in which event details of the new times and dates will be notified to the FCA and, where appropriate, to Shareholders.
- (B) Any reference to a time in this document is to London time, unless otherwise specified.
- (C) 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, details of which are set out in Part X (Overseas Shareholders) of this document.

CAPITAL RAISING STATISTICS

Offer Price	60 pence per New Ordinary Share
Basis of Open Offer	4 New Ordinary Shares for every 13 Existing Ordinary Shares ⁽¹⁾
Number of Existing Ordinary Shares ⁽²⁾	108,283,074
Discount of New Ordinary Shares to the Closing Price on 6 May 2020 (being the Business Day prior to the announcement of the Capital Raising)	20.1%
Number of New Ordinary Shares to be issued pursuant to the Capital Raising	166,666,667
Number of New Ordinary Shares to be issued by the Company pursuant to the Firm Placing	133,348,799
Number of New Ordinary Shares to be issued by the Company pursuant to the Placing and Open Offer	33,317,868
Number of Ordinary Shares in issue immediately following Admission .	274,949,741
New Ordinary Shares as a percentage of the Enlarged Share Capital immediately following Admission	60.6%
Estimated gross proceeds of the Capital Raising ⁽³⁾	£100 million
Estimated net proceeds of the Capital Raising (after deduction of expenses) ^{(3),(4)}	£93.0 million

(1) Fractions of New Ordinary Shares will not be allotted to Shareholders in the Open Offer and fractional entitlements under the Open Offer will be rounded down to the whole nearest number of New Ordinary Shares.

(2) In issue as at the Latest Practicable Date.

(3) Unless otherwise stated, for the purposes of the table above and this document, the number of New Ordinary Shares to be issued under the Capital Raising is stated on the assumption that no further Ordinary Shares are issued as a result of the exercise of any options under any share plan, or otherwise, between the date of this document and the relevant time. In addition, the gross and net proceeds of the Capital Raising have been calculated on the basis that 133,348,799 New Ordinary Shares are issued under the Firm Placing and that 33,317,868 New Ordinary Shares are issued under the Placing and Open Offer.

(4) Expenses are expected to be approximately £7.0 million (exclusive of VAT).

PART IV
DIRECTORS, SECRETARY AND ADVISERS

DIRECTORS	Dr Paul Golby CBE (<i>Non-executive Chairman</i>) Alex Vaughan (<i>Chief Executive Officer</i>) Anthony Bickerstaff (<i>Chief Financial Officer</i>) Jane Lodge (<i>Senior Independent Director</i>) Alison Wood (<i>Independent Non-executive Director</i>) David McManus (<i>Independent Non-executive Director</i>) Jacqueline de Rojas CBE (<i>Independent Non-executive Director</i>) <i>The business address of each of the Directors is the Company's registered address at Costain House, Vanwall Business Park, Maidenhead, Berkshire, SL6 4UB</i>
REGISTERED OFFICE	Costain House Vanwall Business Park Maidenhead Berkshire SL6 4UB
COMPANY SECRETARY	Tracey Wood
SPONSOR AND FINANCIAL ADVISER	N.M. Rothschild & Sons Limited New Court St Swithin's Lane London EC4N 8AL United Kingdom
JOINT GLOBAL CO-ORDINATOR AND JOINT BOOKRUNNER	HSBC Bank plc 8 Canada Square London E14 5HQ United Kingdom
JOINT GLOBAL CO-ORDINATOR, JOINT BOOKRUNNER AND JOINT CORPORATE BROKER .	Investec Bank plc 30 Gresham Street London EC2V 7QP United Kingdom
JOINT GLOBAL CO-ORDINATOR, JOINT BOOKRUNNER AND JOINT CORPORATE BROKER .	Liberum Capital Limited Ropemaker Place, Level 12 25 Ropemaker Street London EC2Y 9LY United Kingdom
LEGAL ADVISER TO THE COMPANY AS TO ENGLISH LAW	Slaughter and May One Bunhill Row London EC1Y 8YY United Kingdom
LEGAL ADVISER TO THE COMPANY AS TO JERSEY LAW	Mourant Ozannes 22 Grenville Street St Helier Jersey JE4 8PX
LEGAL ADVISER TO THE SPONSOR, FINANCIAL ADVISER AND BOOKRUNNERS AS TO ENGLISH LAW	Simmons & Simmons LLP CityPoint One Ropemaker Street London EC2Y 9SS United Kingdom
AUDITORS AND REPORTING ACCOUNTANT	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH United Kingdom
REGISTRARS AND RECEIVING AGENT	Equiniti Limited Aspect House Spencer Road Lancing, West Sussex BN99 6DA United Kingdom

PART V CHAIRMAN'S LETTER

Directors

Dr Paul Golby CBE (Non-executive Chairman)
Alex Vaughan (Chief Executive Officer)
Anthony Bickerstaff (Chief Financial Officer)
Jane Lodge (Senior Independent Director)
Alison Wood (Independent Non-executive Director)
David McManus (Independent Non-executive Director)
Jacqueline de Rojas CBE (Independent Non-executive Director)

Registered Office

Costain House
Vanwall Business Park
Maidenhead
Berkshire SL6 4UB

7 May 2020

Dear Shareholder

PROPOSED CAPITAL RAISING

1. Introduction to the Capital Raising

It was announced on 7 May 2020 that the Company proposes to raise approximately £100 million (approximately £93.0 million net of expenses) by way of a Firm Placing and Placing and Open Offer of, in aggregate, 166,666,667 New Ordinary Shares at an issue price of 60 pence per New Ordinary Share. 133,348,799 New Ordinary Shares will be issued through the Firm Placing and 33,317,868 New Ordinary Shares will be issued through the Placing and Open Offer on the basis of 4 New Ordinary Shares for every 13 Existing Ordinary Shares.

ASGC has entered into a binding commitment to purchase 41,666,666 New Ordinary Shares at the Offer Price pursuant to the Firm Placing, representing an investment of £25 million. On completion of the Capital Raising, ASGC will hold approximately 15.15% of the Group's Enlarged Share Capital. Further information on ASGC is provided in section 12 of this letter.

The Offer Price represents a discount of 20.1% to the Closing Price of 75.10 pence per Ordinary Share on 6 May 2020 (being the last Business Day before the announcement of the Capital Raising).

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

The Capital Raising is conditional upon, among other things, the approval of the Resolution at the General Meeting. Costain has received irrevocable undertakings from certain Directors who are Existing Ordinary Shareholders in respect of approximately 0.45% of Costain's existing issued share capital to vote in favour of the Resolution to be proposed at the General Meeting.

Your attention is drawn to section 9 of this letter for more information on the importance of your vote.

I am writing to give you further details of the Capital Raising, including the background to and reasons for it, to explain why the Costain Board considers it to be in the best interests of Costain and Costain Shareholders as a whole and to seek your approval of the Resolution to be proposed at the General Meeting.

2. Introduction to the Group

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.

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

Costain's strategy is to focus 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, which are benefitting from significant increases in committed spend.

The Directors believe that the Group is one of only a limited number of companies providing the integrated capability that is required to meet the changing needs of major UK infrastructure clients and their markets. In order to compete effectively for new business from such clients, maintaining a strong and flexible balance sheet is a pre-requisite.

The Group has a strong order book of £4.2 billion (including £1.1 billion relating to HS2) as at 31 December 2019, significantly underpinning its medium term growth and cash flow. Revenue visibility is high, with over 90% of annual revenue typically generated from existing blue chip clients and approximately £940 million of revenue secured for 2020.

Essential, large and growing markets

The Directors believe that the Group's markets are evolving rapidly and positioned for accelerated growth as Costain's clients adapt their business strategies and investment priorities to best respond to key market demands for increased capacity, improved resilience, growing efficiency, decarbonisation and enhanced customer service.

The new UK Government recognises the important role that infrastructure plays in supporting a growing and globally competitive economy and has significantly increased its commitment to invest in long-term UK infrastructure programmes, with its 2019 manifesto plan for "national renewal" underpinned by an additional £100 billion of infrastructure spend. Evidence of the scale of the UK's critical investment programme includes:

- in Transportation: the UK Government is committed to investing in a fundamental upgrade of the UK's transport infrastructure. The Group expects that over the next five years more than £28.8 billion will be invested on England's strategic and local road network, £5.5 billion will be spent in capital investment and renewals by Transport for London, around £125 billion on other rail investment and approximately £7 billion on increasing airport capacity;
- in Water: the regulator, OFWAT, is driving investment to improve water quality standards, supply resilience, decarbonisation and efficiency of operations. Water companies have pledged to spend more than £50 billion on delivering and improving services over the next 5 years;
- in Energy: it is estimated that £138 billion will be invested by 2028 in new UK energy infrastructure to meet forecast energy demands and the UK Government has now committed to the very significant investment required to deliver a net zero carbon target by 2050, which Costain believes will transform energy generation in the UK; and
- in Defence: the UK Government has committed £186 billion to a 10-year equipment and facilities upgrade programme.

The Directors believe that the Group's addressable market across its target sectors is approximately £23 billion per annum, creating a significant growth opportunity for the Group.

Alongside the scale of this planned investment, Costain's major clients are changing the nature of their investment to meet and address the challenges outlined above. Examples include:

- in a joined-up approach, the UK Government, regulators and clients demanding greater innovation to address these challenges, collectively spending in excess of £1 billion in the short and medium term with their suppliers to unlock new solutions;
- in developing new public transport plans, resilience, energy and digital solutions, clients increasing their consultancy spend, with that directly addressable by Costain increasing to approximately £1.8 billion per annum;
- investment to address the effects of the climate change crisis, with the water industry investing £13 billion to reduce carbon emissions and improve supply resilience, and transport networks investing to overcome extreme weather events including heatwaves, storms and flooding that damaged infrastructure and halted thousands of services across the UK in 2019;
- enhancing asset management practices recognising that underlying infrastructure that will be used in 30-years' time already exists today, and that it is therefore essential that these assets are efficiently utilised, maintained and enhanced; and
- increasing levels of investment in Highways England's "Digital roads" programme, Network Rail's "Digital Rail" programme, water companies' "Digital Water" programmes and the use of smart

meters within the energy sector as a result of digital technology being regarded as an all-encompassing solution for improved efficiency and enhanced performance.

3. Costain's Leading Edge strategy

Strategically, the Directors believe that as a result of its unique client focus, Costain is well-positioned to benefit from these long term positive market dynamics.

Costain's Leading Edge strategy, launched in 2019, closely aligns its services to meet the changing needs of its markets and clients and differentiates the Group through its long-term strategic client relationships and ability to meet their wider, evolving needs.

Overall, the ambition of the Leading Edge strategy is to broaden the Group's services provided to clients, accelerate the deployment of higher margin activities and deliver a divisional operating profit margin in the range of 6 to 7% over the medium term.

The Directors believe the strategy will see Costain:

- shaping new solutions as a leading innovation partner and thought leader;
- supporting clients' business improvement as a valued adviser and consultant;
- investing in technology and being an insightful digital technology integrator;
- optimising the performance of clients' existing infrastructure assets; and
- delivering complex capital programmes in new ways.

During 2019 Costain secured approximately £1.7 billion of new work across the range of its services, and benefits from an order book including:

Formal contracts—construction delivery phase

- M1 Smart motorway programme
- A19 Testo's roundabout
- Thames Tideway Tunnel—East
- Peterborough & Huntingdon (National Grid)

Early Contractor Involvement (ECI phase)

- HS2 Southern section main works (which has, since April 2020, moved from the ECI phase to the construction delivery phase)
- Highways England routes to market
- M6 smart motorways

Framework contracts

- Water AMP frameworks
- Sellafield DDP framework

Service based contracts

- United Utilities Maintenance Services
- Highways England maintenance contracts, areas 4, 12 & 14
- East Sussex highway services

Consultancy and technology contracts

- Over 150 new commissions
- Over 30 long-term frameworks

In addition, to improve the Group's business competitiveness and returns, a programme of robotic process automation, reduction in management levels and improved operational effectiveness has been put in place. This programme is targeting £20 million per year in efficiency gains within three years to underpin investment in the business and support the implementation of Costain's strategy.

The successful delivery of Costain's strategy relies on its highly skilled and experienced employees (approximately 3,400 people, over one third of whom are working in consultancy and technology roles).

4. Costain's track record

From 2014 to 2018, Costain delivered a compound annual growth rate of 16.3% in underlying operating profit, an improvement in underlying operating profit margin from 2.6% to 3.5% and approximately £208 million of cash flow from operating activities, at an average cash conversion of over 100%. This strong cash flow performance, in addition to the capital raising in 2014, has allowed Costain to make significant investment in the business, whilst continuing to provide stakeholders with regular, attractive capital returns.

Operationally, the Directors believe that Costain has a disciplined approach to risk management in contract bidding, contract delivery and health and safety, which is embedded in the business from the bottom up and fundamental to its culture.

In summary, over 2014 to 2019 Costain has:

- invested over £60 million in acquisitions which have transformed the Group's consulting and technology offerings;
- invested £15 million in permanently improving payment terms of its suppliers;
- invested an additional amount of approximately £45 million to fund working capital requirements, predominately representing the transition to largely target cost, cost reimbursable contracts;
- successfully won a series of major long-term contracts, resulting in joint venture and project bank account balances increasing by approximately £40 million;
- paid approximately £70 million in dividends to Shareholders; and
- significantly improved the position of the Company's pension scheme by contributing over £70 million to the scheme.

2019 was a challenging year for the Group. Whilst the underlying performance of the Group remained in line with management expectations, the Group's net cash position was impacted by a number of market factors and performance on certain contracts:

Market dynamics:

- the Group implemented revised processes to ensure that suppliers are paid promptly, with the average time taken to pay invoices reducing to 34 days, moving into line with sector best practice, from 58 days (in the same period in 2018), reducing cash held by £15.0 million; and
- structural market changes, including the level of cash held in joint operations and project bank accounts, have increased the Group's general working capital requirements.

Contract performance:

- the arbitration outcome in respect of the A465 Contract reduced the net cash balance by £37.0 million;
- the arbitration outcome relating to Diamond Light Source Limited which reduced the net cash balance by £9.7 million; and
- delays to the start of new contracts and a contract cancellation, reduced the level of profit for 2019 by approximately £16.0 million.

In addition, in relation to the contract for the upgrade of National Grid's Peterborough and Huntingdon compressor stations, the timing of the increased forecast costs and contract receipts is expected to have a working capital impact during the period of the contract. Further information on the contract for the upgrade of National Grid's Peterborough and Huntingdon compressor stations is included in section 3 of Part VII (Information on the Costain Group).

In 2019, the Group continued to have a positive net cash position, which as at 31 December 2019, was £64.9 million (2018: £118.8 million). Of this, approximately £35.0 million (2018: £30.0 million) reflects positive timing receipts and payments at the year end which reversed in the early part of 2020.

Included within the Group's year end net cash position is £83.5 million of cash in joint operations (2018: £84.5 million). The average month end net cash for 2019 was £41.2 million for the period (2018: £77.1 million), of which £78.3 million was average month-end net cash in joint operations (2018: £83.4 million). Before taking the Capital Raising into account, the Group expects to maintain a positive average month-end net cash balance (including cash in joint operations) in 2020, increasing going forward.

In April 2020:

- HS2 granted Costain's joint venture company, Skanska Costain Strabag, notice to proceed to full detailed and design construction of Phase 1 of the HS2 railway in area south as part of the main works contract;
- Costain was awarded a £210 million design and build contract by Highways England to upgrade an existing section of the A30 north of Truro, Cornwall; and
- Costain was appointed as one of the six partners in the £4.5 billion Smart Motorway Programme Alliance, a newly created alliance which will deliver critical capacity and safety improvements.

5. Background to, and reasons for, the Capital Raising

Costain's markets have changed significantly over the last five years which has led to a change in the nature of the relationship between Costain, its clients and its suppliers. Costain has successfully positioned itself to compete effectively for new business and work in strong partnerships with its clients, resulting in a transition to a structurally increased working capital requirement.

Specifically:

- Costain's major clients are continuing to consolidate their supply chains as they seek to derive business improvement and transformation by working in more strategic and collaborative relationships with key suppliers—as a consequence, Costain's clients are highly focused on appointing financially strong and stable partners as their reliance on those partners has increased;
- there has been an increase in the use of joint operation delivery structures and project bank accounts, as clients and partners respond to the impact of the well-documented failure of certain contractors in the sector by requiring increased direct control over their financial risk profiles—this has resulted in an increase in the level of Costain's balance sheet cash being held in such joint operation structures and project bank accounts, rather than being freely available for the Group to use for general working capital purposes; and
- the introduction of the Prompt Payment Code whereby contractors are required to pay their suppliers earlier has also resulted in higher working capital requirements—in response, Costain has implemented revised processes to ensure that suppliers are paid promptly, with the average time taken to pay invoices reduced to 34 days from 58 days.

The Board believes there is a significant opportunity for the Group to capitalise on the growing infrastructure market opportunities available to the Group, in line with the Group's strategy. Also, having a strong balance sheet has become increasingly important to Costain's clients and other stakeholders. For these reasons and to provide additional headroom in the current environment to effectively manage working capital flows in the business, the Board has concluded that the Capital Raising, which will strengthen the Group's balance sheet, is in the best interests of the Group.

The UK Government's 2020 Budget, announced on 11 March 2020, confirmed that around £640 billion of gross capital investment will be provided for roads, railways, communications, schools, hospitals, and power networks across the UK by 2024–25. This has further reaffirmed the Board's belief that Costain is well-positioned for future growth.

6. Use of proceeds

The Group intends to use the proceeds from the Capital Raising for general corporate purposes, allowing Costain 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.

Costain is also pleased that its banking partners have agreed, subject to the completion of the Capital Raising, to extend the Group's existing debt facilities to 24 September 2023 as described further in Part XII (Additional Information) of this document. The renewed facilities, in addition to the Capital Raising, will give Costain additional balance sheet strength, enhancing further its ability to compete effectively and deliver its Leading Edge strategy.

7. A clear and focused capital allocation framework

Evidence of financial strength and robust financial management are pre-requisites for qualification to win new work with Costain's major clients, and therefore the Group intends to maintain a robust balance sheet, a high net asset base, positive net current assets, a net cash balance and bank facilities available for working capital and investment purposes.

A key element in the successful implementation of the Group's Leading Edge strategy will continue to be the efficient allocation of capital. The Board regularly reviews the appropriate allocation with regard to the following priorities:

- maintaining a strong and flexible balance sheet, typically with a net cash position;
- ensuring that the Group can effectively exploit available growth opportunities, deliver on its ongoing obligations, including making regular returns to shareholders, and address the Group's legacy pension contribution commitments; and
- ensuring an appropriate mix of equity, banking and bonding facilities to align the composition and structure of the Group's funding with its prevailing strategic and investment priorities.

Specifically, Costain will target the following financial metrics:

- a net asset base of at least £200 million;
- a current asset ratio of greater than 1.3x;
- a high positive net cash balance; and
- no structural debt.

The Board believes that its approach to the optimal deployment of capital will generate value for all stakeholders on an efficient and equitable basis.

8. Update on COVID-19

The Company has assessed, and continues to assess, the potential for disruption caused by COVID-19 and has put plans and measures in place to enable the business to respond to what is an evolving situation. This includes a daily meeting, by telephone, of the Company's senior management team to gather latest updates across the Group's business and the wider economy and to reflect on the best possible information and UK Government and other guidance available to the Company, and then to take actions to best mitigate new developments.

The Group has taken various actions to mitigate the financial impact of COVID-19 and protect the Group's cash position; the Group has made reductions to the Group's cost base, deferred capital expenditure, PAYE and VAT payments and the board and senior leadership team have agreed a 30% reduction in salaries and directors' fees for up to three months. In addition to this and in order to safeguard jobs across the Group, Costain has made use of the UK Government's job retention scheme by furloughing the affected workforce, ensuring an effective and timely remobilisation when conditions improve. The Group has also put in place appropriate measures to manage the potential financial impact, as currently assessed, of such remobilisation.

The Group operates in the transportation, water, energy and defence markets, where outside of London the UK Government and the Group's clients are encouraging a business as usual approach, with necessary safe working practices, which is focused on the continued access to, and operation of,

essential national infrastructure, which is paramount to the UK Government's response strategies. The Group continues to engage in active discussions with its clients to establish what work can and should both start and continue with appropriate safety measures in place.

Whilst the Group's way of operating has adapted and is likely to need to continue to adapt over the coming months, based on the facts as they stand as at the last practicable date prior to publication of this document, the Board anticipates that it will continue to be able to take steps to mitigate certain significant impacts from COVID-19 on the financial performance of the business.

A robust response to safeguard client and employee health and wellbeing

The Group continues to monitor and adhere to the UK Government's advice relating to COVID-19 and has implemented early preventative measures to safeguard the health and wellbeing of its workforce. In February 2020, Costain established a Coronavirus Steering Group comprising senior managers across the Group's business to ensure, amongst other things, that: (i) the business is, and continues to be, appropriately prepared to respond to developments relating to the developing COVID-19 situation; (ii) the business is following the Group crisis management procedures to ensure that all communications are centralised and co-ordinated; and (iii) an agile response is prepared in case of further necessary changes in approach.

The Group has robust business continuity procedures in place, covering all aspects of its operations, which are regularly tested and audited to ensure they remain fit for purpose. These formal operating procedures have been deployed which include daily operational calls across the business to ensure the Group is able to manage risks and assess the commercial and operational effectiveness across the business.

A geographically diverse business operating across over 160 sites in the UK

Costain has a highly skilled and experienced workforce comprising approximately 3,400 people, with over one third working in consultancy and technology.

All employees who can work from home are now doing so and have the technology and capabilities to continue to service the Group's clients. Most office based staff and employees in consultancy and technology roles, already have and regularly use this infrastructure. For those who are recognised as essential workers providing critical work on construction sites, the Group has put in place strict measures to ensure their health and safety, which comply as a minimum with the UK Government's prescriptive guidance as to social distancing at work.

In addition, Costain's operations are based at over 160 locations across the UK and therefore the Group has some geographical, multi-site protection from the temporary closure of some of the sites at or from which the Group operates (including onsite construction activities in London such as Crossrail and HS2), management of supply chain and the ability to flex a mobile workforce.

As the Group has significant operations across the UK's transport infrastructure, such mobile workforce may also enable the Group to accelerate certain works in the event that peak demand on the transportation network is reduced for a period during the COVID-19 outbreak.

A strategy focused on continued access to and operation of essential national infrastructure

Costain's strategy is underpinned by long term strategic relationships with blue-chip clients whose major spending plans are underpinned by strategic national needs, regulatory commitments, legislation or essential performance requirements. The significant majority of the Group's work is driven by strategic national need and, as noted above, the UK Government and the Group's clients are encouraging a business as usual approach which is focused on the continued access to, and operation of, essential national infrastructure.

The Group's integrated capability will also enable the Group to support its clients through what is a continuously changing environment arising from COVID-19.

Costain has strategically transitioned to a portfolio where the vast majority of its contracts are a form of target cost and cost reimbursable contracts which provide the Group with contractual protection in relation to the impact of COVID-19. Notwithstanding such contractual protection, Costain is committed to working with its clients to minimise the time and cost impact associated with the operation of

essential national infrastructure. The Group is responding to the requirements of its clients, including in a limited number of cases, temporary cessation of any site operations at their request.

Strategic supply chain partners

A high proportion of the Group's workforce are employed by the Group's supply chain partners. The Group is therefore working closely with those partners to ensure that there is continuity in the delivery of their operations, a safe working environment and effective management of the workforce.

Generally, a high proportion of the Group's supplies come from the UK. Bulk materials such as concrete, aggregate and steel remain unaffected as these materials are supplied from UK sources and there is currently enough stockholding in the UK. Most of these supplies will be provided through local supply chains and therefore any issues, if they arise, could be managed regionally.

There is more uncertainty with componentry which is sourced from outside the UK and could be affected by restricted trade and border closures. This has not had a significant impact on Costain's operations to date but all areas of supply are being kept under review as part of response to COVID-19 as described above.

9. Working capital and importance of the vote

9.1 Working capital statement

The Company is of the opinion that, taking into account its existing available facilities and the net proceeds of the Capital Raising, the working capital available to the Group is sufficient for its present requirements, that is, for at least the next 12 months following the date of this document.

9.2 Impact of COVID-19

In making the above statement the Directors draw to the attention of Shareholders and potential investors that COVID-19, the impact of which is unprecedented, has introduced an additional uncertainty in respect of the forecast period.

The reasonable worst case projections prepared by the Directors, which include sensitivities for COVID-19, show that there is no liquidity shortfall or covenant breach in the 12 month period following the date of this document. However, given that there remains an additional uncertainty as to the overall impact of COVID-19 on the Group and its business, the Directors believe it is necessary to draw Shareholders' (and those who may invest in the Ordinary Shares) attention to the assumptions underpinning the COVID-19 sensitivities.

9.3 COVID-19 reasonable worst case assumptions

In determining the potential impact resulting from COVID-19, 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:

- a 56% reduction in profit contribution in respect of complex delivery works;
- 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
- a 43% reduction in new work to be obtained.

9.4 Basis of working capital statement

The working capital statement in this document has been prepared in accordance with the ESMA Recommendations relating to working capital statements, and the technical supplement to the FCA Statement of Policy published 8 April 2020 relating to the COVID-19 crisis.

9.5 Importance of the vote

Although there is no working capital shortfall under the reasonable worst case scenario, the headroom on the leverage covenants contained in the Group's facilities is limited from June 2020 absent the net proceeds from the Capital Raising. Therefore, in the event that the net proceeds from the Capital

Raising are not received, there is a risk that the leverage covenants are breached from June 2020 if actual performance is below the reasonable worst case projections.

The Group has a good and supportive relationship with its finance providers, as evidenced by the amendment and restatement agreements entered into on 10 March 2020 in respect of each of the Facilities Agreement, the Bonding Facilities Agreements and the Surety Facilities Agreements (as described in section 9 of Part XII (Additional Information) of this document). As described in that section, the amendment and restatement agreements are subject to a number of conditions, including completion of the Capital Raising. In the event that the Capital Raising did not proceed and there was a breach of the leverage covenants, the Group would seek covenant waivers from its lenders but there can be no assurance that such waivers would be granted, in which case the Group's lenders would have the right to withdraw immediately the Group's facilities and demand repayment of any drawings on the facilities.

Under these circumstances, the Group may have insufficient cash resources to repay the lenders in the event that the facilities were withdrawn and/or to continue trading and the Group could be forced into insolvent liquidation.

Accordingly, as described above, your Board believes that the Capital Raising and the Resolution are in the best interests of the Company and its Shareholders as a whole and recommends that you vote in favour of the Resolution, as the Costain Directors intend to do in respect of their own beneficial holdings.

10. Pensions

In accordance with the requirement for a triennial review, a full actuarial valuation of the Costain Pension Scheme was carried out as at 31 March 2019. The Costain Pension Trustee and the relevant members of the Costain Group have agreed the terms of the 2019 Recovery Plan based on the actuarial valuation as at 31 March 2019. The 2019 Recovery Plan replaces the 2016 Recovery Plan.

Under the terms of the 2019 Recovery Plan, from 1 April 2020 to 31 January 2029, the Costain Group is required to make: (i) cash contributions of £10.2 million per annum (increasing annually with the Consumer Price Index) (the "**Shortfall Correction Contribution**"); and (ii) if, in any year, the total dividend amount paid by Costain exceeds the Shortfall Correction Contribution, an additional contribution equal to such excess. Any additional payments in this regard would have the effect of reducing the recovery period in the agreed plan.

11. Dividends and dividend policy

Recognising the importance to the Group of maintaining a strong and growing capital base, following the Capital Raising, 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 year ended 31 December 2019, therefore resulting in a total dividend paid for the year, including the interim dividend, of 3.8 pence per share (2018: 15.15 pence). 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.

The New Ordinary Shares issued pursuant to the Capital Raising will rank *pari passu* in all respects with the Ordinary Shares and rank full for all dividends and other distributions declared in respect of the ordinary share capital of Costain.

12. ASGC

Established in 1989 and headquartered in Dubai, ASGC is a leading, privately owned, vertically integrated construction group with a focus on delivering turn-key special projects in the UAE, and more recently Egypt and Africa.

ASGC provides its services across diverse sectors including residential, commercial, industrial, leisure, hospitality, healthcare, transportation and social infrastructure. The ASGC Group is a contractor to governments and blue-chip private enterprises, delivering landmark projects such as the Coca-Cola Arena in Dubai, expansion and improvement works for Dubai International Airport,

expansion of the Dubai Mall, the Waldorf Astoria on the Palm Jumeirah as well as several pavilions for Dubai EXPO 2020.

ASGC is majority owned by its founders, Mohamed Saif Bin Shafar, Emad Azmy and Mohammed Al Sayyah, who remain its chairman, vice chairman and a non-executive director respectively. Having grown progressively over the last three decades, ASGC today has more than 17,000 employees and an annual turnover in excess of \$1 billion.

ASGC believes it has developed a strong and differentiated position in its core geographies by applying the latest technological advancements to become more productive, efficient, and cost-effective in the way it delivers projects for its customers. ASGC shares Costain's vision that remaining at the forefront of the industry requires the integration of "digital" into each phase of its operations, including through its already active use of 3D/4D modelling, drones video surveillance and analytics, technologies such as RFID, GPS and Blebeaconing, ERP solutions and Cloud-based technologies.

ASGC has monitored closely developments in the UK infrastructure and construction markets over an extended period of time, leveraging its experience and expertise as a successful growth company in the sector in its core operating geographies, and its presence on the ground through its UK subsidiary. ASGC believes there are significant long-term, structural growth opportunities in UK infrastructure and that Costain is strongly positioned to take advantage, underpinned by the benefits of the Capital Raising. Through the discussions on its financial investment in Costain, ASGC believes it is developing a strong and collaborative working relationship with the Costain Board and executive management, and looks forward to assisting appropriately in Costain's future success.

13. Irrevocable undertakings and Directors' participation

Certain Costain Directors who hold interests in Existing Ordinary Shares have irrevocably undertaken to vote in favour of the Resolution to be proposed at the General Meeting to approve the Capital Raising and related matters in respect of a total of 490,845 Existing Ordinary Shares, representing, in aggregate, approximately 0.45% of Costain issued share capital.

In addition, the Directors have subscribed for an aggregate of 362,498 New Ordinary Shares through the Firm Placing, representing approximately 0.13% of the Company's Enlarged Share Capital following the Capital Raising.

14. Summary of the principal terms and conditions of the Capital Raising

Costain proposes to raise £100 million (before expenses) in aggregate by way of the Capital Raising, comprising approximately £80 million (before expenses) by way of the Firm Placing and approximately £20 million (before expenses) by way of the Placing and Open Offer. Accordingly, 133,348,799 New Ordinary Shares will be placed with the Firm Places subject to, and in accordance with, the Placing Agreement and 33,317,868 New Ordinary Shares will be issued pursuant to the Placing and Open Offer, representing, in aggregate 60.6% of the Enlarged Share Capital, at the Offer Price of 60 pence per Ordinary Share. The Firm Placing Shares are not subject to clawback and are not part of the Placing and Open Offer.

The Offer Price of 60 pence per New Ordinary Share represents an effective 20.1% discount to the Closing Price of 75.10 pence on 6 May 2020, being the Business Day prior to the announcement of the Capital Raising. The Offer Price has been set by the Directors following their assessment of market conditions and following discussions with a number of institutional investors. The Directors are in agreement that the level of discount and method of issue are appropriate to secure the investment necessary.

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 such conditions are not satisfied, or, if applicable waived, the Capital Raising will not proceed and any Open Offer Entitlements and Excess Open Offer Entitlements admitted to CREST will thereafter be disabled.

The necessary shareholder approvals for the Capital Raising will be sought at the General Meeting to be held at 5.00 p.m. on 27 May 2020, the full details of which are set out in the Notice of General Meeting at the end of this document.

The Capital Raising is being fully underwritten by the Bookrunners, subject to the conditions set out in the Placing Agreement. A summary of the principal terms of the Placing Agreement is set out in section 9 of Part XII (Additional Information) of this document.

Application will be made for the New Ordinary Shares to be admitted to listing on the premium 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 dealings in the New Ordinary Shares will commence at 8.00 a.m. on 29 May 2020 (whereupon an announcement will be made by the Company to a Regulatory Information Service).

The New Ordinary Shares will, in aggregate, represent approximately 60.6% of the Company's Enlarged Share Capital following Admission of the New Ordinary Shares.

A cash box structure will be used for the issue of the New Ordinary Shares pursuant to the Capital Raising.

15. Dilution

If a Qualifying Shareholder who is not a Placee does not take up any of his or her Open Offer Entitlements 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 (and assuming he or she does not participate in the Excess Application Facility), such Qualifying Shareholder's holding, as a percentage of Enlarged Share Capital, will be diluted by 48.5% as a result of the Firm Placing. Subject to certain exceptions, Shareholders in the United States and the Restricted Jurisdictions will not be able to participate in the Open Offer and will therefore experience dilution as a result of the Capital Raising.

16. The Firm Placing

The Bookrunners, as agents of the Company, have made arrangements to conditionally place the Firm Placing Shares at the Offer Price pursuant to the Placing Agreement. The Firm Placing Shares, which represent approximately 80% of the New Ordinary Shares and 48.5% of the Enlarged Share Capital have been placed with ASGC, certain institutional investors and the Costain Directors (the "**Firm Placees**"). The Firm Placees will not be able to participate in the Open Offer in respect of their allocation of Firm Placing Shares. The Firm Placing is conditional upon, amongst other things, the passing of the Resolution.

The Firm Placing will raise gross proceeds of approximately £80 million (which includes ASGC's investment of £25 million).

For further details of the Placing Agreement, please see section 9 of Part XII (Additional Information) of this document.

17. The Placing and Open Offer

The Bookrunners, as agents of the Company, have also made arrangements to conditionally place the Placing Shares with new and existing institutional investors at the Offer Price. The Placing Shares represent approximately 20% of the New Ordinary Shares and 12.1% of the Enlarged Share Capital. The Placing Shares will be subject to clawback to satisfy valid applications under the Open Offer.

Qualifying Shareholders have the opportunity under the Open Offer to subscribe for Open Offer Shares at the Offer Price, payable in full on application and free of expenses, pro rata to their existing shareholdings, on the following basis:

4 Open Offer Shares 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, and otherwise on the terms and conditions as set out in this document and, in the case of Qualifying Non-CREST Shareholders, the Application Form. Any fractional entitlements to Open Offer Shares will be disregarded in calculating Qualifying Shareholders' Open Offer Entitlements and will be aggregated and made available under the Excess Application Facility.

Excess Application Facility

Qualifying Shareholders are also being given the opportunity to apply for Excess Open Offer Shares at the Offer Price through the Excess Application Facility. If applications under the Excess Application Facility are received for more than the number of Excess Open Offer Shares available following take up of Open Offer Entitlements, applications will be scaled back at the Company's absolute discretion. Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that your application for Excess Open Offer Shares will be met in full or in part or at all.

Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and Excess Open Offer Entitlements will be admitted to CREST, and be enabled for settlement, the Open Offer Entitlements and Excess Open Offer Entitlements will not be tradeable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim. New Ordinary Shares for which application has not been made under the Open Offer (including the Excess Application Facility) will not be sold in the market for the benefit of those who do not apply under the Open Offer (including the Excess Application Facility) and Qualifying Shareholders who do not apply to take up their entitlements will have no rights nor receive any benefit under the Open Offer. Any New Ordinary Shares which are not applied for under the Open Offer (including the Excess Application Facility) will be allocated to the Placing Places pursuant to the Placing, with the proceeds ultimately accruing for the benefit of the Company.

The Placing and Open Offer will raise gross proceeds of approximately £20 million.

18. Overseas Shareholders

United States

The New Ordinary Shares have not been, and will not be, registered under the Securities Act or under the securities laws of any state, district or other jurisdiction of the United States. Accordingly, the New Ordinary Shares may not be offered, sold, resold, delivered, distributed or otherwise transferred, directly or indirectly, in, into or from the United States.

None of the securities referred to in this document have been approved or disapproved by the SEC, any state securities commission in the United States or any other US regulatory authority, nor have such authorities passed upon or determined the adequacy or accuracy of this document. Any representation to the contrary is a criminal offence in the United States.

Other jurisdictions

This document and any accompanying documents are not being made available to Overseas Shareholders with registered addresses in any Restricted Jurisdiction and may not be treated as an invitation to subscribe for any New Ordinary Shares by any person resident or located in such jurisdictions or any other Restricted Jurisdiction.

The New Ordinary Shares have not been, and will not be, registered under the applicable securities laws of any Restricted Jurisdiction. Accordingly, the New Ordinary Shares may not be offered, sold,

delivered or transferred, directly or indirectly, in or into any Restricted Jurisdiction to or for the account or benefit of any national, resident or citizen of any Restricted Jurisdiction.

This document has been prepared to comply with English law, the Prospectus Regulation, the Prospectus Regulation Rules and the Listing Rules, and the information disclosed may not be the same as that which could have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside the United Kingdom.

NONE OF THE SECURITIES REFERRED TO IN THIS DOCUMENT SHALL BE SOLD, ISSUED OR TRANSFERRED IN ANY JURISDICTION IN CONTRAVENTION OF APPLICABLE LAW.

19. The New Ordinary Shares

The New Ordinary Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Ordinary Shares. The New Ordinary Shares will be created under the Companies Act and the legislation made thereunder, will be issued in registered form and will be capable of being held in both certificated and uncertificated form. The other rights attached to the New Ordinary Shares are set out in section 4 of Part XII (Additional Information) of this document.

Approval of the creation and issue of the New Ordinary Shares will be sought at the General Meeting. A summary of the Resolution to be proposed at the General Meeting in connection with the creation and issue of the New Ordinary Shares is set out in section 21 below.

20. Settlement, listing and dealings of the New Ordinary Shares

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

The Existing Ordinary Shares are already admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities and to CREST. It is expected that all of the New Ordinary Shares, when issued and fully paid, will be capable of being held and transferred by means of CREST. The New Ordinary Shares will trade under ISIN GB00B64NSP76.

21. General Meeting

The Company is closely monitoring developments relating to the current outbreak of COVID-19, including the related public health guidance and legislation issued by the UK Government. At the time of publication of this document, the UK Government has prohibited public gatherings of more than two people and non-essential travel, save in certain limited circumstances. In light of these measures, the General Meeting will be run as a closed meeting and Shareholders will not be able to attend in person. The Company will make arrangements such that the legal requirements to hold the meeting can be satisfied through the attendance of a minimum number of Directors and employees and the format of the meeting will be purely functional.

Shareholders are therefore strongly encouraged to submit a proxy vote in advance of the meeting. Details on how to submit your proxy vote by post, online or through CREST are set out in Notice of General Meeting. Given the current restrictions on attendance, Shareholders are encouraged to appoint the chair of the meeting as their proxy rather than a named person who will not be permitted to attend the meeting.

This situation is constantly evolving, and the UK Government may change current restrictions or implement further measures relating to the holding of general meetings during the affected period. Any changes to the General Meeting (including any change to the location of the General Meeting) will be communicated to shareholders before the meeting through our website at www.costain.com and, where appropriate, by announcement made by the Company to a Regulatory Information Service.

Resolution

The Capital Raising is subject to a number of conditions, including Shareholders' approval of the Resolution to be proposed at the General Meeting. Notice convening the General Meeting to be held

at 5.00 p.m. on 27 May 2020 at Costain House, Vanwall Business Park, Maidenhead, Berkshire, SL6 4UB is set out at the end of this document. Shareholders are being asked to vote on, amongst other things, the Resolution in order to provide the Directors with the necessary authority and power under the Companies Act to proceed with the Capital Raising. The Capital Raising is conditional on the passing of the Resolution; if the Resolution is not approved at the General Meeting, the Company will be unable to complete the Capital Raising.

The Resolution authorises the Directors to allot up to 167 million Ordinary Shares, representing approximately 154% of the Company's current issued share capital as at 6 May 2020 (being the Latest Practicable Date) at a discount of 20.1% to the Closing Price of 75.10 pence on 6 May 2020, being the Business Day prior to the announcement of the Capital Raising. This will enable the Company to allot sufficient Ordinary Shares to satisfy its obligations in connection with the Capital Raising. This authority will expire at the conclusion of the next annual general meeting of the Company in 2020. The authority granted under the Resolution is in addition to the authority to allot Ordinary Shares which was granted to the Directors at the Company's annual general meeting in 2019, which the Directors have no present intention of exercising and which will expire on the date of the Company's next annual general meeting unless previously revoked or varied by the Company.

As at the date of this document, the Company holds no Ordinary Shares in treasury.

22. Actions to be taken

In respect of the General Meeting

Existing Costain Shareholders will find enclosed with this document a Form of Proxy for use at the General Meeting. You are requested to complete and sign the Form of Proxy whether or not you propose to attend the General Meeting in person in accordance with the instructions printed on it so as to be received by Costain's registrar, Equiniti, at the return address on the enclosed envelope, as soon as possible, and in any event no later than 5.00 p.m. on 25 May 2020. You may also submit your proxy electronically at www.sharevote.co.uk using the Voting ID, Task ID and Shareholder Reference Number (SRN) printed on the Form of Proxy. Alternatively, if you have already registered with Equiniti's online portfolio service, Shareview, you can submit your Form of Proxy at www.shareview.co.uk. Full instructions are given on both websites. CREST Shareholders may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Equiniti (CREST participant ID RA19). Electronic proxy appointments must also be received by no later than 5.00 p.m. on 25 May 2020. **The completion and return of the Form of Proxy (or the electronic appointment of a proxy) will not preclude you from attending the General Meeting and voting in person if you wish to do so.**

In respect of the Open Offer

If you are a Qualifying Non-CREST Shareholder and not also a Restricted Shareholder and you wish to take up your Open Offer Entitlements in whole or in part and any Excess Open Offer Entitlements, you should complete and return the enclosed Application Form, together with your remittance for the full amount of the subscription monies for the New Ordinary Shares being taken up in accordance with the instructions printed thereon and in Part IX (Terms and Conditions of the Capital Raising) of this document, by post, to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, so as to arrive by no later than 11.00 a.m. on 27 May 2020 being the latest time for acceptance and payment in full.

If you are a Qualifying CREST Shareholder and not also a Restricted Shareholder, no Application Form is enclosed and you will receive a credit to your appropriate stock account in CREST in respect of the Open Offer Entitlements and Excess Open Offer Entitlements representing your maximum entitlement under the Open Offer.

The procedure for application and payment depends on whether, at the time at which application and payment is made, you have an Application Form in respect of your entitlement under the Open Offer or have Open Offer Entitlements and Excess Open Offer Entitlements credited to your stock account in CREST in respect of such entitlement. The latest time for applications under the Open Offer to be received is 11.00 a.m. on 27 May 2020.

Full details of the terms and conditions of the Open Offer and the procedure for application and payment are contained in Part IX (Terms and Conditions of the Capital Raising) of this document.

If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent financial adviser authorised under FSMA if you are in the United Kingdom or, if you are not, from another appropriately authorised independent financial adviser.

23. Recommendation and voting intentions

The Board believes that the Capital Raising and the Resolution are in the best interests of the Company and its Shareholders as a whole. Accordingly, Costain Directors unanimously recommend that you vote in favour of the Resolution, as the Costain Directors who are Existing Ordinary Shareholders intend to do in respect of their own beneficial holdings.

Yours faithfully,

Dr Paul Golby CBE
Chairman

PART VI SOME QUESTIONS AND ANSWERS ABOUT THE CAPITAL RAISING

The questions and answers set out in this Part VI (Some Questions and Answers about the Capital Raising) are intended to be generic guidance only and, as such, you should also read Part IX (Terms and Conditions of the Capital Raising) of this document for full details of what action you should take. If you are in any doubt about the action to be taken, you are recommended to seek your own personal financial advice immediately from your stockbroker, solicitor, accountant or other appropriate independent financial adviser duly authorised under FSMA. The attention of Overseas Shareholders is drawn to Part X (Overseas Shareholders) of this document.

This Part VI (Some Questions and Answers about the Capital Raising) deals with general questions relating to the Capital Raising, as well as more specific questions about the Capital Raising relating to Ordinary Shares held by persons resident in the UK who hold their Ordinary Shares in certificated form only. If you hold your Ordinary Shares in uncertificated form (that is, through CREST) your attention is drawn to Part IX (Terms and Conditions of the Capital Raising) of this document which contains full details of what action you should take. If you are a CREST sponsored member, you should consult your CREST sponsor.

If you do not know whether your Ordinary Shares are held in certificated or uncertificated form, please call Equiniti on 0371 384 2849 (overseas callers should use +44 (0) 121 415 0264). Lines are open 9.00 a.m. to 5.00 p.m., Monday to Friday (excluding English and Welsh public holidays). Calls to the shareholder helpline from outside of the United Kingdom will be charged at the applicable international rate.

1. What is the Firm Placing and the Placing and Open Offer?

A firm placing and placing and open offer is a way for companies to raise money. They usually do this by giving their existing shareholders a right to subscribe for further shares at a fixed price in proportion to their existing shareholdings (an open offer) and providing for new investors to subscribe for new shares in the Company (a firm placing and a placing). The fixed price is normally at a discount to the closing mid-market price of the Existing Ordinary Shares prior to the announcement of the open offer.

2. What is the Company's Open Offer?

This Open Offer is an invitation by the Company to Qualifying Shareholders to apply to subscribe for an aggregate of 33,317,868 New Ordinary Shares at a price of 60 pence per New Ordinary Share. If you hold Ordinary Shares at the Record Time or have a bona fide market claim, and are not a Shareholder located in the United States or any other Restricted Jurisdiction (for further information, see Part X (Overseas Shareholders) of this document), you will be entitled to subscribe for New Ordinary Shares under the Open Offer.

The Open Offer is being made on the basis of 4 New Ordinary Shares for every 13 Existing Ordinary Shares held by Qualifying Shareholders (other than Restricted Shareholders) at the Record Time. If your entitlement to New Ordinary Shares is not a whole number, your fractional entitlement will be rounded down in calculating your entitlement to New Ordinary Shares. Fractional entitlements to New Ordinary Shares will be aggregated and made available to Qualifying Shareholders under the Excess Application Facility. New Ordinary Shares are being offered to Qualifying Shareholders in the Open Offer at a discount to the closing mid-market share price on the last dealing day before the details of the Capital Raising were announced on 7 May 2020.

Qualifying Shareholders are also being given the opportunity to apply for Excess Open Offer Shares at the Offer Price through the Excess Application Facility. Applications made under the Excess Application Facility will be scaled back at the Company's discretion if applications are received from Qualifying Shareholders for more than the available number of Excess Open Offer Shares. 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 the Open Offer Shares.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should note that their Application Forms are not

negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and Excess Open Offer Entitlements will be admitted to CREST, and be enabled for settlement, the Open Offer Entitlements and Excess Open Offer Entitlements will be not be tradeable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim.

New Ordinary Shares for which application has not been made under the Open Offer (including the Excess Application Facility) will not be sold in the market for the benefit of those who do not apply under the Open Offer (including the Excess Application Facility) and Qualifying Shareholders who do not apply to take up their entitlements will have no rights nor receive any benefit under the Open Offer. Any New Ordinary Shares which are not applied for under the Open Offer (including the Excess Application Facility) will be allocated to the Placing Places pursuant to the Placing, with the proceeds ultimately accruing for the benefit of the Company.

However, Shareholders should note that the Capital Raising is conditional upon: (i) the Resolution being passed by Shareholders at the General Meeting; (ii) 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 (iii) the Placing Agreement becoming unconditional.

3. When will the Capital Raising take place?

The Capital Raising is subject to Admission of the New Ordinary Shares becoming effective by not later than 8.00 a.m. on 29 May 2020 or such later time and/or date as Rothschild & Co and the Bookrunners may agree.

4. What is an Application Form?

It is a form sent to those Qualifying Shareholders who hold their Ordinary Shares in certificated form. It sets out your entitlement to subscribe for the New Ordinary Shares and is a form which you should complete if you want to participate in the Open Offer.

5. What if I have not received an Application Form?

If you have not received an Application Form and you do not hold your Ordinary Shares in CREST, this probably means that you are not eligible to participate in the Open Offer. Some Qualifying Shareholders, however, will not receive an Application Form but may still be able to participate in the Open Offer, including:

- (A) Qualifying CREST Shareholders; and
- (B) Qualifying Non-CREST Shareholders who bought Ordinary Shares before the Ex-Entitlements Date but were not registered as the holders of those Ordinary Shares at the Record Time (see question 6 below).

6. If I bought Ordinary Shares before 11 May 2020 (the Ex-Entitlements Date) will I be eligible to participate in the Open Offer?

If you bought Ordinary Shares before the Ex-Entitlements Date but you are not registered as the holder of those Ordinary Shares at 6.00 p.m. on 4 May 2020 (the 'Record Time') you may still be eligible to participate in the Open Offer. If you are in any doubt, please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement. You will not be entitled to the New Ordinary Shares in respect of any Ordinary Shares acquired on or after the Ex-Entitlements Date.

7. I hold my Ordinary Shares in uncertificated form in CREST. What do I need to do in relation to the Open Offer?

CREST members should follow the instructions set out in Part IX (Terms and Conditions of the Capital Raising) of this document. Persons who hold Ordinary Shares through a CREST member should be informed by the CREST member through which they hold their Ordinary Shares of the number of New Ordinary Shares which they are entitled to take up under the Open Offer and should contact them if they do not receive this information.

8. I hold my Ordinary Shares in certificated form. How do I know I am eligible to participate in the Open Offer?

If you receive an Application Form and are not a Shareholder with a registered address in a Restricted Jurisdiction, and are not physically located in the United States or any other Restricted Jurisdiction, then you should be eligible to participate in the Open Offer as long as you have not sold all of your Ordinary Shares before the Ex-Entitlements Date.

9. I hold my Ordinary Shares in certificated form. How do I know how many New Ordinary Shares I am entitled to take up?

If you hold your Ordinary Shares in certificated form and, subject to certain limited exceptions, do not have a registered address in the United States or any other Restricted Jurisdiction, you will be sent an Application Form that shows:

- in Box 1, how many Ordinary Shares you held at the Record Time;
- in Box 2, how many New Ordinary Shares are comprised in your Open Offer Entitlement; and
- in Box 3, how much you need to pay in Pounds Sterling if you want to take up your right to subscribe for all of your Open Offer Entitlement.

If you would like to apply for any or all of the New Ordinary Shares comprised in your Open Offer Entitlement, you should complete the Application Form in accordance with the instructions printed on it and the information provided in this document. Completed Application Forms should be posted, along with a cheque or banker's draft drawn in the appropriate form, in the accompanying pre-paid envelope to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to be received by no later than 11.00 a.m. on 27 May 2020, after which time Application Forms will not be valid.

10. I hold my Existing Ordinary Shares in certificated form and am eligible to receive an Application Form. What are my choices in relation to the Open Offer?

(A) If you do not want to take up your Open Offer Entitlement

If you do not want to take up your Open Offer Entitlement you do not need to do anything. In these circumstances, you will not receive any New Ordinary Shares. You will also not receive any money when the New Ordinary Shares you could have taken up are sold, as would happen under a rights issue provided the price at which they are sold exceeds the costs and expenses of effecting the sale. You cannot sell your Open Offer Entitlement to anyone else. If you do not return your Application Form subscribing for the New Ordinary Shares to which you are entitled by 11.00 a.m. on 27 May 2020, we have made arrangements under which we have agreed to issue the New Ordinary Shares comprising your Open Offer Entitlement, subject to the Excess Application Facility, to the Placing Places. Qualifying Shareholders are, however, encouraged to vote at the General Meeting by attending in person or completing and returning the Form of Proxy enclosed with this document. You may also submit your Form of Proxy electronically at www.sharevote.co.uk using the Voting ID, Task ID and Shareholder Reference Number (SRN) printed on the Form of Proxy. Alternatively, if you have already registered with Equiniti's online portfolio service, Shareview, you can submit your Form of Proxy at www.shareview.co.uk. Full instructions are given on both websites.

If you do not take up any of your Open Offer Entitlement then following the issue of the New Ordinary Shares pursuant to the Capital Raising, your interest in the Company, as a percentage of Enlarged Share Capital, will be diluted by 60.6% as a result of the Capital Raising.

(B) If you want to take up some but not all of the New Ordinary Shares under your Open Offer Entitlement or want to apply for more than your Open Offer Entitlement

If you want to take up some but not all of the New Ordinary Shares under your Open Offer Entitlement, you should write the number of New Ordinary Shares you want to take up in Box 4 of your Application Form; for example, if you have an Open Offer Entitlement for 50 New Ordinary Shares but you only want to apply for 25 New Ordinary Shares, then you should write "25" in Box 4.

Provided you have agreed to take up your Open Offer Entitlement in full, you can apply for further Open Offer Shares under the Excess Application Facility. You should write the number of Open Offer

Shares comprised in your Open Offer Entitlement (as indicated in Box 2) in Box 4 and write the number of additional Open Offer Shares for which you would like to apply in Box 5.

For example, if you have an Open Offer Entitlement for 600 Open Offer Shares but want to apply for 900 Open Offer Shares in total, then you should write "600" in Box 4 and "300" in Box 5. You should then write the sum of the numbers in Boxes 4 and 5 in Box 6. To work out how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares you want (in this example, "900") by £0.6, which is the price in pounds sterling of each Open Offer Share giving you an amount of £540 in this example. You should write this amount in Box 7, rounding down to the nearest whole penny and this should be the amount your cheque or banker's draft is made out for. You should then return the completed Application Form, together with a cheque or banker's draft for that amount, in the accompanying pre-paid envelope by post to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to be received by no later than 11.00 a.m. on 27 May 2020, after which time Application Forms will not be valid.

All payments should be in Pounds Sterling and made by cheque or banker's draft made payable to 'Equiniti Limited re: Costain Open Offer' and crossed 'A/C payee only'. Cheques or banker's drafts must be drawn on an account at a bank or building society or a branch of a bank or building society which must be in the UK, the Channel Islands or the Isle of Man and which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided by either of those companies. Cheques and banker's drafts must bear the appropriate sorting code number in the top right-hand corner and must be for the full amount payable on application. Post-dated cheques will not be accepted.

Cheques drawn on a non-UK bank will be rejected. Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has inserted the full name of the account holder and have either added the building society or bank branch stamp or have provided a supporting letter confirming the source of funds. The name of the account holder should be the same as that shown on the Application Form. Cheques or banker's drafts will be presented for payment upon receipt. Payments via CHAPS, BACS or electronic transfer will not be accepted. The Company reserves the right to instruct Equiniti to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be paid on payments made before they are due. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender.

If applications under the Excess Application Facility are received for more than the number of Excess Open Offer Shares available following take up of Open Offer Entitlements, applications will be scaled back at the Company's absolute discretion. Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that your application for Excess Open Offer Shares will be met in full or in part or at all. A definitive share certificate will then be sent to you for the New Ordinary Shares that you take up. Your definitive share certificate for New Ordinary Shares is expected to be despatched to you on or around 9 June 2020.

(C) If you want to take up all of your Open Offer Entitlement

If you want to take up all of the New Ordinary Shares to which you are entitled, all you need to do is sign page 1 of the Application Form (ensuring that all joint holders sign (if applicable)) and send the Application Form, together with your cheque or banker's draft for the amount (as indicated in Box 3 of your Application Form), payable to 'Equiniti Limited re: Costain Open Offer' and crossed 'A/C payee only', in the accompanying pre-paid envelope by post to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to be received by no later than 11.00 a.m. on 27 May 2020, after which time Application Forms will not be valid. If you post your Application Form by first class post, it is recommended that you allow at least four Business Days for delivery.

11. I am a Qualifying Shareholder, do I have to apply for all the New Ordinary Shares I am entitled to apply for?

You can take up any number of the New Ordinary Shares allocated to you under your Open Offer Entitlement or none. If you have agreed to take up your Open Offer Entitlements in full, you can apply for further New Ordinary Shares under the Excess Application Facility.

Any applications by a Qualifying Shareholder for a number of New Ordinary Shares which is equal to or less than that person's Open Offer Entitlement will be satisfied, subject to the Open Offer becoming unconditional. If you decide not to take up all of the New Ordinary Shares comprised in your Open Offer Entitlement, then your proportion of the ownership and voting interest in the Company will be reduced to a greater extent than if you had decided to take up your full entitlement. Please refer to answers (A), (B) and (C) of question 10 for further information.

If applications under the Excess Application Facility are received for more than the number of Excess Open Offer Shares available following take up of Open Offer Entitlements, applications will be scaled back at the Company's absolute discretion. Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that your application for Excess Open Offer Shares will be met in full or in part or at all.

12. Will I be taxed if I take up my entitlements?

If you are resident in the UK for UK tax purposes, you will not have to pay UK tax when you take up your right to receive New Ordinary Shares, although the Capital Raising may affect the amount of UK tax you pay when you sell your New Ordinary Shares.

Further information for Qualifying Shareholders who are resident in the UK for UK tax purposes is contained in Part XI (United Kingdom Taxation Considerations) of this document. Shareholders who are in any doubt as to their tax position or who are subject to tax in any jurisdiction other than the United Kingdom should consult their professional advisers immediately.

13. What should I do if I live outside the United Kingdom?

Your ability to apply to subscribe for New Ordinary Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your Open Offer Entitlement. Shareholders with registered addresses or who are located in the United States or any other Restricted Jurisdiction are not eligible to participate in the Open Offer. Your attention is drawn to the information in Part X (Overseas Shareholders) of this document.

14. What should I do if I need further assistance?

If you have any other questions, please telephone Equiniti on 0371 384 2849 (overseas callers should use +44 (0) 121 415 0264). Lines are open 9.00 a.m. to 5.00 p.m., Monday to Friday, excluding English and Welsh public holidays. Calls to the shareholder helpline from outside of the United Kingdom will be charged at the applicable international rate. Please note that, for legal reasons, Equiniti are only able to provide information contained in this document (other than information relating to the Company's register of members) and, as such, will be unable to give advice on the merits of the Capital Raising or to provide financial advice. Equiniti staff can explain the options available to you, which forms you need to fill in and how to fill them in correctly.

Your attention is drawn to the further terms and conditions in Part IX (Terms and Conditions of the Capital Raising) of this document and (in the case of Qualifying Non-CREST Shareholders) in the Application Form.

The contents of this document or any subsequent communication from Costain, Rothschild & Co or the Bookrunners or any of their respective affiliates, officers, directors, employees or agents are not to be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own solicitor, independent financial adviser or tax adviser for legal, financial or tax advice.

PART VII INFORMATION ON THE COSTAIN GROUP

1. Introduction to the Group

Costain is one of the UK's leading smart infrastructure solutions companies, operating across the strategically important transportation, water, energy and defence markets. These markets are evolving as Costain's clients adapt their business strategies and priorities to respond to population increases, climate change, customers' expectations of improved service, ageing assets and the need for greater efficiency and improved productivity. The Group's Leading Edge strategy is focused on aligning the Group's services to meet these changing needs and priorities. 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 has two core operating and reporting divisions: the Transportation division, which includes the Group's activities in the highways, rail and aviation sectors; and the Natural Resources division, encompassing the Group's activities in the water, energy and defence sectors. The operations of the two core divisions are 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, technology and complex programme delivery.

2. Key principal activities

2.1 Transportation

The Transportation division, which operates in the highways, rail and aviation sectors, works to meet the increasing demands on existing UK infrastructure to enhance productivity in the movement of goods and services, passenger experience and journey reliability.

Highways

In highways, Costain is a provider of end-to-end highway services, delivering technology-based engineering solutions for its clients. Costain's clients are seeking technology solutions to reduce congestion and improve road network safety and Costain's integrated services are directed towards meeting these priorities. Costain provides a full range of highway services to its clients, including technology-driven asset optimisation solutions which reduce maintenance costs and extend asset life, scheme development services, design and construction services, commissioning and handover services and maintenance services. Costain is a major provider of services to Highways England, the UK Government-owned body responsible for operating England's strategic road network, and remains one of the largest providers to Highways England's smart motorways programme. In April 2020, Costain was appointed as one of the six partners in the £4.5 billion Smart Motorway Programme Alliance (a newly created alliance which will deliver critical capacity and safety improvements across England's strategic road network). The Group provides camera, radar and electronic signage technologies, which allow smart motorways to operate, and is continuing to develop new systems which are focused on meeting the requirements of an increasingly digital motorway network. Costain continues to have a significant role in the Midlands Future Mobility testbed project, and the A2/M2 Connected Corridor project, where specially equipped vehicles can interact directly with roadside infrastructure. Costain also continues to deliver large capital investment programmes on critical sections of the road network, including the A14 Cambridge to Huntingdon Improvement scheme, which opened a year early to traffic in December 2019 and which remains on budget and on-time for completion in 2020.

In addition, to support improvements in increasing local capacity and connectivity, Costain has commenced work on two new large schemes. In the North East, construction work has commenced on the A19 Testo's junction improvement and, in the North West, work has commenced on the Preston Distributor road contract. The Group is also continuing to complete the A465 Heads of Valleys road pursuant to the A465 Contract. Further details of the A465 Contract are provided in section 10 of Part XII (Additional Information) of this Document.

The Group is also providing design, pre-construction and construction delivery services to Highways England through its Regional Delivery Partnerships in Northern England and the East of England and has commenced work on a scheme to improve sections of the A1 in Northumbria and has recently

been awarded a £210 million design and build contract to upgrade the existing section of the A30 north of Truro, Cornwall. Costain is continuing to provide its services to Highway England's operations in relation to asset management contracts and also provides consultancy services on a range of strategic transportation issues to local authorities. Costain has four long term asset maintenance contracts working with Highways England and East Sussex County Council, helping the Group's clients to optimise the life and performance of their existing infrastructure.

Rail

In the rail market, Costain delivers end-to-end asset lifecycle solutions across the sector, from major station projects to multi-disciplinary rail projects. Costain has continued to provide services to major projects and clients across the sector, including Network Rail, Crossrail, Crossrail2 and HS2, and is focused on developing new opportunities with other rail clients in the UK. Costain offers its clients a range of specialist services in the market, which include electrification services, track, signalling and system services and services designed to support specific multi-disciplinary projects from feasibility studies to project close out.

In 2019, Costain completed the redevelopment of London Bridge Station, a flagship redevelopment for Network Rail which the Group had worked on for the previous seven years. Costain also secured the delivery contract for Gatwick Station, a significant enhancement programme in the south-east of England in 2019, which is jointly funded by Network Rail, Gatwick Airport and the Department for Transport. Costain substantially completed electrification projects on the Stirling-Dunblane-Alloa route with the new fleet of electric trains entering service on time and providing both performance and environmental benefits on this route.

The Group's work in relation to HS2 has continued to progress. The Group's enabling works contract in joint venture with Skanska for the southern section of the route has involved significant preparatory works for the new railway. Under its main works contract in joint venture with Skanska and Strabag, Costain has substantially completed design services for the southern section of the route and, in April 2020, HS2 granted Skanska Costain Strabag (Costain's joint venture entity) notice to proceed to full detailed design and construction of Phase 1 of the HS2 railway in area south as part of the main works contract.

In addition, Costain was appointed by Network Rail and Innovate UK to design an automated design tool. The Group has also continued to develop the 'Meerkat' system for unguarded level crossings in conjunction with Network Rail and the system is expected to be deployed during the course of 2020. Meerkat is a technology developed exclusively by Costain that combines trackside radars, a photovoltaic charging system and warning lights and sirens at pedestrian crossings, representing a significant safety enhancement for Network Rail. In partnership with Jacobs Engineering Costain has also secured a place on one of Network Rail's three multi-disciplinary national design and consultancy frameworks which provides Costain with the opportunity to support Network Rail in shaping a number of its future business solutions.

Costain has also continued its activities to complete Crossrail (the Elizabeth Line) at Bond Street and Paddington stations in London.

Aviation

In aviation, Costain continues to develop new business, offering airport operators strategic consultancy services and programme management capabilities together with associated design and technology services. The Group's activities in aviation are focused on working across the key regional airport network to support improvements to enhance capacity and efficiency of operations. Costain has recently secured a number of consultancy opportunities including a technical services framework, carbon management and programme management services.

2.2 Natural Resources

The Natural Resources division operates in the water, energy and defence sectors.

Water

In the water sector, Costain provides technology-based engineering solutions to UK water utility companies aimed at improving and maintaining water standards, enhancing supply resilience, meeting

anticipated demographic shifts and reducing energy costs using self-generated renewable sources. Costain's offering includes programme optimisation advisory services, standard product development, production controls, whole-life costing and lean delivery processes. To continue delivering innovative solutions across the asset lifecycle, Costain analyses large volumes of real time data to benefit clients through optimised maintenance, pump operation, energy and chemical usage. Costain is now in the final year of the AMP6 programmes for Thames Water, Severn Trent Water and Southern Water. Costain and its existing joint venture partner, MWH Treatment, have recently been selected by Southern Water to extend their existing AMP6 contract as part of the new five-year AMP7 investment programme, in which they will bring together consultancy, design, digital, construction and commissioning expertise to maintain and improve Southern Water's water supply and wastewater treatment. Costain has also been awarded a place on the capital delivery framework for AMP7 for Severn Trent Water. Costain is also involved in a joint venture for the east section of the Thames Tideway project to modernise London's sewage system and improve water quality in the River Thames by providing a major new sewer. In 2019, Costain was also appointed as United Utilities' sole managed service provider and was also awarded an early contractor involvement contract by United Utilities to support its flagship Manchester and Pennines resilience project. Costain is also delivering a broad range of consultancy services including specialist targeted assurance for Yorkshire Water's AMP7 capital investment programme through a health and safety assurance consultancy framework contract in joint venture with Arup.

Energy

In 2019 Costain brought together its energy services and activities (previously reported as power, oil and gas and nuclear) to create an integrated energy team which is focused on supporting the decentralisation and decarbonisation of energy generation and transmission in the UK. As the Group's focus is on competitive positioning in the market, Costain is targeting its services to:

- shape future energy solutions, including unlocking the future of hydrogen production and transmission, carbon capture, and enhanced production techniques;
- exploit Costain's process engineering, programme management and digital skills in supporting clients develop their new solutions and deliver programmes of work;
- support clients to optimise the performance of their existing infrastructure; and
- deliver programmes of work through strategic frameworks.

Throughout 2019, the Group continued to develop its presence in the UK hydrogen market, securing several notable consultancy and advisory contracts, looking at carbon capture and storage as well as hydrogen blending, which is a pivotal enabler to unlocking the hydrogen economy. Costain is working with Scottish and Southern Electricity Networks and E.ON to improve network resilience in rural parts of the UK by focusing on resilience as a service, in a unique UK project. Following a successful bid into OFGEM's Network Innovation Competition, which provides funding of over £9.5 million, Costain is developing digital energy solutions to maintain and improve reliability, providing customers with a low carbon, cost-effective and secure electricity supply.

The contract for the upgrade of National Grid's Peterborough and Huntingdon compressor stations, where Costain is designing the solution and managing the delivery, is part of National Grid's Emission Reduction Project to ensure that both compressor stations comply with the Industrial Emissions Directive and Pollution Prevention and Control regulations.

Costain has continued to secure new consulting contracts for its gas process technology service offering and a number of strategic development consultancy services, with approximately £4 million of consultancy contracts being secured in the energy market. By providing engineering design services, Costain seeks to help its clients to develop and advance sustainable operations and improved efficiencies at several UK onshore gas terminals. The contract awards also include topside modification projects for several subsea tie-backs in the North Sea, both at front-end engineering design (FEED) and pre-FEED phases as well as providing subsea engineering support to nuclear sector projects. Other work secured involves the pre-FEED for a carbon capture usage and storage project that includes the onshore and offshore dimensions.

The Group also continues to secure and provide a range of asset management, programme management, training, commercial, engineering and other advisory services for strategic contracts with National Grid and Cadent.

In 2019, Costain completed the marine jetty at Hinkley Point C. The Group's contract with EDF Energy to provide consulting and project controls services across their portfolio continues to grow and Costain continues to support the development of a programme management office in preparation for the eventual defueling and decommissioning of the existing EDF nuclear reactor fleet. Costain's Sellafield decommissioning framework contract provides access to significant future revenue streams in support of the legacy clean-up mission.

Defence

Costain's development of its activities in the defence sector builds on the work it has carried out over recent years as strategic adviser to clients such as DE&S, AWE, BAE Systems and Rolls Royce. Costain's focus in the market is to drive value for money outcomes and optimise delivery for clients with improved ways of working across the defence equipment and infrastructure areas.

In the defence sector, Costain provides risk and programme management, project controls and consultancy support for the delivery of defence programmes for its clients. Its specialist services include transformational portfolio, programme and project management, equipment and delivery optimisation, asset optimisation and security, and digitisation through technological development, integration, security and support. Costain continues to support its clients through improving complex programme management on major infrastructure schemes, project controls and delivery, as well as providing vital assurance capacity. Costain continues to roll out programme, portfolio and project management leadership training to its clients' key personnel and has introduced a digital enterprise platform for improved project controls on a major defence programme.

The Group's programme management for AWE continues to meet performance expectations, allowing it to secure further opportunities to support AWE on other projects. The recent annual Infrastructure Projects Authority review of the AWE project recognised the outstanding collaborative relationship between the Costain, client and contractor teams.

3. Current trading and prospects

The Group's performance in 2019 was impacted by a number of factors which resulted in a reduction in underlying operating profit and earnings per share. In June 2019, the Group experienced delays to the timing of a number of contract start dates and new awards; in addition, a significant contract was cancelled, impacting expected profitability by approximately £16 million. In December 2019, the Group's profit was reduced by a further £20 million following the assessment of the adverse impact of an arbitration decision on the A465 Contract as described further in section 10 of Part XII (Additional Information) of this document.

Revenue, including the Group's share of joint ventures and associates, was £1,162.9 million for the year to 31 December 2019 (2018: £1,489.3 million). Reported revenue, excluding share of joint ventures and associates, was £1,155.6 million for the period (2018: £1,463.7 million). The reduction in revenue results from a lower level of capital project activity, in line with the strategic change in mix of services, and the delay in contract starts and contract cancellation.

The Group's underlying operating profit was £17.9 million (2018: £52.5 million) with the reduction in the period due to delays to the timing of a number of contract start dates, the cancellation of a significant contract and the impact of the arbitration decision relating to the A465 Contract. Reported operating loss for the year was £(3.2) million (2018: 43.1 million reported operating profit), with the significant reduction due to the lower underlying operating profit and the adverse impact of other one-off items including a charge of £9.7 million in respect of an arbitration award in favour of Diamond Light Source Limited for the cost of remedial works deemed required to the roof at the National Synchrotron facility and a one-off aggregate non-cash charge of £8.9 million for the loss on disposal and an impairment adjustment for the Group's non-core business assets in Spain.

Underlying profit before tax was £14.6 million (2018: £49.7 million) and underlying basic earnings per share were 13.5 pence (2018: 38.2 pence). Reported loss before tax was £6.6 million (2018: £40.2 million profit before tax) and reported (loss)/earnings per share were (2.7) pence (2018: 30.9 pence).

The Group had a positive net cash balance of £64.9 million as at 31 December 2019 (2018: £118.8 million); comprised of a positive cash balance of £180.9 million (2018: £189.3 million), including cash held by joint operations of £83.5 million (2018: £84.5 million)

and borrowings of £116.0 million (2018: £70.5 million). Approximately £35.0 million of the net cash balance (2018: £30.0 million) reflects positive timing receipts at the year-end which reversed in the early part of 2020.

The cash outflow in the period reflects the positive cash flow from operations and asset sale offset by working capital movements, dividend payments and associated pension deficit contributions. The cash balance also reflects the impact of the one-off charge in respect of the arbitration award in favour of Diamond Light Source Limited for the cost of remedial works deemed required to the roof at the National Synchrotron facility.

During the year, the Group's average month-end net cash balance was £41.2 million (2018: £77.1 million).

The Group has implemented revised processes to ensure that suppliers are paid promptly, with the average time taken to pay invoices reduced to 34 days from 58 days in the same period in 2018, with the associated working capital requirement also impacting the cash position during the period.

The Group has a record order book of £4.2 billion (including £1.1 billion relating to HS2) as at 31 December 2019. During 2019, the Group secured £1.7 billion of new work, which demonstrates that the Group's integrated services continue to be in high demand from clients. In addition, approximately £940 million of revenue has been secured for 2020.

The Group's order book is made up of an estimate of the value remaining on secured contracts, framework arrangements, service delivery arrangements and purchase orders. Several of the Group's contracts have an early contractor involvement phase which involves planning activities and preparation pre-construction; in this case, the Group's order book also includes the estimated value of the associated construction activities.

The contract for the upgrade of National Grid's Peterborough and Huntingdon compressor stations has experienced significant change and additional scope which has impacted on the forecast target cost and schedule for the completion of the works. In addition a small part of the overall contract works at the Huntingdon site have recently been suspended. Costain and the client are in ongoing discussions regarding the appropriate application of the contract and its resolution. As announced on 11 March 2020 in the Group's preliminary results announcement for the year ended 31 December 2019, Costain and the client are proceeding with the agreed project level escalation process set out in the contract. This includes a requirement to demonstrate Costain's entitlement regarding the compensation events. Costs on the project have doubled due to additional scope and at this stage only a limited proportion of the associated £90 million reforecast outturn cost has been formally agreed. Supported by external advice, the Group believes that it has strong entitlement to recover the costs to date and remaining costs to be incurred over the next 18 months. However, the outcome of the discussions between Costain and the client regarding the contract remains uncertain.

In December 2019, the Group announced the sale of Alcaidesa Holding S.A.U. and its wholly owned subsidiary Alcaidesa Golf S.L.U. which own and operate two golf courses, land and a club house in Cadiz, Spain. The sale was made for a total consideration of €15.2 million and resulted in a loss on disposal of £3.0 million. Further details of the sale of Alcaidesa Holding S.A.U are provided in section 9 of Part XII (Additional Information) of this document. The Group is also seeking a purchaser for its 624-berth Marina Concession and during the year has recorded an asset impairment of £5.9 million to represent the potential sale value. The disposal and potential sale is part of the Group's strategy to divest its non-core business assets in Spain.

As described further in section 9 of Part XII (Additional Information) of this document, the Group has in place banking and bonding facilities from banks and surety bond providers to meet the current and projected usage requirements. The Group has banking facilities of £187 million with its relationship banks and has agreed that the maturity date will be extended to 24 September 2023, conditional on the completion of the proposed Capital Raising. These facilities are made up of a £131 million Revolving Credit Facility and a £56 million Term Facility.

In addition, the Group has in place committed and uncommitted bonding facilities of £320 million. Utilisation of the total bonding facilities on the 31 December 2019 was £122.0 million (2018: £102.7 million).

4. Capitalisation and indebtedness

The following tables show the Group's indebtedness as at 29 February 2020 and the capitalisation as at 31 December 2019.

	<u>£ million</u>
Indebtedness⁽¹⁾	
Current debt	
—Guaranteed	—
—Secured	—
—Unguaranteed/ unsecured ⁽²⁾	68.0
Total current debt	68.0
Non-current debt (excluding current proportion of long term debt)	
—Guaranteed	—
—Secured	—
—Unguaranteed/ unsecured ⁽²⁾	48.0
Total non-current debt (excluding current portion of long term debt)	48.0
Total indebtedness as at 29 February 2020	116.0

(1) This statement of indebtedness, which is unaudited, has been extracted without material adjustment from the Group's unaudited underlying account records as at 29 February 2020 and prepared under IFRS as adopted by the European Union using policies which are consistent with those used in preparing the Group's audited consolidated financial statements for the year ended 31 December 2019.

(2) Includes amounts subject to cross-guarantees given by members of the Costain Group.

	<u>£ million</u>
Capitalisation⁽¹⁾	
Share capital—ordinary shares	54.1
Share premium account	16.4
Own shares	—
Legal reserves	—
Other reserves	—
Total capitalisation as at 31 December 2019	70.5

(1) This statement of capitalisation has been extracted without material adjustment from the Group's audited consolidated financial statements for the year ended 31 December 2019.

There has been no material change to the Group's total indebtedness since 29 February 2020 or to the Group's total capitalisation since 31 December 2019.

The following table sets out the Group's net financial indebtedness as at 29 February 2020.

	<u>£ million</u>
Net-financial indebtedness⁽¹⁾	
Cash	138.8
Cash equivalents	—
Trading securities	—
Liquidity	138.8
Current financial receivable	—
Current bank debt	60.0
Current portion of non-current debt	8.0
Other current financial debt ⁽²⁾	—
Current financial debt	68.0
Net current financial indebtedness	(70.8)
Non-current loans ⁽³⁾	48.0
Bonds issued	—
Other non-current debt	—
Non-current financial indebtedness	48.0
Net financial indebtedness as at 29 February 2020	(22.8)

(1) This statement of net financial indebtedness, which is unaudited, has been extracted without material adjustment from the Group's unaudited underlying accounting records as at 29 February 2020 and prepared under IFRS as adopted by the European Union using policies which are consistent with those used in preparing the Group's audited consolidated financial statements for the year ended 31 December 2019.

(2) Excluding £12.8 million in respect of leases under IFRS 16.

(3) Excluding £15.7 million in respect of leases under IFRS 16.

5. Dividends and dividend policy

Recognising the importance to the Group of maintaining a strong and growing capital base, following the Capital Raising, 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 year ended 31 December 2019, therefore resulting in a total dividend paid for the year, including the interim dividend, of 3.8 pence per share (2018: 15.15 pence). 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.

The New Ordinary Shares issued pursuant to the Capital Raising will rank *pari passu* in all respects with the Ordinary Shares and rank full for all dividends and other distributions declared in respect of the ordinary share capital of Costain.

6. Directors

The Costain Group's management team is highly experienced and the Costain Directors believe its management team to be well regarded in the industry.

Dr Paul Golby CBE is Chairman

Paul Golby was appointed as chair of Costain in May 2016 and has extensive boardroom experience in the sector. A fellow of the Royal Academy of Engineering, Paul has held a variety of roles within the engineering and energy industries. Following an early career with Dunlop Holdings plc and BTR plc he joined Clayhithe plc, becoming an executive director in 1992. In 1998, Paul joined East Midlands Electricity plc as managing director, and following its acquisition by PowerGen (subsequently E.ON UK plc) was appointed executive director, UK operations. In 2002, Paul became chief executive and later executive chairman, stepping down from the E.ON Board in December 2011. Paul was also non-executive chairman of AEA Technology Group plc (2009–2012), chairman of Engineering UK (2010–2016) and pro chancellor and chair of council of Aston University (2009–2017). He was chair of the Engineering and Physical Sciences Research Council (2012–2018) and a member of the Prime Minister's Council for Science and Technology (2010–2019). Paul is currently non-executive director

and chair of the safety, environment and health committee of National Grid plc, a board member of the ERA Foundation and chairman of the National Air Traffic Services (NATS Holdings Ltd).

Alex Vaughan is Chief Executive Officer

Alex Vaughan was appointed Chief Executive Officer in May 2019. Prior to this he was managing director of the Natural Resources division with responsibility for Costain's services to water, oil and gas and power clients as well as the development of client-facing technology solutions across the Group. He held this position from 2013 until May 2019. Alex is qualified as a chartered quantity surveyor. He has worked on infrastructure projects in the UK and internationally, as well as having held a number of corporate roles including Group HR director and corporate development director. In 2009 he completed the Harvard Business School Advanced Management Program. Alex is currently chair of the CBI regional council.

Anthony Bickerstaff is Chief Financial Officer

Tony Bickerstaff was appointed Chief Financial Officer in June 2006. Tony has extensive knowledge of the infrastructure and support services sectors both in the UK and overseas. He is responsible for all aspects of the financial management of the Group as well as playing a major role in the Group's strategic and operational development. Previously, Tony was with the Taylor Woodrow Group, which he joined in 1982. He held a number of senior management and financial positions in Taylor Woodrow including finance director of Taylor Woodrow Construction Limited. Prior to becoming finance director, he was divisional operations director in charge of Taylor Woodrow Group's PFI projects. Tony is currently non-executive director and chair of the audit committee of Low Carbon Contracts Company Limited and Electricity Settlements Company Limited.

Jane Lodge is the Senior Independent Director

Jane Lodge was appointed as the Senior Independent Director in May 2018 having been a non-executive director since August 2012 and chair of the Audit Committee from the end of October 2012. Jane spent 35 years at Deloitte LLP (UK), including 25 years as an audit partner advising global companies, particularly in the manufacturing, house-building and property and construction sectors. She was senior partner of the Birmingham office and the Deloitte UK Manufacturing Industry Sector. Jane was previously a non-executive director and chair of the Audit Committee at Moorgate Industries Limited (2014–2015) and Sirius Minerals plc (2015–2020, when the company was acquired by Anglo American plc) and a non-executive director of Black Country Living Museum Trust Limited. Jane is currently a non-executive director and chair of the audit committee at DCC plc, a non-executive director and chair of the audit and risk committee at Bakkavor Group plc and a non-executive director of the Bromsgrove School Foundation. Jane was also a non-executive director and chair of the audit committee at Devro PLC but did not stand for re-election at Devro PLC's latest annual general meeting which took place on 30 April 2020.

Alison Wood is an Independent Non-Executive Director

Alison Wood was appointed as a non-executive director with effect from 1 February 2014 and was appointed as chair of the Remuneration Committee from the beginning of April 2014. Alison is the former global director of strategy and corporate development at National Grid plc (2008–2013). Before that, Alison spent nearly 20 years in a number of strategy and leadership roles at BAE Systems plc including as group strategic development director. Alison has also held non-executive director positions at BTG plc (2004–2008), Thus Group plc (2007–2008), e2v technologies plc (2013–2017) where she was Senior Independent Director and Cobham plc (now Cobham Limited) (2011–2020) where she was a non-executive director and chair of the Remuneration Committee. Alison is currently non-executive director and chair of the Remuneration Committee at TT Electronics plc and the British Standards Institute and non-executive director of Cairn Energy PLC.

David McManus is an Independent Non-Executive Director

David McManus was appointed as a non-executive director with effect from 12 May 2014. David began his career with the Fluor Corporation (1975–1980) after graduating in civil engineering and went on to hold a number of executive positions in Shell UK (1980–1989), LASMO plc (1989–1994), Atlantic Richfield Company (ARCO) (1994–2000), BG Group (2000–2004) and as executive vice president, international operations of Pioneer Natural Resources (2004–2012). David was a

non-executive director of Cape plc (2004–2012), where he served as chairman from 2006 to 2008, a non-executive director of Rockhopper Exploration plc (2010–2019), where he served as chairman from 2016 to 2019 and a non-executive director of Caza Oil & Gas Inc. (2011–2015). In February 2020, the Company announced that David will step down from the board as a non-executive director with effect from the conclusion of the Company's next annual general meeting. David is currently non-executive chairman of Flex LNG Ltd and Genel Energy plc and a non-executive director at Hess Corporation.

Jacqueline de Rojas CBE is an Independent Non-Executive Director

Jacqueline de Rojas was appointed as a non-executive director with effect from 20 November 2017. As president of techUK she is a leader in the UK technology sector and an experienced non-executive director who has held executive positions at global blue-chip software companies such as Citrix Systems, CA Technologies, McAfee and Novell. Jacqueline was previously a non-executive director of AO World Plc and Home Retail Group prior to the divestment of the group. She is the co-chair at the Institute of Coding and advises the board of Accelerate-Her to stop the under representation of women in technology. Jacqueline also lends her support to the Girlguiding Association for technology transformation. She was awarded a CBE for services to international trade in technology in the 2018 New Year's Honours list. Jacqueline is currently a non-executive director at Rightmove plc and FDM Group (Holdings) plc, chair of the Advisory Board at the Digital Leaders Technology Group and, as above, president of techUK.

PART VIII
FINANCIAL INFORMATION RELATING TO THE COSTAIN GROUP

The consolidated financial statements of the Group as at and for the year ended 31 December 2018 as set out in the 2018 Financial Statements and the consolidated financial statements of the Group as at and for the year ended 31 December 2019, as set out in the 2019 Financial Statements are incorporated by reference into this document, as explained in Part XIII (Documentation Incorporated by Reference) of this document.

PART IX
TERMS AND CONDITIONS OF THE CAPITAL RAISING

1. Introduction

As explained in Part V (Chairman's Letter), the Company is proposing to raise £100 million (approximately £93.0 million net of expenses) by the issue of up to 166,666,667 New Ordinary Shares at the Offer Price through the Capital Raising. The Capital Raising consists of a Firm Placing of 133,348,799 New Ordinary Shares and a Placing and Open Offer of 33,317,868 New Ordinary Shares. The Firm Placees will not be able to participate in the Open Offer in respect of their Firm Placing Shares. The Open Offer is an opportunity for Qualifying Shareholders to apply for in aggregate 33,317,868 New Ordinary Shares pro rata to their current holdings at the Offer Price. Shareholders will not be charged expenses by the Company in respect of the Capital Raising.

The Offer Price of 60 pence per New Ordinary Share represents a 20.1% discount to the Closing Price of 75.10 pence per Existing Ordinary Share on 6 May 2020 (the last Business Day before the announcement of the Capital Raising).

The Capital Raising is conditional upon: (i) the Resolution being passed by Shareholders at the General Meeting; (ii) 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 (iii) the Placing Agreement becoming unconditional.

The New Ordinary Shares will be in registered form and capable of being held in certificated form or uncertificated form in CREST. The New Ordinary Shares will together represent approximately 60.6% of the Enlarged Share Capital of the Company immediately following the Capital Raising.

A cash box structure will be used for the issue of the New Ordinary Shares. The Company will allot and issue the New Ordinary Shares on a non pre-emptive basis to the Bookrunners, as nominees of the Firm Placees, the Placing Placees and those Qualifying Shareholders who take up their Open Offer Entitlements pursuant to the Open Offer, in consideration for Investec transferring its respective holdings of shares in JerseyCo to the Company. Accordingly, instead of receiving cash as consideration for the issue of New Ordinary Shares, at the conclusion of the Capital Raising, the Company will own the entire issued share capital of JerseyCo whose only asset will be its cash reserves, which will represent an amount approximately equal to the net proceeds of the Capital Raising.

2. Terms and conditions of the Open Offer

Subject to the terms and conditions set out below (and, in the case of Qualifying Non-CREST Shareholders, the Application Form), each Qualifying Shareholder who is not a Restricted Shareholder is being given an opportunity to apply for New Ordinary Shares at the Offer Price (payable in full and free of all expenses) on the following pro rata basis:

4 New Ordinary Shares at 60 pence each for every 13 Existing Ordinary Shares

held and registered in their name at 6.00 p.m. on 4 May 2020 (the "**Record Time**") and so on in proportion to any other number of Existing Ordinary Shares then held.

Any fractional entitlements to Open Offer Shares will be disregarded in calculating Qualifying Shareholders' Open Offer Entitlements and will be aggregated and made available under the Excess Application Facility.

Qualifying Shareholders are also being offered the opportunity to apply for additional Open Offer Shares in excess of their Open Offer Entitlement to the extent that other Qualifying Shareholders do not take up their Open Offer Entitlement in full. The Excess Application Facility enables Qualifying Shareholders to apply for Excess Open Offer Shares in excess of the Open Offer Entitlement. 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. Fractions of Excess Open Offer Shares will not be issued under the Excess Application Facility and entitlements to apply for Excess Open Offer Shares will be rounded down to the nearest whole number. Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that the applications by Qualifying Shareholders will be met in full or in part or at all.

The Offer Price represents a discount of approximately 20.1% to the Closing Price for an Ordinary Share of 75.10 pence on 6 May 2020 (being the last Business Day before the announcement of the Capital Raising). The net asset value per Ordinary Share as at 31 December 2019, being the date of the latest balance sheet, was £1.50.

Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating the Open Offer Entitlements and Excess Open Offer Entitlements.

Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and Excess Open Offer Entitlements will be admitted to CREST, and be enabled for settlement, the Open Offer Entitlements and Excess Open Offer Entitlements will not be tradeable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim. New Ordinary Shares for which application has not been made under the Open Offer (including the Excess Application Facility) will not be sold in the market for the benefit of those who do not apply under the Open Offer (including the Excess Application Facility) and Qualifying Shareholders who do not apply to take up their entitlements will have no rights nor receive any benefit under the Open Offer. Any New Ordinary Shares which are not applied for under the Open Offer (including the Excess Application Facility) will be allocated to the Placing Places pursuant to the Placing, with the proceeds ultimately accruing for the benefit of the Company.

The attention of Shareholders and any persons (including, without limitation, custodians, nominees and trustees) who have a contractual or other legal obligation to forward this document or an Application Form into a jurisdiction other than the UK is drawn to Part X (Overseas Shareholders), which forms part of the terms and conditions of the Capital Raising. In particular, Restricted Shareholders will not be sent this document or the Application Form and will not have their CREST stock accounts credited with Open Offer Entitlements or Excess Open Offer Entitlements.

The New Ordinary Shares, when issued and fully paid, will rank *pari passu* in all respects with the Ordinary Shares and will rank in full for all dividends and other distributions made, paid or declared in respect of the Ordinary Shares after their issue.

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

The Capital Raising has been fully underwritten by the Bookrunners. The Capital Raising is conditional upon: (i) the Resolution being passed by Shareholders at the General Meeting; (ii) 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 (iii) the Placing Agreement becoming unconditional.

In the event that these conditions are not satisfied, the Capital Raising will not proceed. In such circumstances, application monies will be returned without payment of interest, as soon as practicable thereafter. No temporary documents of title will be issued in respect of the New Ordinary Shares held in uncertificated form. Definitive certificates in respect of New Ordinary Shares taken up are expected to be posted to the Qualifying Shareholders who have validly elected to hold their New Ordinary Shares in certificated form on or around 9 June 2020. After Admission, the Placing Agreement will not be subject to any condition or right of termination (including in respect of statutory withdrawal rights). A summary of the principal terms of the Placing Agreement is set out in section 9 of Part XII (Additional Information) of this document.

The Existing Ordinary Shares are already CREST-enabled. No further application for admission to CREST is required for the New Ordinary Shares and all of the New Ordinary Shares when issued and fully paid may be held and transferred by means of CREST. Applications will be made for the Open Offer Entitlements and Excess Open Offer Entitlements to be admitted to CREST as participating

securities. In respect of those Qualifying Shareholders who have validly elected to hold their New Ordinary Shares in uncertificated form, the Open Offer Entitlements and Excess Open Offer Entitlements are expected to be credited to their CREST stock accounts, by 8.00 a.m. on 12 May 2020.

Subject to the conditions above being satisfied and save as provided in this Part IX (Terms and Conditions of the Capital Raising), it is expected that:

- (A) Equiniti will instruct Euroclear UK to credit the appropriate stock accounts of Qualifying CREST Shareholders (other than Restricted Shareholders) with such Shareholders' Open Offer Entitlements and Excess Open Offer Entitlements, with effect from 8.00 a.m. on 12 May 2020;
- (B) New Ordinary Shares in uncertificated form will be credited to the appropriate stock accounts of relevant Qualifying CREST Shareholders who validly take up their Open Offer Entitlements and/or Excess Open Offer Entitlements by 8.00 a.m. on 29 May 2020;
- (C) share certificates for the New Ordinary Shares will be despatched on or around 9 June 2020 to relevant Qualifying Non-CREST Shareholders who validly take up their Open Offer Entitlements and/or Excess Open Offer Entitlements. Such certificates will be despatched at the risk of such Shareholders; and
- (D) in the event that the Excess Application Facility is oversubscribed a refund in an amount equal to the number of Excess Open Offer Shares applied and paid for but not allocated multiplied by the Offer Price will be returned as soon as reasonably practicable thereafter, without payment of interest and at the applicant's sole risk. Qualifying CREST Shareholders will receive the refund not later than 4 business days following the date that the results of the Open Offer are announced. Qualifying Non-CREST Shareholders will receive the refund either as a cheque by first class post to the address set out on the Application Form or payment will be returned direct to the account of the bank or building society on which the relevant cheque or banker's draft was drawn, not later than 10 business days following the date that the results of the Open Offer are announced.

All Qualifying Shareholders taking up their Open Offer Entitlements and/or Excess Open Offer Entitlements will be deemed to have given the representations and warranties set out in section 4.8 below (in the case of Qualifying Non-CREST Shareholders) and section 5.10 below (in the case of Qualifying CREST Shareholders) unless, in each case, such requirement is waived in writing by the Company. All Qualifying Shareholders taking up their Open Offer Entitlements and/or Excess Open Offer Entitlements under the Open Offer will be deemed to have given the representations and warranties set out in section 2 of Part X (Overseas Shareholders) of this document.

All documents and cheques posted to or by Qualifying Shareholders and/or their transferees or renounees (or their agents, as appropriate) will be posted at their own risk.

The attention of Overseas Shareholders is drawn to Part X (Overseas Shareholders) which forms part of the terms and conditions of the Open Offer.

References to dates and times in this document should be read as subject to adjustment. The Company will make an appropriate announcement to a Regulatory Information Service giving details of any revised dates or times.

3. Action to be taken in connection with the Open Offer

The action to be taken in respect of the Open Offer depends on whether, at the relevant time, a Qualifying Shareholder has received an Application Form in respect of his entitlement under the Open Offer or has had his Open Offer Entitlements and/or Excess Open Offer Entitlements credited to his CREST Stock account.

If you are a Qualifying Non-CREST Shareholder and you are not a Restricted Shareholder, please refer to paragraph 4 and paragraphs 6 to 10 (inclusive) of this Part IX (Terms and Conditions of the Capital Raising).

If you are a Qualifying CREST Shareholder and you are not a Restricted Shareholder, please refer to paragraphs 5 to 10 (inclusive) of this Part IX (Terms and Conditions of the Capital Raising) and to the CREST Manual for further information on the CREST procedures referred to above.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors, as only their CREST sponsors will be able to take the necessary actions specified below to apply under the Open Offer in respect of the Open Offer Entitlements and/or Excess Open Offer Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Open Offer Entitlements and/or Excess Open Offer Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to above.

4. Action to be taken in relation to Open Offer Entitlements represented by Application Forms

4.1 General

Save as provided in Part X (Overseas Shareholders), Qualifying Non-CREST Shareholders will have received an Application Form with this document.

The Application Forms set out:

- (A) in Box 1, on the Application Form, the number of Existing Ordinary Shares registered in such person's name at the Record Time (on which a Qualifying Non-CREST Shareholder's entitlement to New Ordinary Shares is based);
- (B) in Box 2, the maximum number of New Ordinary Shares for which such persons are entitled to apply under the Open Offer, taking into account that they will not be entitled to take up any fraction of a New Ordinary Share arising when their entitlement was calculated, such fractions being aggregated and made available under the Excess Application Facility;
- (C) in Box 3, how much they would need to pay in Pounds Sterling if they wish to take up their Open Offer Entitlement in full;
- (D) the procedures to be followed if a Qualifying Non-CREST Shareholder wishes to dispose of all or part of his entitlement or to convert all or part of his entitlement into uncertificated form; and
- (E) instructions regarding acceptance and payment, consolidation and splitting.

Qualifying Non-CREST Shareholders may apply for less than their maximum Open Offer Entitlement should they wish to do so. Qualifying Non-CREST Shareholders may also hold such an Application Form by virtue of a bona fide market claim.

Under the Excess Application Facility, provided they have agreed to take up their Open Offer Entitlements in full, Qualifying Non-CREST Shareholders may apply for Excess Open Offer Shares should they wish to do so. If applications under the Excess Application Facility are received for more than the number of Excess Open Offer Shares available following take up of Open Offer Entitlements, applications will be scaled back at the Company's absolute discretion. Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that your application for Excess Open Offer Shares will be met in full or in part or at all.

The instructions and other terms set out in the Application Form constitute part of the terms and conditions of the Open Offer to Qualifying Non-CREST Shareholders.

The latest time and date for acceptance of the Application Forms and payment in full will be 11.00 a.m. on 27 May 2020.

The New Ordinary Shares are expected to be issued on 29 May 2020. After such date the New Ordinary Shares will be in registered form, freely transferable by written instrument of transfer in the usual common form, or if they have been issued in or converted into uncertificated form, in electronic form under the CREST system.

Qualifying Shareholders who do not want to take up or apply for the New Ordinary Shares under the Open Offer should take no action and should not complete or return the Application Form. Qualifying Shareholders are, however, encouraged to vote at the General Meeting by attending in person or by completing and returning the enclosed Form of Proxy (either in hard copy or electronically) or by completing and transmitting a CREST Proxy Instruction.

4.2 Bona fide market claims

Applications to acquire New Ordinary Shares may only be made on the Application Form and may only be made by the Qualifying Non-CREST Shareholder named in it or by a person entitled by virtue of a bona fide market claim in relation to a purchase of Ordinary Shares through the market prior to 8.00 a.m. on 11 May 2020 (the date upon which the Ordinary Shares were marked 'ex' the entitlement to participate in the Open Offer). Application Forms may not be assigned, transferred or split, except to satisfy bona fide market claims prior to 3.00 p.m. on 22 May 2020.

The Application Form is not a negotiable document and cannot be separately traded. A Qualifying Non-CREST Shareholder who has sold or otherwise transferred all or part of his holding of Ordinary Shares prior to the date upon which the Ordinary Shares were marked 'ex' the entitlement to participate in the Open Offer, being 8.00 a.m. on 11 May 2020, should consult his broker or other professional adviser as soon as possible, as the invitation to acquire New Ordinary Shares under the Open Offer may be a benefit which may be claimed by the transferee.

Qualifying Non-CREST Shareholders who have sold all of their registered holdings prior to 8.00 a.m. on 11 May 2020 should, if the market claim is to be settled outside CREST, complete Box 8 on the Application Form and immediately send it to the broker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee, or directly to the purchaser or transferee, if known. The Application Form should not, however, be forwarded to or transmitted in or into any Restricted Jurisdiction, including the United States. If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedures set out in section 5 below.

Qualifying Non-CREST Shareholders who have sold or otherwise transferred part only of their Existing Ordinary Shares shown on Box 1 of their Application Form prior to 8.00 a.m. on 11 May 2020 should, if the market claim is to be settled outside CREST, complete Box 8 of the Application Form and immediately deliver the Application Form, together with a letter stating the number of Application Forms required (being one for the Qualifying Non-CREST Shareholder in question and one for each of the purchasers or transferees), the total number of Existing Ordinary Shares to be included in each Application Form (the aggregate of which must equal the number shown in Box 1 of the Application Form) and the total number of Open Offer Entitlements to be included in each Application Form (the aggregate of which must equal the number shown in Box 2), to the broker, bank or other agent through whom the sale or transfer was effected or return it by post to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to be received by no later than 3.00 p.m. on 22 May 2020. The Receiving Agent will then create new Application Forms, mark the Application Forms 'Declaration of sale or transfer duly made' and send them by post to the person submitting the original Application Form. The Application Form should not, however, be forwarded to or transmitted in or into any Restricted Jurisdiction, including the United States.

4.3 Application procedures

Qualifying Non-CREST Shareholders who wish to apply to subscribe for all or any of the New Ordinary Shares in respect of their Open Offer Entitlement must return the Application Form in accordance with the instructions thereon. Qualifying Non-CREST Shareholders may only apply for Excess Open Offer Shares under the Excess Application Facility if they have agreed to take up their Open Offer Entitlements in full. Completed Application Forms should be posted in the accompanying pre-paid envelope (in the UK only) or returned by post to Equiniti so as to be received by Equiniti by no later than 11.00 a.m. on 27 May 2020, after which time, subject to the limited exceptions set out below, Application Forms will not be valid. Qualifying Non-CREST Shareholders should note that applications, once made, will, subject to the very limited withdrawal rights set out in this document, be irrevocable and receipt thereof will not be acknowledged. If an Application Form is being sent by first class post in the UK, Qualifying Shareholders are recommended to allow at least four working days for delivery.

Completed Application Forms should be returned together with payment in accordance with paragraph 4.4 below.

4.4 Payment

All payments must be made by cheque or banker's draft in Pounds Sterling payable to 'Equiniti Limited re: Costain Open Offer' and crossed 'A/C payee only'. Cheques must be for the full amount payable on acceptance, and sent by post to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to be received as soon as possible and, in any event, not later than **11.00 a.m. on 27 May 2020**. A pre-paid envelope for use within the UK only will be sent with the Application Form.

Third party cheques may not be accepted except building society cheques or banker's drafts where the building society or bank has inserted the name of the account holder and have either added the building society or bank branch stamp or have provided a supporting letter confirming the source of funds. The name of the account holder should be the same as that shown on the Application Form. Cheques or banker's drafts must be drawn on an account at a bank or building society or a branch of a bank or building society which must be in the UK, the Channel Islands or the Isle of Man and which is either a settlement member of the Cheque and Credit Company Clearing Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided by either of those companies. Cheques and banker's drafts must bear the appropriate sorting code number in the top right-hand corner. Post-dated cheques will not be accepted. Payments via CHAPS, BACS or electronic transfer will not be accepted.

The Company reserves the right to have cheques and banker's drafts presented for payment on receipt. No interest will be allowed on payments made before they are due and any interest on such payments will be paid to the Company. It is a term of the Open Offer that cheques must be honoured on first presentation and the Company may elect to treat as invalid any acceptances in respect of which cheques are not honoured. Return of the Application Form with a cheque will constitute a warranty that the cheque will be honoured on first presentation.

If cheques or banker's drafts are presented for payment before the conditions of the Open Offer are fulfilled, the application monies will be kept in an interest-bearing account retained for the Company until all conditions are met. If the Open Offer does not become unconditional, no New Ordinary Shares will be issued and all monies will be returned (at the applicant's sole risk) to applicants, without payment of interest, either as a cheque by first class post to the address set out on the Application Form or returned direct to the account of the bank or building society on which the relevant cheque or banker's draft was drawn, in each case, as soon as practicable following the lapse of the Open Offer. The interest earned on such monies, if any, will be retained for the benefit of the Company.

If New Ordinary Shares are allotted to a Qualifying Shareholder and a cheque for that allotment is subsequently not honoured, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such shares on behalf of such Qualifying Shareholder and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and of all amounts payable by such Qualifying Shareholder pursuant to the provisions of this Part IX (Terms and Conditions of the Capital Raising) in respect of the acquisition of such shares) on behalf of such Qualifying Shareholder. Neither the Company nor any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by any Qualifying Shareholder as a result.

All enquiries in connection with the Application Forms should be addressed to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. Alternatively, enquiries in connection with the Application Forms can be made to Equiniti on 0371 834 2849 (overseas callers should use +44 (0) 121 415 0264). Lines are open 9.00 a.m. to 5.00 p.m., Monday to Friday (excluding English and Welsh public holidays). Calls to the shareholder helpline from outside of the United Kingdom will be charged at the applicable international rate.

4.5 Incorrect sums

If an Application Form encloses a payment for an incorrect sum, the Company through the Receiving Agent reserves the right:

- (i) to reject the application in full and return the cheque or refund the payment to the Qualifying Non-CREST Shareholder in question (without interest); or

- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of New Ordinary Shares as would be able to be applied for with that payment at the Offer Price, refunding any unutilised sum to the Qualifying Non-Crest Shareholder in question (without interest), save that any sums of less than £1.00 will be retained for the benefit of the Company; or
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the New Ordinary Shares referred to in the Application Form, refunding any unutilised sums to the Qualifying Non-CREST Shareholder in question (without interest), save that any sums of less than £1.00 will be retained for the benefit of the Company.

4.6 Discretion as to validity of acceptances

If payment is not received in full by 11.00 a.m. on 27 May 2020, the offer to subscribe for New Ordinary Shares will be deemed to have been declined and will lapse. However, the Company may, but shall not be obliged to, treat as valid: (a) Application Forms and accompanying remittances that are received through the post not later than 5.00 p.m. on 27 May 2020 (the cover bearing a legible postmark not later than 11.00 a.m. on 27 May 2020); and (b) acceptances in respect of which a remittance is received prior to 11.00 a.m. on 27 May 2020 from an authorised person (as defined in section 31(2) of FSMA) specifying the number of New Ordinary Shares to be acquired and undertaking to lodge the relevant Application Form, duly completed, by 5.00 p.m. on 27 May 2020 and such Application Form is lodged by that time.

The Company may also (in its absolute discretion) treat an Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney where required.

The Company reserves the right to treat as invalid any application or purported application for the New Ordinary Shares pursuant to the Open Offer that appears to the Company to have been executed in, despatched from, or that provides an address for delivery of definitive share certificates for New Ordinary Shares in, a Restricted Jurisdiction, including the United States.

4.7 Excess Application Facility

Qualifying Shareholders are also being given the opportunity to apply for Excess Open Offer Shares at the Offer Price through the Excess Application Facility. Qualifying Non-CREST Shareholders may only apply for Excess Open Offer Shares under the Excess Application Facility if they have agreed to take up their Open Offer Entitlements in full. If applications under the Excess Application Facility are received for more than the number of Excess Open Offer Shares available following take up of Open Offer Entitlements, applications will be scaled back at the Company's absolute discretion. Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that your application for Excess Open Offer Shares will be met in full or in part or at all.

Qualifying Non-CREST Shareholders who wish to apply for Excess Open Offer Shares in excess of their Open Offer Entitlements must complete the Application Form in accordance with the instructions set out on the Application Form.

Each Qualifying Shareholder who has made a valid application for Excess Open Offer Shares under the Excess Application Facility and from whom payment in full for Excess Open Offer Shares has been received will receive a refund in an amount equal to the number of Excess Open Offer Shares applied and paid for but not allocated multiplied by the Offer Price. Monies will be returned as soon as reasonably practicable after such allocation, without payment of interest and at the applicant's sole risk. Qualifying Non-CREST Shareholders will receive the refund either as a cheque by first class post to the address set out on the Application Form or payment will be returned direct to the account of the bank or building society on which the relevant cheque or banker's draft was drawn not later than 10 business days following the date that the results of the Open Offer are announced.

4.8 Effect of application

All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk. By completing and delivering an Application Form the applicant:

- (A) represents and warrants to each of the Company and the Bookrunners that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations, under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for New Ordinary Shares or acting on behalf of any such person on a non-discretionary basis;
- (B) agrees with each of the Company and the Bookrunners that all applications under the Open Offer and contracts resulting therefrom, and any non-contractual obligations related thereto, shall be governed by, and construed in accordance with, the laws of England and Wales;
- (C) confirms to each of the Company and the Bookrunners that in making the application he is not relying on any information or representation other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any information or representation not so contained and further agrees that, having had the opportunity to read this document including any documentation incorporated by reference, he will be deemed to have had notice of all information contained in this document (including information incorporated by reference);
- (D) confirms to each of the Company and the Bookrunners that in making the application he is not relying and has not relied on the Bookrunners or any other person affiliated with the Bookrunners in connection with any investigation of the accuracy of any information contained in this document or his investment decision;
- (E) represents and warrants to the each of Company and the Bookrunners that if he has received some or all of his Open Offer Entitlements from a person other than the Company, he is entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a bona fide market claim;
- (F) represents and warrants to each of the Company and the Bookrunners that he is the Qualifying Shareholder originally entitled to the Open Offer Entitlements or that he received such Open Offer Entitlements by virtue of a bona fide market claim;
- (G) represents and warrants to each of the Company and the Bookrunners that he is not, nor is he applying on behalf of any person who is: (a) located, a citizen or resident, or a corporation, partnership or other entity created or organised in or under any laws, in or of any Restricted Jurisdiction or any jurisdiction in which the application for New Ordinary Shares is prevented by law, and (b) he is not applying with a view to re-offering, reselling, transferring or delivering any of the New Ordinary Shares which are the subject of his application to, or for the benefit of, a person who is located, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, in or of any Restricted Jurisdiction or any jurisdiction in which the application for New Ordinary Shares is prevented by law, nor acting on behalf of any such person on a non-discretionary basis nor a person(s) otherwise prevented by legal or regulatory restrictions from applying for New Ordinary Shares under the Open Offer;
- (H) represents and warrants to each of the Company, the Bookrunners and the Receiving Agent that: (a) he is not in the United States, nor is he applying for the account of any person who is located in the United States; and (b) he is not applying for the New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly of any New Ordinary Shares into the United States;
- (I) represents and warrants to each of the Company and the Bookrunners that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986; and
- (J) requests that the New Ordinary Shares to which he will become entitled be issued to him on the terms set out in this document, subject to the Costain Articles.

4.9 Money Laundering Regulations

To ensure compliance with the Money Laundering Regulations, Equiniti may require, at its absolute discretion, verification of the identity of the beneficial owner by whom or on whose behalf the Application Form is lodged with payment (which requirements are referred to below as the 'verification of identity requirements'). If an application is made by a UK-regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of Equiniti. In such case, the lodging agent's stamp should be inserted on the Application Form.

The person lodging the Application Form with payment (the "**applicant**"), including any person who appears to Equiniti to be acting on behalf of some other person, shall thereby be deemed to agree to provide Equiniti with such information and other evidence as Equiniti may require to satisfy the verification of identity requirements. Submission of an Application Form shall constitute a warranty that the Money Laundering Regulations will not be breached by the acceptance of remittance and an undertaking by the applicant to provide promptly to Equiniti such information as may be specified by Equiniti as being required for the purpose of the Money Laundering Regulations.

If Equiniti determines that the verification of identity requirements apply to any applicant or application, the relevant New Ordinary Shares (notwithstanding any other term of the Open Offer) will not be issued to the relevant applicant unless and until the verification of identity requirements have been satisfied in respect of that applicant or application. Equiniti is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any applicant or application and whether such requirements have been satisfied, and neither Equiniti nor the Company will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays and potential rejection of an application. If, within a reasonable period of time following a request for verification of identity, Equiniti has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the application monies will be returned (at the applicant's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn.

The verification of identity requirements will not usually apply if:

- (A) the applicant is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations;
- (B) the applicant is an organisation required to comply with the EU Money Laundering Directive (No. 2015/849/EC);
- (C) the applicant is a company whose securities are listed on a regulated market subject to specified disclosure obligations;
- (D) the applicant (not being an applicant who delivers his/her application in person) makes payment through an account in the name of such applicant with a credit institution which is subject to the Money Laundering Regulations or with a credit institution situated in a non-EEA State which imposes requirements equivalent to those laid down in that directive; or
- (E) the aggregate subscription price for the relevant New Ordinary Shares is less than €15,000 (or its Pounds Sterling equivalent).

Submission of the Application Form with the appropriate remittance will constitute a warranty to each of the Company and the Bookrunners from the applicant that the Money Laundering Regulations will not be breached by application of such remittance.

Where the verification of identity requirements apply, please note the following as this will assist in satisfying the requirements. Satisfaction of these requirements may be facilitated in the following ways:

- (i) if payment is made by cheque or banker's draft drawn on a branch of a bank or building society in the UK and bears a UK bank sort code number in the top right hand corner, the following applies. Cheques, which are recommended to be drawn on the personal account of the individual investor where they have sole or joint title to the funds, should be made

payable to 'Equiniti Limited re: Costain Open Offer' and crossed 'A/C payee only'. Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has inserted the full name of the account holder and have either added the building society or bank branch stamp or have provided a supporting letter confirming the source of funds. The name of the account holder should be the same as that shown on the Application Form; or

- (ii) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in sub-paragraph (B) above or which is subject to anti-money laundering regulations in a country which is a member of the Financial Action Task Force (the non-EU members of which are Argentina, Australia, Brazil, Canada, China, members of the Gulf Co-operation Council (being Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), Hong Kong, Iceland, Israel, Korea, Japan, Malaysia, Mexico, New Zealand, Norway, the Russian Federation, Singapore, South Africa, Switzerland, Turkey and the US), the agent should provide written confirmation that it has that status with the Application Form(s) and written assurances that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to Equiniti and/or any relevant regulatory or investigatory authority.

To confirm the acceptability of any written assurance referred to in paragraph (ii) above, or in any other case, the applicant should contact Equiniti on 0371 384 2849 (overseas callers should use +44 (0) 121 415 0264). Lines are open 9.00 a.m. to 5.00 p.m., Monday to Friday (excluding English and Welsh public holidays). Calls to the shareholder helpline from outside of the United Kingdom will be charged at the applicable international rate.

4.10 Issue of New Ordinary Shares in certificated form

Definitive share certificates in respect of the New Ordinary Shares to be held in certificated form are expected to be despatched by post on or around 9 June 2020, at the risk of the person(s) entitled to them, to accepting Qualifying Non-CREST Shareholders or their agents or, in the case of joint holdings, to the first-named Shareholder, in each case at their registered address (unless lodging agent details have been completed on the Application Form).

5. Action to be taken in relation to Open Offer Entitlements credited in CREST

5.1 General

Save as provided in Part X (Overseas Shareholders) of this document in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder is expected to receive a credit to his CREST stock account of his Open Offer Entitlement equal to the maximum number of New Ordinary Shares for which he is entitled to apply to acquire under the Open Offer, together with a credit of Excess Entitlements equal to 10 times their balance of Existing Ordinary Shares held at the Record Time. Qualifying CREST Shareholders should note that this is not a cap on the maximum number of Excess Open Offer Shares they can apply for and if they wish to apply for more Excess Shares than their Excess Open Offer Entitlements they have been credited with then they should contact Equiniti on 0371 384 2849 (overseas callers should use +44 (0) 121 415 0264). Lines are open 9.00 a.m. to 5.00 p.m., Monday to Friday (excluding English and Welsh public holidays). Calls to the shareholder helpline from outside of the United Kingdom will be charged at the applicable international rate. Qualifying CREST Shareholders, when requesting, an increased credit, should ensure that they leave sufficient time for the additional Excess Open Offer Entitlement to be credited to their account and for an application to be made in respect of those entitlements before the application date.

Open Offer Entitlements are rounded down to the nearest whole number and any fractional entitlement to the Open Offer Shares will be aggregated and made available under the Excess Application Facility.

The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Ordinary Shares held at the Record Time by the Qualifying CREST Shareholder in respect of which the Open Offer Entitlements and/or Excess Open Offer Entitlements have been allocated.

If for any reason it is impracticable to credit the stock accounts of Qualifying CREST Shareholders by 12 May 2020 or such later time as the Company shall decide, Application Forms shall, unless the

Company agrees otherwise, be sent out in substitution for the Open Offer Entitlements and Excess Open Offer Entitlements which have not been so credited and the expected timetable as set out in this document may be adjusted as appropriate. References to dates and times in this document should be read as subject to any such adjustment. The Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates but Qualifying CREST Shareholders may not receive any further written communication.

Qualifying CREST Shareholders who wish to take up all or part of their entitlements in respect of New Ordinary Shares should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member, you should consult your CREST sponsor if you wish to take up your entitlement, as only your CREST sponsor will be able to take the necessary action to take up your entitlements in respect of New Ordinary Shares. If you have any queries on the procedure for acceptances and payment, you should contact Equiniti on 0371 384 2849 (overseas callers should use +44 (0) 121 415 0264). Lines are open 9.00 a.m. to 5.00 p.m., Monday to Friday (excluding English and Welsh public holidays). Calls to the shareholder helpline from outside of the United Kingdom will be charged at the applicable international rate.

In accordance with the instructions in this Part IX (Terms and Conditions of the Capital Raising), the CREST instruction must have been settled by 11.00 a.m. on 27 May 2020.

5.2 Bona fide market claims

The Open Offer Entitlements and Excess Open Offer Entitlements will constitute a separate security for the purposes of CREST and will have a separate ISIN. Although Open Offer Entitlements and Excess Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim transaction.

Should a transaction be identified by the CREST Claims Processing Unit as “cum” the Open Offer Entitlement will generate an appropriate market claim and the relevant Open Offer Entitlements will thereafter be transferred accordingly. The Excess Open Offer Entitlements will not transfer with the Open Offer Entitlement(s) claim. Please note that an additional **USE Instruction** must be sent in respect of any application under the Excess Open Offer Entitlement.

A Qualifying CREST Shareholder who has made a valid application for Excess Open Offer Shares under the Excess Application Facility which is not met in full, and from whom payment in full for Excess Open Offer Shares has been received, will receive an amount equal to the number of Excess Open Offer Shares applied and paid for, but not allocated to, the relevant Qualifying CREST Shareholder, multiplied by the Offer Price. Monies will be returned as soon as reasonably practicable thereafter, without payment of interest and at the applicant's sole risk.

5.3 USE Instructions in respect of Open Offer Entitlements

Qualifying CREST Shareholders who are CREST members and who wish to apply for New Ordinary Shares in respect of all or some of their Open Offer Entitlement in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) a USE Instruction to CREST which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with a number of Open Offer Entitlements corresponding to the number of New Ordinary Shares applied for; and
- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements in favour of the payment bank of the Receiving Agent in respect of the amount specified in the USE Instruction which must be the full amount payable on application for the number of New Ordinary Shares referred to in (i) above.

5.4 Content of USE Instructions in respect of Open Offer Entitlements

The USE Instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of New Ordinary Shares for which application is being made (and hence the number of the Open Offer Entitlement(s) being delivered to the Receiving Agent);
- (ii) the ISIN of the Open Offer Entitlement. This is GB00BK93YC97;
- (iii) the CREST participant ID of the CREST member;
- (iv) the CREST member account ID of the CREST member from which the Open Offer Entitlements are to be debited;
- (v) the participant ID of the Receiving Agent in its capacity as a CREST receiving agent. This is 2RA85;
- (vi) the member account ID of the Receiving Agent in its capacity as a CREST receiving agent. This is RA345501;
- (vii) the amount payable by means of a CREST payment on settlement of the USE Instruction. This must be the full amount payable on application for the number of New Ordinary Shares referred to in (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 27 May 2020;
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST;
- (x) a contact name and telephone number (in the free format shared note field); and
- (xi) a priority of at least 80.

In order for an application under the Open Offer to be valid, the USE Instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 27 May 2020. CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE Instruction may settle on 27 May 2020 in order to be valid is 11.00 a.m. on that day.

If the conditions to the Open Offer are not fulfilled on or before 8.00 a.m. on 29 May 2020, or such other time and/or date as may be agreed between the Company, Rothschild & Co and the Bookrunners, the Open Offer will lapse, the Open Offer Entitlements and Excess Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest as soon as practicable thereafter.

The interest earned on such monies, if any, will be retained for the benefit of the Company.

5.5 CREST procedures and timings

Qualifying CREST Shareholders who are CREST members and CREST sponsors (on behalf of CREST sponsored members) should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE Instruction and its settlement in connection with the Open Offer. It is the responsibility of the Qualifying CREST Shareholder concerned to take (or, if the Qualifying CREST Shareholder is a CREST sponsored member, to procure that his CREST sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11.00 a.m. on 27 May 2020. Qualifying CREST Shareholders and (where applicable) CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

5.6 Validity of application

A USE Instruction complying with the requirements as to authentication and contents set out above which settles by not later than 11.00 a.m. on 27 May 2020 will constitute a valid application under the Open Offer.

5.7 Incorrect or incomplete applications

If a USE Instruction includes a CREST payment for an incorrect sum, the Company, through the Receiving Agent, reserves the right:

- (i) to reject the application in full and refund the payment to the CREST member in question (without interest);
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of New Ordinary Shares as would be able to be applied for with that payment at the Offer Price, refunding any unutilised sum to the CREST member in question (without interest); or
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the New Ordinary Shares referred to in the USE Instruction, refunding any unutilised sum to the CREST member in question (without interest).

5.8 Excess Application Facility

Qualifying CREST Shareholders are also being given the opportunity to apply for Excess Open Offer Shares at the Offer Price through the Excess Application Facility. If applications under the Excess Application Facility are received for more than the number of Excess Open Offer Shares available following take up of Open Offer Entitlements, applications will be scaled back at the Company's absolute discretion. Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that your application for Excess Open Offer Shares will be met in full or in part or at all.

The CREST accounts of Qualifying CREST Shareholders will be credited with Excess Open Offer Entitlements to enable applications for Excess Open Offer Shares to be settled through CREST. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and Excess Entitlements will be admitted to CREST, they will have limited settlement capabilities. Neither the Open Offer Entitlement nor the Excess Open Offer Entitlement will be tradeable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a bona fide market claim.

Should a transaction be identified by the CREST Claims Processing Unit as "cum" the Open Offer Entitlement will generate an appropriate market claim and the relevant Open Offer Entitlements will thereafter be transferred accordingly. The Excess Open Offer Entitlements will not transfer with the Open Offer Entitlement(s) claim. Please note that an additional USE Instruction must be sent in respect of any application under the Excess Open Offer Entitlement.

Each Qualifying Shareholder who has made a valid application for Excess Open Offer Shares under the Excess Application Facility and from whom payment in full for Excess Open Offer Shares has been received will receive a refund in an amount equal to the number of Excess Open Offer Shares applied and paid for but not allocated multiplied by the Offer Price. Monies will be returned as soon as reasonably practicable thereafter, without payment of interest and at the applicant's sole risk. Qualifying CREST Shareholders will receive the refund not later than 4 business days following the date that the results of the Open Offer are announced.

5.9 Content USE Instruction in respect of Excess Open Offer Entitlements

The USE Instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of New Ordinary Shares for which application is being made (and hence the number of the Open Offer Entitlement(s) being delivered to the Receiving Agent);
- (ii) the ISIN of the Excess Open Offer Entitlement. This is GB00BK93YD05;
- (iii) the CREST participant ID of the CREST member;
- (iv) the CREST member account ID of the CREST member from which the Open Offer Entitlements are to be debited;

- (v) the participant ID of the Receiving Agent in its capacity as a CREST receiving agent. This is 2RA86;
- (vi) the member account ID of the Receiving Agent in its capacity as a CREST receiving agent. This is RA345502;
- (vii) the amount payable by means of a CREST payment on settlement of the USE Instruction. This must be the full amount payable on application for the number of New Ordinary Shares referred to in (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 27 May 2020;
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST;
- (x) a contact name and telephone number (in the free format shared note field); and
- (xi) a priority of at least 80.

In order for an application under the Open Offer to be valid, the USE Instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 27 May 2020. CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE Instruction may settle on 27 May 2020 in order to be valid is 11.00 a.m. on that day.

5.10 Effect of application

A CREST member who makes or is treated as making a valid application in accordance with the above procedures thereby:

- (i) represents and warrants to each of the Company and the Bookrunners that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations, under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for New Ordinary Shares or acting on behalf of any such person on a non-discretionary basis;
- (ii) agrees with each of the Company and the Bookrunners to pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the Receiving Agent's payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay the amount payable on application);
- (iii) agrees with each of the Company and the Bookrunners that all applications under the Open Offer and contracts resulting therefrom, and any non-contractual obligations relating thereto, shall be governed by, and construed in accordance with, the laws of England and Wales;
- (iv) confirms to each of the Company and the Bookrunners that in making the application he is not relying and has not relied on the Bookrunners or any other person affiliated with the Bookrunners in connection with any investigation of the accuracy of any information contained in this document or his investment decision;
- (v) confirms to each of the Company and the Bookrunners that in making the application he is not relying on any information or representation other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, including any documentation incorporated by reference, he will be deemed to have had notice of all the information contained in this document (including information incorporated by reference);
- (vi) represents and warrants to each of the Company and the Bookrunners that if he has received some or all of his Open Offer Entitlements and/or Excess Open Offer Entitlements from a person other than the Company, he is entitled to apply under the Open Offer in

relation to such Open Offer Entitlements and / or Excess Open Offer Entitlements by virtue of a bona fide market claim;

- (vii) represents and warrants to each of the Company and the Bookrunners that he is the Qualifying Shareholder originally entitled to the Open Offer Entitlements and/or Excess Open Offer Entitlements or that he has received such Open Offer Entitlements and/or Excess Open Offer Entitlements by virtue of a bona fide market claim;
- (viii) represents and warrants to each of the Company and the Bookrunners that he is not, nor is he applying on behalf of any person who is: (a) located, a citizen or resident, or a corporation, partnership or other entity created or organised in or under any laws, in or of any Restricted Jurisdiction or any jurisdiction in which the application for New Ordinary Shares is prevented by law; and (b) applying with a view to re-offering, reselling, transferring or delivering any of the New Ordinary Shares which are the subject of his application to, or for the benefit of, a person who is located, a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws, in or of any Restricted Jurisdiction or any jurisdiction in which the application for New Ordinary Shares is prevented by law, nor acting on behalf of any such person on a non-discretionary basis nor a person(s) otherwise prevented by legal or regulatory restrictions from applying for New Ordinary Shares under the Open Offer;
- (ix) represents and warrants to each of the Company, the Bookrunners and the Receiving Agent that: (a) he is not in the United States, nor is he applying for the account of a person who is located in the United States, and (b) he is not applying for the New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly of any New Ordinary Shares into the United States;
- (x) requests that the New Ordinary Shares to which he will become entitled be issued to him on the terms set out in this document, subject to the Costain Articles; and
- (xi) represents and warrants to each of the Company and the Bookrunners that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986.

5.11 Discretion as to rejection and validity of acceptances

The Company may:

- (i) reject any acceptance constituted by a USE Instruction, which is otherwise valid, in the event of a breach of any of the representations, warranties and undertakings set out or referred to in paragraph 5.10 of this Part IX (Terms and Conditions of the Capital Raising). Where an acceptance is made as described in this section 5 which is otherwise valid, and the USE Instruction concerned fails to settle by 11:00 a.m. on 27 May 2020 (or by such later time and date as the Company and the Bookrunners may determine), the Company shall be entitled to assume, for the purposes of their right to reject an acceptance as described in this paragraph 5.11(i), that there has been a breach of the representations, warranties and undertakings set out or referred to in paragraph 5.10 above unless the Company is aware of any reason outside the control of the Qualifying CREST Shareholder or CREST sponsor (as appropriate) concerned for the failure of the USE Instruction to settle;
- (ii) treat as valid (and binding on the Qualifying CREST Shareholder concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this paragraph 5;
- (iii) accept an alternative properly authenticated dematerialised instruction from a Qualifying CREST Shareholder or (where applicable) a CREST sponsor as constituting a valid acceptance in substitution for, or in addition to, a USE Instruction and subject to such further terms and conditions as the Company may determine;
- (iv) treat a properly authenticated dematerialised instruction (in this sub-paragraph, the 'first instruction') as not constituting a valid acceptance if, at the time at which Equiniti receives a properly authenticated dematerialised instruction giving details of the first instruction, either

the Company or Equiniti has received actual notice from Euroclear of any of the matters specified in CREST Regulation 35(5)(a) in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and

- (v) accept an alternative instruction or notification from a Qualifying CREST Shareholder or (where applicable) a CREST sponsor, or extend the time for acceptance and/or settlement of a USE Instruction or any alternative instruction or notification if, for reasons or due to circumstances outside the control of any Qualifying CREST Shareholder or (where applicable) CREST sponsor, a Qualifying CREST Shareholder is unable validly to take up all or part of his Open Offer Entitlement and / or Excess Open Offer Entitlements by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by Equiniti in connection with CREST.

5.12 Money Laundering Regulations

If you hold your New Ordinary Shares in CREST and apply to take up all or part of your entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a bank, a broker or another UK financial institution), then, irrespective of the value of the application, Equiniti is required to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. Such Qualifying CREST Shareholders must therefore contact Equiniti before sending any USE Instruction or other instruction so that appropriate measures may be taken.

Submission of a USE Instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes a warranty and undertaking by the applicant to the Company and the Bookrunners to provide promptly to Equiniti any information Equiniti may specify as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to Equiniti as to identity, Equiniti, having consulted with the Company, may take, or omit to take, such action as it may determine to prevent or delay settlement of the USE Instruction. If satisfactory evidence of identity has not been provided within a reasonable time, Equiniti will not permit the USE Instruction concerned to proceed to settlement (without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure by the applicant to provide satisfactory evidence).

5.13 Deposit of Open Offer Entitlements, and withdrawal from, CREST

A Qualifying Non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in his Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a bona fide market claim). Similarly, Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, (in the case of a deposit into CREST) as set out in the Application Form.

A holder of an Application Form who is proposing to deposit the entitlements set out in such form into CREST is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Open Offer Entitlements following their deposit into CREST to take all necessary steps in connection with taking up the entitlements prior to 11.00 a.m. on 27 May 2020. After depositing their Open Offer Entitlements into their CREST account, CREST holders should contact the Registrar to request a credit for their Excess Open Offer Entitlements.

In particular, having regard to normal processing times in CREST and on the part of the Registrar, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the Open Offer Entitlements set out in such Application Form as Open Offer Entitlements in CREST, is 3.00 p.m. on 21 May 2020 and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Open Offer Entitlements from CREST is 4.30 p.m. on 20 May 2020, in either case so as to enable the person acquiring or (as appropriate) holding the Open Offer Entitlements, following the deposit or withdrawal (whether as shown in an Application Form or held in CREST), to take all

necessary steps in connection with applying in respect of the Open Offer Entitlements, as the case may be, prior to 11.00 a.m. on 27 May 2020.

Delivery of an Application Form with the CREST deposit form duly completed, whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and Equiniti by the relevant CREST member(s) that it is/they are not in breach of the provisions of the notes under the paragraph headed Application Letter on page 3 of the Application Form, and a declaration to the Company and the Receiving Agent from the relevant CREST member(s) that it/they is/are not located in, or citizen(s) or resident(s) of, any Restricted Jurisdiction or any jurisdiction in which the application for New Ordinary Shares is prevented by law, and that it/they is/are not located in the United States and, where such deposit is made by a beneficiary or a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a bona fide market claim.

5.14 Right to allot and issue New Ordinary Shares in certificated form

Despite any other provision of this document, the Company reserves the right to allot and to issue any New Ordinary Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or of a part of the facilities and/or systems operated by Equiniti in connection with CREST.

6. Taxation

Information on taxation with regard to the Capital Raising for Qualifying Shareholders who are resident in the UK for UK tax purposes is set out in Part XI (United Kingdom Taxation Considerations) of this document. The information contained in Part XI (United Kingdom Taxation Considerations) is intended only as a general guide to the current tax position in the United Kingdom and Qualifying Shareholders resident in the UK for UK tax purposes should consult their own tax advisers regarding the tax treatment of the Capital Raising in light of their own circumstances. Shareholders who are in any doubt as to their tax position or who are subject to tax in any other jurisdiction should consult their professional advisers immediately.

7. Withdrawal rights

Qualifying Shareholders wishing to exercise the withdrawal rights under Article 23(2) of the Prospectus Regulation after the issue by the Company of a prospectus supplementing this document (if any) must do so by lodging a written notice of withdrawal, which shall not include a notice sent by facsimile or any other form of electronic communication, that must include the full name and address of the person wishing to exercise such statutory withdrawal rights and, if such person is a Qualifying CREST Shareholder, the participant ID and the member account ID of such Qualifying CREST Shareholder at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, so as to be received no later than two Business Days after the date on which the supplementary prospectus is published. Notice of withdrawal given by any other means or which is deposited with or received by Equiniti after expiry of such period will not constitute a valid withdrawal. Furthermore, it is the Company's view that Qualifying Shareholders who have validly taken up their entitlements in accordance with the procedure laid down for acceptance and payment in this Part IX (Terms and Conditions of the Capital Raising) shall not be entitled to withdraw any such acceptance. In such circumstances, any such accepting Qualifying Shareholder or renounee, wishing to withdraw is advised to seek independent legal advice.

8. Times and dates

The Company shall in its discretion be entitled to amend the dates that Application Forms are despatched or dealings in New Ordinary Shares commence and amend or extend the latest date for acceptance under the Open Offer and all related dates set out in this document and in such circumstances shall announce such amendments via a Regulatory Information Service and, if appropriate, notify Shareholders.

9. Governing law

The terms and conditions of the Capital Raising as set out in this document and the Application Form shall be governed by, and construed in accordance with, the laws of England and Wales.

10. Jurisdiction

The courts of England and Wales are to have exclusive jurisdiction to settle any dispute, whether contractual or non-contractual, which may arise out of or in connection with the Capital Raising, this document and the Application Form. By accepting entitlements under the Capital Raising in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Application Form, Qualifying Shareholders irrevocably submit to the exclusive jurisdiction of the Courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

PART X OVERSEAS SHAREHOLDERS

1. Overseas Shareholders

This document has been approved by the FCA, being the competent authority in the UK. It is expected that Shareholders in each EEA State other than any Restricted Jurisdiction will be able to participate in the Open Offer.

It is the responsibility of any person (including, without limitation, custodians, nominees and trustees) outside the UK wishing to participate in the Open Offer to satisfy himself as to the full observance of the laws of any relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territories. The comments set out in this Part X (Overseas Shareholders) are intended as a general guide only and any Overseas Shareholder who is in doubt as to his, her or its position should consult his, her or its professional adviser without delay.

(A) General

The distribution of this document and the Application Form and the making of the Open Offer to persons resident in, or who are citizens of, or who have a registered address in countries other than the United Kingdom may be affected by the law of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to participate in the Open Offer and Excess Application Facility.

This section sets out the restrictions applicable to Shareholders who have registered addresses outside the UK, who are physically located outside the UK, or who are citizens or residents of countries other than the UK, or who are persons (including, without limitation, custodians, nominees and trustees) who have a contractual or legal obligation to forward this document to a jurisdiction outside the UK, or who hold Ordinary Shares for the account or benefit of any such person.

New Ordinary Shares will be provisionally allotted to all Shareholders holding Ordinary Shares at the Record Time, including Restricted Shareholders. However, Application Forms have not been, and will not be, sent to, and New Ordinary Shares will not be credited to CREST accounts of, Restricted Shareholders, or to their agent or intermediary.

Having considered the circumstances, the Directors have formed the view that it is necessary or expedient to restrict the ability of the Shareholders in the United States and the other Restricted Jurisdictions to participate in the Open Offer due to the time and costs involved in the registration of the document and/or compliance with the relevant local legal or regulatory requirements in those jurisdictions.

Receipt of this document and/or an Application Form or the crediting of Open Offer Entitlements and/or Excess Open Offer Entitlements to a stock account in CREST will not constitute an offer in or into any Restricted Jurisdiction, including the United States, and, in those circumstances, this document and/or an Application Form must be treated as sent for information only and should not be copied or redistributed. No person receiving a copy of this document and/or an Application Form and/or receiving a credit of Open Offer Entitlements and/or Excess Open Offer Entitlements to a stock account in CREST in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use the Application Form or deal with Open Offer Entitlements and/or Excess Open Offer Entitlements in CREST unless, in the relevant jurisdiction (other than any Restricted Jurisdictions), such an invitation or offer could lawfully be made to him and the Application Form or Open Offer Entitlements and/or Excess Open Offer Entitlements in CREST could lawfully be used or dealt with without contravention of any unfulfilled registration or other legal or regulatory requirements.

Accordingly, persons receiving a copy of this document and/or an Application Form or whose stock account in CREST is credited with Open Offer Entitlements and/or Excess Open Offer Entitlements should not, in connection with the Capital Raising, distribute or send the same in or into, or transfer Open Offer Entitlements and/or Excess Open Offer Entitlements to any person in or into any Restricted Jurisdiction, including the United States. If an Application Form or credit of Open Offer Entitlements and/or Excess Open Offer Entitlements in CREST is received by any person in any

Restricted Jurisdiction, including the United States, or by their agent or nominee in any such territory, he must not seek to take up the entitlements referred to in the Application Form or in this document or renounce the Application Form or transfer the Open Offer Entitlements and/or Excess Open Offer Entitlements in CREST. Any person who does forward this document or an Application Form into any Restricted Jurisdiction (whether under contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section.

The Company may treat as invalid any acceptance or purported acceptance of the offer of the Open Offer Entitlements and/or Excess Open Offer Entitlements which appears to the Company or its agents to have been executed, effected or despatched in a manner which may involve a breach of the laws or regulations of any jurisdiction or if it believes or they believe that the same may violate applicable legal or regulatory requirements or if, in the case of an Application Form, it provides an address for delivery of the definitive share certificates for New Ordinary Shares, or, in the case of a credit of New Ordinary Shares in CREST, the Shareholder's registered address is in a Restricted Jurisdiction, including the United States, or if the Company believes or its agents believe that the same may violate applicable legal or regulatory requirements.

Despite any other provisions of this document or the Application Form, the Company reserves the right to permit any Overseas Shareholder (other than Restricted Shareholders) to take up his entitlements if the Company in its sole and absolute discretion is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restriction in question. If the Company is so satisfied, the Company will arrange for the relevant Overseas Shareholder to be sent an Application Form if he is reasonably believed to be a Qualifying Non-CREST Shareholder or, if he is reasonably believed to be a Qualifying CREST Shareholder, arrange for the Open Offer Entitlements and/or Excess Open Offer Entitlements to be credited to the relevant CREST stock account.

Those Overseas Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in paragraphs 4 and 5 of Part IX (Terms and Conditions of the Capital Raising).

The provisions of this Part X (Overseas Shareholders) will apply generally to Restricted Shareholders and other Overseas Shareholders who do not or are unable to take up New Ordinary Shares.

Specific restrictions relating to certain jurisdictions are set out below.

(B) Offering restrictions relating to the United States

The New Ordinary Shares have not been and will not be registered under the Securities Act or any relevant securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States.

No offering is being made in the United States and neither this document nor the Application Form constitutes or will constitute an offer or an invitation to apply for, or an offer or an invitation to acquire or subscribe for, any New Ordinary Shares in the United States. The Applications Forms will not be sent to and the Open Offer Entitlements and Excess Open Offer Entitlements will not be credited to, a stock account in CREST of any Shareholder with a registered address in the United States.

Application Forms should not be postmarked in the United States or otherwise despatched from the United States, and all persons acquiring New Ordinary Shares and wishing to hold such shares in registered form must provide an address for registration of the New Ordinary Shares issued upon exercise thereof outside of the United States.

Neither the New Ordinary Shares, the Form of Proxy, the Application Form, this document nor any other document connected with the Capital Raising have been or will be approved or disapproved by the SEC or by the securities commissions of any state or other jurisdiction of the United States or any other regulatory authority, nor have any of the foregoing authorities or any securities commission passed upon or endorsed the merits of the offering of the New Ordinary Shares, the Form of Proxy, the Application Form, or the accuracy or adequacy of this document or any other document connected with this Capital Raising. Any representation to the contrary is a criminal offence in the United States.

Any person who subscribes for New Ordinary Shares will be deemed to have declared, represented, warranted and agreed to, by accepting delivery of this document or the Application Form or by

applying for New Ordinary Shares in respect of Open Offer Entitlements and/or Excess Open Offer Entitlements credited to a stock account in CREST, and delivery of the New Ordinary Shares, the representations and warranties set out in section 2 of this Part X (Overseas Shareholders).

The Company reserves the right, in its absolute discretion, to treat as invalid any Application Form: (i) that appears to the Company or its agents to have been executed in or despatched from the United States; or (ii) where the Company believes acceptance of such Application Form may infringe applicable legal or regulatory requirements, and the Company shall not be bound to issue any New Ordinary Shares in respect of any such Application Form. In addition, the Company reserves the right, in its absolute discretion, to reject any USE Instruction sent by or on behalf of any CREST member with a registered address in the United States in respect of the New Ordinary Shares.

(C) Other overseas territories

Application Forms will be posted to Qualifying Non-CREST Shareholders (other than those Qualifying Non-CREST Shareholders who have registered addresses in the Restricted Jurisdictions) and Open Offer Entitlements and Excess Open Offer Entitlements will be credited to the CREST stock accounts of Qualifying CREST Shareholders (other than those Qualifying CREST Shareholders who have registered addresses in the Restricted Jurisdictions). No offer of or invitation to subscribe for New Ordinary Shares is being made by virtue of this document or the Application Form into the Restricted Jurisdictions. Overseas Shareholders in jurisdictions other than the Restricted Jurisdictions may, subject to the laws of their relevant jurisdiction, accept their entitlements under the Capital Raising in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Application Form.

Qualifying Shareholders who have registered addresses in or who are resident in, or who are citizens of, countries other than the United Kingdom should consult their appropriate professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Open Offer Entitlements and/or Excess Open Offer Entitlements. If you are in any doubt as to your eligibility to accept the offer of New Ordinary Shares, you should contact your appropriate professional adviser immediately.

EEA States (other than the UK)

In relation to EEA States (except for the UK) (each, a “**relevant member state**”), no New Ordinary Shares have been offered or will be offered to the public in that relevant member state prior to the publication of a prospectus in relation to the New Ordinary Shares which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in the relevant member state, all in accordance with the Prospectus Regulation, except that offers of New Ordinary Shares may be made to the public in that relevant member state at any time:

- to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation); or
- in any other circumstances falling within Articles 1(3), 1(4) or 3(2) of the Prospectus Regulation,

provided that no such offer of New Ordinary Shares shall require the Company or any other person to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For this purpose, the expression “an offer of any New Ordinary Shares to the public” in relation to any New Ordinary Shares in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and any New Ordinary Shares to be offered so as to enable an investor to decide to acquire any New Ordinary Shares.

2. Representations and warranties relating to overseas territories

(A) Qualifying Non-CREST Shareholders

Any person accepting an Application Form or requesting registration of the New Ordinary Shares comprised therein represents and warrants to the Company that: (i) such person is not accepting an

Application Form from within the United States or any other Restricted Jurisdiction; (ii) such person is not in any territory in which it is unlawful to make or accept an offer to subscribe for New Ordinary Shares or to use the Application Form in any manner in which such person has used or will use it; (iii) such person is not acting on a non-discretionary basis for a person located within the United States or any other Restricted Jurisdiction or any territory referred to in (ii) above at the time the instruction to accept or renounce was given; and (iv) such person is not acquiring New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into the United States or any other Restricted Jurisdiction or any territory referred to in (ii) above.

The Company may treat as invalid any acceptance or purported acceptance of the allotment of New Ordinary Shares comprised in, or renunciation or purported renunciation of, an Application Form if it: (a) appears to the Company to have been executed in or despatched from the United States or any other Restricted Jurisdiction or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if the Company believes the same may violate any applicable legal or regulatory requirement; (b) provides an address in any Restricted Jurisdiction, including the United States, for delivery of definitive share certificates for New Ordinary Shares (or any jurisdiction outside the UK in which it would be unlawful to deliver such certificates); or (c) purports to exclude the representation and warranty required by this section.

(B) Qualifying CREST Shareholders

A Qualifying CREST Shareholder who makes a valid acceptance in accordance with the procedure set out in section 5 of Part IX (Terms and Conditions of the Capital Raising) represents and warrants to the Company that: (i) he is not within any of the Restricted Jurisdictions, including the United States; (ii) he is not in any territory in which it is unlawful to make or accept an offer to acquire or subscribe for New Ordinary Shares; (iii) he is not acting on a non-discretionary basis for a person located within the United States or any other Restricted Jurisdiction or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) he is not acquiring New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into the United States or any other Restricted Jurisdiction or any territory referred to in (ii) above.

The Company may treat as invalid any USE Instruction which: (a) appears to the Company to have been despatched from the United States or any other Restricted Jurisdiction or otherwise in a manner which may involve a breach of the laws of any jurisdiction or which they or their agents believe may violate any applicable legal or regulatory requirement; or (b) purports to exclude the representation and warranty required by this section.

(C) Waiver

The provisions of sections 1 and 2 of this Part X (Overseas Shareholders) and of any other terms of the Capital Raising relating to Restricted Shareholders may be waived, varied or modified as regards specific Shareholder(s) or on a general basis by the Company in its absolute discretion. Subject to this, the provisions of sections 1 and 2 of this Part X (Overseas Shareholders) supersede any terms of the Capital Raising inconsistent herewith. References in sections 1 and 2 of this Part X (Overseas Shareholders) to Qualifying Shareholders shall include references to the person or persons executing an Application Form and, in the event of more than one person executing an Application Form, the provisions of this section 2 of this Part X (Overseas Shareholders) shall apply jointly to each of them.

PART XI UNITED KINGDOM TAXATION CONSIDERATIONS

1. General

Investors should note that the tax laws of their own country may affect the tax treatment of their participation in the Firm Placing and Placing and Open Offer; and that the tax laws of their own country and the country in which the Company is incorporated, and the countries in which the Group operates, may affect Shareholders' post-tax income from their Ordinary Shares. A summary of certain UK tax issues is set out below.

If potential investors are in any doubt about the taxation consequences of acquiring, holding or disposing of Ordinary Shares, or are subject to tax in any country other than the UK, they should seek advice from their own professional advisers without delay. Investors should note that tax law and interpretation can change and that, in particular, the level and basis of, and reliefs from, taxation may change and that may alter the benefits of investment.

2. UK Taxation

The following information is intended only as a general guide to current UK tax legislation and to current published practice of HMRC, either of which is subject to change at any time (possibly with retrospective effect). The information is not exhaustive.

The following information is intended to apply only to Placees and Shareholders who (unless the position of non-UK resident Shareholders is expressly referred to) are resident, and in the case of individuals, domiciled or deemed domiciled, in the UK for UK taxation purposes (and not in any other territory) and to whom split-year treatment does not apply, who hold their Ordinary Shares as investments (and not as securities to be realised in the course of a trade or which constitute carried interest) and who are the direct absolute beneficial owners of their Ordinary Shares and who have not acquired (or been deemed to have acquired) their Ordinary Shares through any individual savings account ("ISA") or self-invested personal pension or by reason of their or another person's office or employment. The information may not apply to certain classes of Placees or Shareholders, such as dealers in securities or Placees or Shareholders who are trustees or who hold their Ordinary Shares through any form of investment vehicle.

The rates and allowances for 2020/2021 stated in this Part XI (United Kingdom Taxation Considerations) are those announced in the UK Budget on 11 March 2020. These measures are expected to be given effect by the Finance Act 2020 in due course but are potentially subject to change.

2.1 Dividends

The Company is not required to withhold tax at source from dividend payments it makes.

Individual Shareholders

All dividends received from the company by an individual Shareholder who is resident and domiciled in the UK will, except to the extent that they are earned through an ISA, self-invested pension plan or other regime which exempts the dividend from tax, form part of the Shareholder's total income for income tax purposes and will represent the highest part of that income.

A nil rate of income tax will apply to the first £2,000 of dividend income received by an individual Shareholder from all sources in a tax year (the "**Nil Rate Amount**"), regardless of what tax rate would otherwise apply to that dividend income.

Any taxable dividend income received by an individual Shareholder in a tax year in excess of the Nil Rate Amount will be subject to income tax at the following dividend rates for the tax year 2020/2021:

- (i) at the rate of 7.5%, to the extent that the relevant dividend income falls below the threshold for the higher rate of income tax;
- (ii) at the rate of 32.5%, to the extent that the relevant dividend income falls above the threshold for the higher rate of income tax but below the threshold for the additional rate of income tax; and

- (iii) at the rate of 38.1%, to the extent that the relevant dividend income falls above the threshold for the additional rate of income tax.

In determining whether and, if so, to what extent the relevant dividend income falls above or below the threshold for the higher rate of income tax or, as the case may be, the additional rate of income tax, the shareholder's total taxable dividend income for the tax year in question (including the part within the Nil Rate Amount) will, as noted above, be treated as the highest part of the shareholder's total income for income tax purposes.

Corporate Shareholders within the charge to UK corporation tax

Shareholders within the charge to UK corporation tax that are "small companies" (for the purposes of UK taxation of dividends) will not generally be subject to UK tax on dividends from the Company, provided certain conditions are met, including an anti-avoidance condition.

Other Shareholders within the charge to UK corporation tax will not be subject to UK tax on dividends from the Company so long as the dividends fall within an exempt class and certain conditions are met. In general: (i) dividends paid on ordinary shares that are non-redeemable shares and do not carry any present or future preferential rights to dividends or to a company's assets on its winding up; and (ii) dividends paid to a person holding less than 10% of the issued share capital of the payer (or, if there is more than one class of share, the same class of that share capital in respect of which the distribution is made) and who is entitled to less than 10% of the profits available for distribution to holders of the same class of share and would be entitled to less than 10% of the assets available for distribution to holders of the same class of shares on a winding-up, are examples of dividends that should fall within an exempt class. However, the exemptions are not comprehensive and are subject to anti-avoidance rules.

2.2 UK taxation of chargeable gains arising on sale or other disposal

A disposal of Ordinary Shares by a Shareholder who is resident in the UK for tax purposes may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains depending upon the Shareholder's circumstances and subject to any available exemption or relief.

UK resident individual Shareholders

For an individual Shareholder within the charge to UK capital gains tax, a disposal of New Ordinary Shares may give rise to a chargeable gain or an allowable loss for the purposes of capital gains tax.

An individual Shareholder who is resident in the UK for UK tax purposes and whose total taxable gains and income in a given tax year, including any gains made on the disposal or deemed disposal of his New Ordinary Shares, are less than or equal to the upper limit of the income tax basic rate band applicable in respect of that tax year (the "**Band Limit**") will generally be subject to capital gains tax at the flat rate of 10% (for the tax year 2020/2021) in respect of any gain arising on a disposal or deemed disposal of his New Ordinary Shares.

An individual Shareholder who is resident in the UK for UK tax purposes and whose total taxable gains and income in a given tax year, including any gains made on the disposal or deemed disposal of his New Ordinary Shares, are more than the Band Limit will generally be subject to capital gains tax at the flat rate of 10% (for the tax year 2020/2021), in respect of any gain arising on a disposal or deemed disposal of his New Ordinary Shares (to the extent that, when added to the Shareholder's other taxable gains and income in that tax year, the gain is less than or equal to the Band Limit), and at the flat rate of 20% (for the tax year 2020/2021) in respect of the remainder.

No indexation allowance will be available to an individual Shareholder in respect of any disposal or deemed disposal of New Ordinary Shares. However, each individual Shareholder has an annual exemption, such that capital gains tax is chargeable only on gains arising from all sources during the tax year in excess of this figure. The annual exemption is £12,300 for the tax year 2020/2021.

Individuals who are temporarily not resident in the UK may, in certain circumstances, be subject to tax in respect of gains realised while they are not resident in the UK.

UK resident corporate Shareholders

For a corporate Shareholder within the charge to UK corporation tax, a disposal of Ordinary Shares may give rise to a chargeable gain at the rate of corporation tax applicable to that Shareholder (currently 19% for companies) or an allowable loss for the purposes of UK corporation tax. Regardless of the date of disposal of the New Ordinary Shares, indexation allowance will be calculated only up to and including December 2017.

Open Offer

As a matter of UK tax law, the acquisition of Open Offer Shares pursuant to the Open Offer may not strictly speaking constitute a reorganisation of share capital for the purposes of the UK taxation of chargeable gains. The published practice of HMRC to date has been to treat any subscription of shares by an existing shareholder which is equal to or less than the shareholder's minimum entitlement pursuant to the terms of an open offer as a reorganisation, but it is not certain that HMRC will apply this practice in circumstances where an open offer is not made to all shareholders. HMRC's treatment of the Open Offer cannot therefore be guaranteed and specific confirmation has not been requested in relation to the Open Offer.

To the extent that the acquisition of the Open Offer Shares is regarded as a reorganisation of the Company's share capital for the purposes of the UK taxation of chargeable gains, a Qualifying Shareholder should not be treated as making a disposal of any part of that Qualifying Shareholder's Existing Ordinary Shares by reason of taking up all or part of his Open Offer Entitlement. The Open Offer Shares issued to a Qualifying Shareholder will be treated as the same asset as, and having been acquired at the same time as, the Qualifying Shareholder's Existing Ordinary Shares. The amount of subscription monies paid for the Open Offer Shares will be added to the base cost of the Qualifying Shareholder's Existing Ordinary Shares.

To the extent that a Qualifying Shareholder takes up Open Offer Shares in excess of his Open Offer Entitlement, pursuant to the Excess Application Facility, this will not constitute a reorganisation and the treatment described below will apply to such shares.

If, or to the extent that, the acquisition of Open Offer Shares under the Open Offer is not regarded as a reorganisation of the Company's share capital, the Open Offer Shares acquired by each Qualifying Shareholder under the Open Offer will, for the purposes of the UK taxation of chargeable gains, be treated as a separate acquisition of Ordinary Shares and the price paid for those Open Offer Shares will constitute their base cost. For both corporate and individual shareholders, the Open Offer Shares should be pooled with the shareholder's Existing Ordinary Shares and the share identification rules will apply on a future disposal. To the extent that the Open Offer Shares under the Open Offer are issued for less than their market value, there is a technical risk that Qualifying Shareholders may be regarded as having made a part-disposal of their existing shareholding when they take up shares under the Open Offer. However, to date, we are not aware that HMRC have sought to tax a part-disposal under such circumstances.

Firm Placing

The issue of Firm Placing Shares to Firm Placees pursuant to the Firm Placing will not be regarded as a reorganisation of the Company's share capital for the purposes of UK taxation of chargeable gains. Accordingly such an acquisition of New Ordinary Shares will instead be treated as a separate acquisition of shares. Again, for existing corporate and individual Shareholders, the New Ordinary Shares should be pooled with their Existing Ordinary Shares and the share identification rules will apply on a future disposal.

Placing

Similarly, the issue of Open Offer Shares to Placing Placees pursuant to the Placing will not constitute a reorganisation of the Company's share capital for the purposes of the UK taxation of chargeable gains and, accordingly, any acquisition of Open Offer Shares by a Placing Placee pursuant to the Placing will be treated as a separate acquisition of Ordinary Shares.

2.3 Stamp duty and SDRT

The following statements are intended as a general guide to the current UK stamp duty and SDRT position for holders of New Ordinary Shares. Certain categories of person, including intermediaries, brokers, dealers and persons connected with clearance services and depositary receipt systems, may not be liable to stamp duty or SDRT or may be liable at a higher rate. Furthermore, such persons may, although not primarily liable for the tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

The comments in this section relating to stamp duty and SDRT apply whether or not a Shareholder is resident in the UK.

The issue

No stamp duty or SDRT is ordinarily payable on the New Ordinary Shares to be issued by the Company.

Subsequent transfers

Following completion of the Open Offer and subject to applicable exemptions and reliefs and subject as set out below, for subsequent conveyances or transfers, stamp duty at the rate of 0.5% (rounded up to the next multiple of £5) of the amount or value of the consideration given by the purchaser is generally payable on an instrument transferring New Ordinary Shares. An exemption from stamp duty is available on an instrument transferring New Ordinary Shares where the amount or value of the consideration is £1,000 or less and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000.

A charge to SDRT will also generally arise on an unconditional agreement to transfer New Ordinary Shares (at the rate of 0.5% of the amount or value of the consideration payable). However, if within six years of the date of the agreement (or, if the agreement is conditional, the date on which it becomes unconditional), an instrument of transfer is executed pursuant to the agreement, and stamp duty is duly paid on that instrument, or that instrument is exempt, any SDRT already paid will generally be refunded, provided that a claim for payment is made, and any outstanding liability to SDRT will be cancelled.

In cases where the New Ordinary Shares are transferred to a connected company of a Shareholder (or its nominee), stamp duty or SDRT is chargeable on the higher of: (i) the amount or value of the consideration, or (ii) the market value of the New Ordinary Shares.

New Ordinary Shares held through CREST

Paperless transfers of New Ordinary Shares with CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5% of the amount or value of the consideration in money or money's worth payable by the purchaser. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system. Where New Ordinary Shares are credited in uncertificated form to an account in CREST, no liability to stamp duty or SDRT will generally arise.

New Ordinary Shares deposited with clearance services and depositary receipt systems generally

Under current UK legislation, where New Ordinary Shares are issued or transferred: (i) to (or to a nominee or agent for) a person whose business is or includes the provision of clearance services, or (ii) to (or to a nominee or agent for) a person whose business is or includes issuing depositary receipts, stamp duty or SDRT would generally be payable at the higher rate of 1.5% of the amount or value of the consideration paid for the New Ordinary Shares (rounded up to the next multiple of £5 in the case of stamp duty) or in certain circumstances, the value of the New Ordinary Shares.

However, following the decisions in *HSBC Holdings plc and Vidacos Nominees Ltd v HMRC C-569/07 [2010] STC 58* and *HSBC Holdings plc and The Bank of New York Mellon Corporation v The Commissioners for HMRC [2012] UKFTT 163 (TC)*, HMRC has confirmed that it will no longer seek to apply the 1.5% SDRT charge when shares are first issued to a clearance service or depositary receipt system.

Clearance services may opt under section 97A of the Finance Act 1986, provided certain conditions are satisfied, for the normal rate of stamp duty or SDRT (0.5% of the consideration paid) to apply to transfers of New Ordinary Shares into, and to transactions within, such services.

Any liability for stamp duty or SDRT in respect of a transfer into a clearance service or depositary receipt system, or in respect of a transfer of New Ordinary Shares held within such a service or system, will strictly be payable by the operator of the clearance service or depositary receipt system or its nominee, as the case may be, but in practice will generally be reimbursed by participants in the clearance service or depositary receipt system.

PART XII ADDITIONAL INFORMATION

1. Responsibility Statement

The Directors, whose names and principal functions appear in section 6 of Part VII (Information on the Costain Group) of this document, and the Company accept responsibility for the information contained in this document. To the best knowledge of the Directors and the Company, the information contained in this document is in accordance with the facts and this document makes no omission likely to affect its import.

2. The Company

The Company was incorporated and registered in England and Wales on 12 October 1978 with registered number 01393773 as a company limited by shares under the Companies Act 1948 to 1976 with the name Trushelfco (No. 192) Limited which was subsequently changed to Costain Group Limited. The Company's name was eventually changed to Costain Group PLC on 20 October 1981.

The Company is domiciled in the United Kingdom. The Company's registered office and principal place of business is at Costain House, Vanwall Business Park, Maidenhead, Berkshire, SL6 4UB, United Kingdom, its telephone number is +44 (0) 1628 842444 and its website is www.costain.com (please note that the contents of the Company's website do not form part of this document).

The principal legislation under which the Company operates, and pursuant to which the New Ordinary Shares will be created, is the Companies Act and regulations made thereunder.

The Company's LEI is 213800PKIJBZ2EDTKC88.

The Existing Ordinary Shares are listed on the Official List of the London Stock Exchange. The ISIN of the Existing Ordinary Shares is GB00B64NSP76.

3. Resolution, authorisations and approvals relating to the Capital Raising

At the General Meeting, Shareholders will be asked to consider and vote on the Resolution, further details of which are set out in section 21 of Part V (Chairman's Letter) of this document.

4. Rights attached to the New Ordinary Shares

The Costain Articles are available for inspection on the Company's website as specified in section 19 of this Part XII (Additional Information). The Company's Memorandum of Association no longer sets out the objects of the Company, and its objects are unrestricted save to the extent otherwise provided in the Costain Articles.

The Costain Articles contain provisions, amongst others, to the following effect:

4.1 Share rights:

Subject to other Shareholders' rights, shares may be issued with such rights and restrictions as the Company may by ordinary resolution decide, or (if there is no such resolution or so far as it does not make specific provision) as the Directors may decide. Redeemable shares may be issued.

4.2 Dividend rights:

Subject to applicable law, the Company may by ordinary resolution from time to time, declare dividends not exceeding the amount recommended by the Directors. The Directors may pay interim dividends, and also any fixed dividend, whenever the financial position of the Company, in the opinion of the Directors, justifies its payment. If the Directors act in good faith, they are not liable for any losses Costain Shareholders may suffer because a lawful dividend has been paid on other shares which rank equally with or behind their shares.

The Directors may deduct from any dividend or other monies payable on or in respect of any shares all sums of money (if any) payable to the Company on account of calls or otherwise in respect of that share.

Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide, all dividends will be declared and paid in proportions based on the amounts paid up on the shares during any period for which the dividend is paid.

Unless the rights attached to any shares, or the terms of any shares, say otherwise, no dividend or other monies payable on or in respect of a share shall bear interest as against the Company.

Any dividend unclaimed after a period of 12 years from the date when it was declared or became due for payment shall be forfeited and revert to the Company unless the Directors decide otherwise.

There is no fixed date on which an entitlement to dividend arises.

4.3 Voting rights:

Every Shareholder who (being an individual) is present in person or (being a corporation) is present by its duly appointed representative shall have one vote and on a poll every Shareholder present in person or by representative or proxy shall have one vote for every Ordinary Share in the capital of the Company held by him.

Where there are joint holders of a share, any one of them may vote at a meeting either personally or by proxy in respect of the share as if they were solely entitled to it, but if more than one joint holder is present, that one of them whose name appears first in the register of members in respect of the share shall alone be entitled to vote, to the exclusion of the votes of the other joint holders.

4.4 Restrictions:

No member shall be entitled to vote, unless the Costain Board determined otherwise, at any general meeting or class meeting in respect of any share held him or her if any call or other sum then payable by him in respect of that share remains unpaid or if a member has been served with a restriction notice after failure to provide Costain with information concerning interests in those shares required to be provided under applicable law.

4.5 Pre-emption rights:

There are no pre-emption rights under the Costain Articles in respect of transfers of Ordinary Shares. In certain circumstances, Shareholders may have statutory pre-emption rights as provided for by the Companies Act (save to the extent not previously disappplied by Shareholders). These statutory pre-emption rights would require the Company to offer new shares for allotment for cash to existing Shareholders on a pro rata basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to Shareholders of the Company.

4.6 Capitalisation of reserves or profits:

If recommended by the Directors, the Company may by ordinary resolution capitalise any sum which is part of the Company's reserves or which the Company is holding as net profits. Unless the ordinary resolution states otherwise, the Directors will set aside the capitalised sum for the holders of Ordinary Shares in the same proportion as their entitlement to dividends.

4.7 Return of capital:

Subject to any special rights attaching to any class of shares, on a winding-up, the balance of the assets available for distribution will be distributed in accordance with applicable law.

5. Major Shareholders

5.1 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:

	<u>Number of voting rights</u>	<u>% of voting rights</u>
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.

5.2 Save as disclosed in this section 5, Costain is not aware of any person who, as at the Latest Practicable Date, directly or indirectly, has a holding which is notifiable under English Law.

5.3 None of the Shareholders referred to in this section 5 have different voting rights from any other holder of Ordinary Shares in respect of any Ordinary Shares held by them.

5.4 As at the Latest Practicable Date, the Company was not aware of any persons who, directly or indirectly, jointly or severally, will exercise or could exercise control over the Company.

5.5 As at the Latest Practicable Date, the Company was not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

5.6 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).

6. Directors' confirmations

6.1 The Directors hold or have held in the past five years the following directorships in companies in addition to their directorships of the Company and past or current members of the Group (if any) and are or have been a partner of the following partnerships in the past five years:

	<u>Current directorships / partnerships</u>	<u>Past directorships / partnerships</u>
Paul Golby	National Grid plc The ERA Foundation Limited NATS Holdings Limited NATS (en route) Public Limited Company	Big Bang Education CIC
Alex Vaughan	—	—
Anthony Bickerstaff	Electricity Settlements Company Ltd Low Carbon Contracts Company Ltd	—
Jane Lodge	Bakkavor Group plc DCC plc Bromsgrove School Foundation Ives Ventures Limited Ives Estates Limited	Moorgate Industries Limited (in liquidation) Sirius Minerals Plc (now Anglo American Woodsmith Limited) Devro plc
Alison Wood	Cairn Energy plc TT Electronics plc The British Standards Institution	e2v Technologies plc Cobham Limited
David McManus	Genel Energy plc Hess Corporation Flex LNG Ltd	D McManus Consulting Limited (now dissolved) Neo Energy Upstream UK Limited Verus Petroleum Holding Limited

	Current directorships / partnerships	Past directorships / partnerships
		Cape Intermediate Holdings Limited Rockhopper Exploration plc Caza Oil & Gas Inc Northern Drilling Ltd
Jacqueline de Rojas	FDM Group (Holdings) plc Rightmove plc Information Technology Telecommunications and Electronics Association	Switchgrass Limited AO World plc Home Retail Group Limited

6.2 None of the Costain Directors have, during the five years prior to the date of this document:

- (A) been convicted in relation to a fraudulent offence;
- (B) (save as disclosed in section 6.3) been associated with any bankruptcy, receivership or liquidation while acting in the capacity of a member of the administrative, management or supervisory body or of senior manager of any company;
- (C) been subject to any official public incrimination and/or sanction by statutory or regulatory authorities (including designated professional bodies); or
- (D) been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer.

6.3 Jane Lodge was a non-executive director of Moorgate Industries Limited from 23 May 2014 to 21 October 2015. Moorgate Industries Limited was placed into administration on 2 October 2015. On 3 October 2018, Moorgate Industries Limited was placed into compulsory liquidation.

6.4 No Costain Director was selected to be a Director of Costain pursuant to any arrangement or understanding with any major customer, supplier or other person having a business connection with the Costain Group.

6.5 There are no family relationships between any of the Costain Directors.

7. Conflicts of interest

7.1 Save as explained in section 7.2 below, there are no actual or potential conflicts of interest between the duties owed by the Directors to the Company and their private interests and/or other duties that they may also have.

7.2 The Costain Directors:

- (A) who are Existing Ordinary Shareholders have a legal and/or beneficial interest in the Ordinary Shares; and
- (B) owe duties to the entities (if any) opposite his or her name in the table in section 6.1 above.

7.3 Each of the Costain Directors has a statutory duty under the Companies Act to avoid conflicts of interest with the Company and to disclose the nature and extent of any such interest to the Board. Under the Costain Articles and, as permitted by the Companies Act, the Board may authorise any matter which would otherwise involve a Director breaching this duty to avoid conflicts and may attach to any such authorisation such conditions and/or restrictions as the Board deems appropriate (including in respect of the receipt of information or restrictions at certain Board meetings), in accordance with the Costain Articles.

7.4 Each Costain Director who is an Existing Ordinary Shareholder has agreed not to transfer or otherwise dispose of his or her interest in the Ordinary Shares until the conclusion of the General Meeting.

8. Related party transactions

Other than disclosed in the financial information incorporated by reference into this document for the year ended 31 December 2019, no related party transactions have been entered into by any member of the Group during the period between 31 December 2019 to the Latest Practicable Date.

9. Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Costain Group: (a) in the two years immediately preceding the date of this document and are, or may be, material to the Costain Group as at the date of this document; or (b) at any time which contain provisions under which any member of the Costain Group has any obligation or entitlement which is material to the Costain Group as at the date of this document:

9.1 Placing Agreement

On the date of this Prospectus, the Company, Rothschild & Co and the Bookrunners entered into the Placing Agreement pursuant to which: (i) Rothschild & Co was appointed to act as the sole sponsor to the Company in connection with the applications for Admission, and (ii) the Bookrunners were appointed to act as Bookrunners and underwriters to the Company in connection with the Capital Raising. The Bookrunners have agreed severally, subject to certain conditions, to use reasonable endeavours to procure placees for the New Ordinary Shares at the Offer Price. To the extent that any Firm Placee or Placing Placee procured by the Bookrunners fails to subscribe for any or all of the Firm Placing Shares and/or Placing Shares which have been allocated to it, subject to certain conditions, each of the Bookrunners shall severally subscribe themselves for the Firm Placing Shares and/or the Placing Shares at the Offer Price.

In consideration of their services under the Placing Agreement, and subject to their obligations under the Placing Agreement having become unconditional and the Placing Agreement not being terminated, the Company has agreed to pay to the Bookrunners: (i) an aggregate commission of 1% of the amount equal to the product of the Offer Price and the number of New Ordinary Shares allocated to ASGC, (ii) an aggregate commission of 2.75% of the amount equal to the product of the Offer Price and the number of New Ordinary Shares excluding the New Ordinary Shares allocated to ASGC (which are covered by (i) above), and (iii) a discretionary commission of up to 0.5% of the amount equal to the product of the Offer Price and the number of New Ordinary Shares, payable to any Bookrunner in such amount as the Company may determine in its absolute discretion. In addition, commission payable to the Placing Placees by the Bookrunners shall, in certain circumstances, be borne in part by the Company.

In addition to the commissions set out above (and whether or not the obligations of the Bookrunners and Rothschild & Co become unconditional in all respects or the Placing Agreement is terminated), the Company has agreed to pay the costs and expenses of, and in connection with, the Placing Agreement, the Capital Raising, the fees and expenses of its professional advisers, advertising and printing costs, distribution costs of all documents and the Bookrunners' and Rothschild & Co's legal fees and other "out of pocket" expenses, all accountancy and other professional fees and all stamp duty and SDRT (if any) and other similar duties and taxes.

The Company has given certain customary undertakings, representations and warranties to the Bookrunners and Rothschild & Co, in relation to the issue and/or sale of Ordinary Shares, including a 90 day lock-up on issues of new shares, and in relation to other matters relating to the Group and its business. In addition, the Company has given customary indemnities to the Bookrunners and Rothschild & Co and certain indemnified persons connected with each of them.

The obligations of the Bookrunners and Rothschild & Co under the Placing Agreement in relation to the Capital Raising are subject to certain customary conditions including, amongst others, no breach of warranty contained in the Placing Agreement and Admission becoming effective 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, the Bookrunners and Rothschild & Co may agree.

If any of the conditions to the Placing Agreement are not satisfied (or waived by the Bookrunners and Rothschild & Co) or have become incapable of being satisfied by the required time and/or date, each

of the Bookrunners and Rothschild & Co may terminate the Placing Agreement in certain circumstances, but only prior to Admission.

9.2 Standby Equity Agreement

On 10 March 2020, Costain entered into the Standby Equity Agreement with the Bookrunners, pursuant to which the Bookrunners agreed to underwrite severally (in their respective proportions) the Capital Raising to aggregate gross proceeds of up to £100 million, on the terms of the Placing Agreement. The Standby Equity Agreement automatically terminated in accordance with its terms upon the execution of the Placing Agreement.

9.3 Subscription and Transfer Agreement and Option Agreement

In connection with the Capital Raising, the Company, Investec and JerseyCo have entered into several agreements, each dated the date of this Prospectus, in relation to the subscription and transfer of ordinary shares and redeemable preference shares in JerseyCo.

Under the terms of these agreements:

- the Company and Investec will acquire ordinary shares in JerseyCo and enter into certain put and call options in respect of the ordinary shares in JerseyCo subscribed for by Investec that are exercisable if the Capital Raising does not proceed;
- Investec will apply monies received under the Capital Raising, and held by Investec until Admission, to subscribe for redeemable preference shares in JerseyCo to an aggregate value equal to such monies, after deduction of the amount of certain commissions and expenses; and
- the Company will allot and issue the New Ordinary Shares to those persons entitled thereto in consideration of Investec transferring its holding of redeemable preference shares and ordinary shares in JerseyCo to the Company.

Accordingly, instead of receiving cash as consideration for the issue of New Ordinary Shares, at the conclusion of the Capital Raising the Company will own the entire issued share capital of JerseyCo whose only asset will be its cash reserves, which will represent an amount approximately equal to the net proceeds of the Capital Raising.

Firm Placees, Placing Placees and Qualifying Shareholders are not party to these arrangements and so will not acquire any direct right against Investec pursuant to these arrangements. The Company will be responsible for enforcing the obligations of Investec and JerseyCo thereunder.

9.4 Irrevocable undertaking and Relationship Agreement

ASGC entered into a Deed of Irrevocable Undertaking (the “**Irrevocable**”) with the Company dated 28 April 2020 (amended on 5 May 2020) under which, on the terms set out in the Irrevocable, ASGC irrevocably and unconditionally undertook to participate in the Capital Raising, in a fixed amount of £25 million, as a Firm Placee and ASGC and the Company agreed to enter into the Relationship Agreement (as defined below) upon the launch of the Capital Raising.

On 7 May 2020, the Company entered into a relationship agreement with ASGC which will regulate the ongoing relationship between the Company and ASGC (the “**Relationship Agreement**”). The principal purposes of the Relationship Agreement are to ensure that the Company is capable at all times of carrying on its business independently of ASGC, and to govern the potential appointment of ASGC Nominees as directors of the Company.

The Relationship Agreement provides that ASGC has the right to appoint: (i) one Nominee as a director of the Company provided that it holds at least 10% of the issued share capital in the Company, or (ii) two Nominees as directors of the Company provided that it holds at least 20% of the issued share capital in the Company, and contains various related provisions governing among other things the process of appointment and the maintenance of confidential information. In addition, the Relationship Agreement contains undertakings from ASGC that: (a) transactions or arrangements between ASGC and the Company are to be conducted on arm’s length commercial terms, and (b) ASGC will provide the Company with all information required by the Company for the purposes of complying with its obligations under any applicable laws or regulations, including the Listing Rules.

The Relationship Agreement also contains a lock-up pursuant to which ASGC agrees not to dispose of any interest or rights attaching to securities of the Company for a period of 180 days following Admission and a standstill provision pursuant to which ASGC agrees not to acquire any interest or rights attaching to securities of the Company: (a) prior to Admission such that, upon Admission, the acquisition of New Ordinary Shares by ASGC pursuant to the Capital Raising would trigger an obligation on ASGC (or any person acting in concert with it) to make a mandatory takeover offer for the Company under the City Code, and (b) prior to the date falling 180 days following Admission such as would trigger an obligation on ASGC (or any person acting in concert with it) to make a mandatory takeover offer for the Company under the City Code.

9.5 Term and Revolving Facilities Agreement

Costain is party to a revolving and term loan facilities agreement (the “**Facilities Agreement**”) dated 17 July 2013 and as amended and restated on 26 June 2015, as amended by a letter dated 21 June 2016 and effective on 26 June 2016, as amended and restated 21 December 2017 (effective on 22 December 2017) and as further amended by letter dated 10 March 2020 with Lloyds Bank plc as agent and Lloyds Bank plc, Santander UK PLC, HSBC UK Bank plc (previously HSBC Bank plc), Crédit Industriel et Commercial, London Branch and The Governor and Company of the Bank of Ireland as mandated lead arrangers.

Under the terms of the Facilities Agreement, the arrangers agreed to provide Costain with a revolving credit facility of £131 million (the “**Revolving Credit Facility**”) and a term facility originally of £60 million (the “**Term Facility**”) of which £4 million has since been repaid, in each case to be used for general corporate purposes. As at the Latest Practicable Date, £116 million had been drawn down pursuant to the Facilities Agreement.

Advances made pursuant to the Revolving Credit Facility are to be repaid on the last day of the interest period relating to the relevant advance, with no sums currently being able to be drawn or outstanding on or after 24 June 2022. The Revolving Credit Facility currently incurs interest at a rate of LIBOR (or, in the case of any loan in euro, EURIBOR) plus a margin of between 2.05% and 3.15% per annum (depending on the ratio of total net debt to adjusted EBITDA).

The Term Facility is to be repaid in five half-yearly instalments of £4 million, the first of which was on 31 December 2019, with the balance of £40,000,000 to be repaid on 24 June 2022. The Term Facility currently incurs interest at a rate of LIBOR plus a margin of between 2.15% and 3.25% per annum (depending on the ratio of total net debt to adjusted EBITDA).

The Facilities Agreement permits voluntary prepayments and voluntary cancellation of undrawn amounts (subject to payment of any applicable break costs). It also contains standard representations, undertakings and events of default as well as financial and general covenants that Costain must observe. The Revolving Credit Facility and Term Facility are guaranteed by Costain together with certain subsidiaries of Costain and has the benefit of security sharing provisions separately agreed between various creditors of Costain. Otherwise, the Facilities Agreement is unsecured. The Facilities Agreement includes provisions allowing certain wholly-owned subsidiaries of Costain to accede as additional borrowers and/or additional guarantors.

The Group has entered into an amendment and restatement agreement dated 10 March 2020 in respect of the Facilities Agreement (the “**Facilities Agreement ARA**”). The Facilities Agreement ARA has a number of conditions which must be satisfied prior to it becoming effective, including completion of the Capital Raising. Once effective, the Facilities Agreement ARA will make a number of amendments to the Facilities Agreement including: (i) amendments to certain financial covenants, (ii) changes to the repayment schedule, and (iii) an extension of the maturity date to 24 September 2023.

9.6 Bonding Facilities and Surety Facilities

Costain together with certain of its subsidiaries (the “**Borrowers**”) are party to three bilateral bonding facility agreements (the “**Bonding Facility Agreements**”) with each of: (1) Santander UK PLC; (2) HSBC UK Bank plc (previously HSBC Bank plc); and (3) Lloyds Bank plc. Costain together with certain of its subsidiaries (the “**Contractors**”) are also party to six facility and general agreements of indemnity (the “**Surety Facility Agreements**”) with each of: (1) Zurich Insurance Public Limited Company; (2) QBE UK Limited (previously QBE Insurance (Europe) Limited); (3) Liberty Mutual Insurance Europe S.E. (a successor in title to Liberty Mutual Insurance Europe Limited); (4) HCC

International Insurance Company plc; (5) Euler Hermes SA (NV) (previously Euler Hermes Europe S.A. (N.V.)); and (6) American International Group UK Limited (as transferee of the assets, Liabilities, rights and obligations relating to the UK business of AIG Europe Limited pursuant to an insurance business transfer scheme under Part VII of the Financial Services and Markets Act 2000 which took effect on 1 December 2018).

The Bonding Facility Agreements and the Surety Facility Agreements were originally entered into on 8 December 2011 and were subsequently amended on 17 July 2013 and 26 June 2015 and as amended by a letter dated 21 June 2016 (effective on 26 June 2016), as amended and restated on 21 December 2017 (effective on 22 December 2017) and as further amended by a letter dated 10 March 2020.

Under the terms of each Bonding Facility Agreement, each respective lender has agreed to make available to the Borrowers a bonding facility (a “**Bonding Facility**”) up to a maximum amount specified therein to be used to secure, guarantee or assure the performance by a Borrower of any of its obligations and liabilities from time to time to any of its respective employers or other persons dealing with it. The aggregate amount available to the Borrowers across all of the Bonding Facilities is £45 million.

Under the terms of each Surety Facility Agreement, each respective surety has agreed to issue, at the request of a Contractor, any bond, guarantee, indemnity or obligatory instrument in respect of the obligations of such Contractor (a “**Surety Facility**”) up to a maximum amount specified therein. The aggregate amount available across all of the Surety Facilities is £275 million.

Each of the Bonding Facility Agreements have substantially the same terms, except that the agreement with Lloyds Bank plc also includes an overdraft facility of £2.5 million (the “**Overdraft Facility**”), to be used for general corporate purposes. Each of the Surety Facility Agreements have substantially the same terms. In addition, the Bonding Facility Agreements and the Surety Facility Agreements share many of the same terms. Both the Bonding Facilities and the Surety Facilities are subject to annual review by the relevant lender/surety and are capable of being cancelled on 30 days’ notice following the outcome of each review. The Overdraft Facility is repayable on demand. As at the Latest Practicable Date, £12.86 million of bonds were in issue pursuant to the Bonding Facilities and £108.85 million of surety guarantees were in issue pursuant to the Surety Facilities.

The Bonding Facility Agreements and Surety Facility Agreements permit voluntary cancellation of the relevant available facility. They also contain standard representations, undertakings and events of default as well as financial and general covenants that Costain and certain subsidiaries of Costain must observe. The Bonding Facilities and Surety Facilities are guaranteed by Costain together with certain subsidiaries of Costain and have the benefit of security sharing provisions separately agreed between various creditors of Costain. Otherwise, the Bonding Facility Agreements and Surety Facility Agreements are unsecured. The Bonding Facility Agreements and the Surety Facility Agreements include provisions allowing certain wholly-owned subsidiaries of Costain to accede as additional borrowers or contractors (as the case may be) and/or additional guarantors.

The Group has entered into a number of amendment and restatement agreements dated 10 March 2020 in respect of each of the Bonding Facility Agreements and Surety Facility Agreements. These amendment and restatement agreements each include number of conditions which must be satisfied prior to becoming effective, including completion of the Capital Raising. Once effective, these amendment and restatement agreements will make a number of amendments to each of the Bonding Facility Agreements and Surety Facility Agreements, including amendments to certain financial covenants.

9.7 Security Sharing Agreement

Costain and certain of its subsidiaries are party to a security sharing agreement (the “**Security Sharing Agreement**”) dated 22 December 2017 entered into between the parties to each of the Facilities Agreement, the Bonding Facility Agreements and the Surety Facility Agreements. The effect of the Security Sharing Agreement is that, following certain events of default in respect of Costain or its subsidiaries, available cash or cash equivalent balances held in accounts with the counterparties to the Security Sharing Agreement under Costain’s name, or under the names of certain subsidiaries, will be shared between the providers of the Revolving Credit Facility, the Term Facility, the Bonding Facilities and the Surety Facilities in accordance with a common regime set out in therein.

9.8 Sale of Alcaidesa Holding, S.A.U

On 11 December 2019, Costain announced that Costain Alcaidesa Limited (a wholly-owned subsidiary of Costain) entered into a contract on 10 December 2019 (the “**Alcaidesa SPA**”) with Millenium Hotels Real Estate I Socimi (the “**Buyer**”), a real estate investment fund based in Spain, for the sale and purchase of the entire issued share capital of Alcaidesa Holding, S.A.U (“**Alcaidesa**”). Alcaidesa and its wholly owned subsidiary, Alcaidesa Golf, S.L.U owned and operated two golf courses and other real estate assets in Cadiz, Spain (the “**Real Estate Assets**”). The Alcaidesa SPA is governed by Spanish law.

The Alcaidesa SPA was conditional upon Costain Alcaidesa Limited having received the consideration amount of EUR15.2 million prior to 20:00 CET on 13 December 2019. As announced by Costain, this condition was satisfied and completion of the Alcaidesa SPA took place on 11 December 2019.

Costain Alcaidesa Limited gave a number of representations and warranties under the Alcaidesa SPA, including amongst others, representations and warranties covering: capacity and authority; ownership of Alcaidesa shares; ownership by Alcaidesa and Alcaidesa Golf, S.L.U of the Real Estate Assets; accounts and changes since the accounts date; tax; compliance with laws; environmental matters; employees; and disputes and litigation. Costain Alcaidesa Limited also provided specific indemnities under the Alcaidesa SPA relating to an internal group re-organisation which was carried out prior to completion.

Subject to applicable statutory time periods provided for under Spanish law, Costain Alcaidesa Limited will be liable to indemnify the Buyer for claims brought by the Buyer within a period of eighteen months from the completion date. The Alcaidesa SPA included limitations on the ability of the Buyer in respect of claims made under the agreement. Costain Alcaidesa Limited’s total aggregate liability for claims relating to title to shares, title to real estate assets, any liens or encumbrances in respect of the shares or real estate assets or the specific indemnities is limited to 100% of the consideration paid by the Buyer. For other claims liability is limited to 10% of the consideration paid by the Buyer. In addition, Costain Alcaidesa Limited shall not be liable for any claim for less than EUR16,000. Costain Alcaidesa Limited will also have no liability for any claim unless and until claims exceeding EUR16,000 exceed EUR60,000 in aggregate, and in which case Costain Alcaidesa Limited shall be liable for the full amount and not just the excess above the de minimis limit or basket threshold.

10. Governmental, legal and arbitration proceedings

Save as described below, so far as Costain is aware, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Costain Group is aware) during the period covering the 12 months preceding the date of this document which may have, or have had in the recent past, significant effects on the financial position or profitability of the Costain Group.

10.1 Diamond Light Source Limited arbitration award

On 28 June 2019, the Company announced in a trading update that the Group’s results for the six months ending 30 June 2019 would include a one-off charge of £9.7 million in respect of the result of an arbitration award made in favour of Diamond Light Source Limited. The award related to the cost of remedial works required to the roof at the National Synchrotron facility which were completed in August 2006.

10.2 A465 arbitration award

On 21 August 2019, in its results announcement for the six months ended 30 June 2019, the Company announced that it was continuing to complete work relating to the A465 Head of the Valleys road and that the Welsh Government had escalated a specific matter under the dispute resolution mechanism provided for in the A465 Contract. On 12 December 2019, the Company announced that the matter, which related to the responsibility for design information, had been decided in the Company’s favour in the initial adjudication proceedings but that the issue had been determined at arbitration. The arbitration award split the responsibility for the design information between both parties, with the Company being responsible for the design information in relation to a particular retaining wall, thus partially reversing the decision made in the initial adjudication proceedings. As a result of the award, the Company announced that it expected the Group’s underlying profit for the year ending 31 December 2019 to be in the range of £17 million to £19 million and the net cash position to

be approximately £20 million. The Company also announced that it was engaged in discussions with the Welsh Government to reach agreement on a financial settlement in respect of the A465 Contract. On 21 April 2020, as these discussions continue, the Company received from the Welsh Government a notice of the Welsh Government's intention to refer a second specific aspect of the A465 Contract to final determination at arbitration under the dispute resolution mechanism provided for in the A465 Contract. As set out in the notice to refer, this arbitration will determine a matter of principle only, and not quantum. The specific aspect to which it relates is the responsibility for design information in relation to a different retaining wall on the project and whether it qualifies as a compensation event under the A465 Contract. These are issues that were decided in the Company's favour by way of the initial adjudication proceedings referred to above and a subsequent adjudication award dated 13 September 2018. The Company continues to engage in discussions with the Welsh Government with a view to reaching agreement on a financial settlement in respect of the A465 Contract.

10.3 Health and safety offences relating to the A556 project

The Company is involved in proceedings relating to an accident that occurred on 3 August 2015 during the construction of the A556 project near Knutsford. The accident involved the collapse of a steel reinforcement cage which knocked over two mobile elevating work platforms. The two steel fixers working on the platforms were both injured, with one worker being severely injured. The Company and a second defendant (Brenbuild Limited) each entered guilty pleas to breaches of section 2(1) and 3(1) of the Health and Safety at Work Act 1974 for failing to ensure the safety of the two steel fixers and the other employees in the area. The sentencing hearing was scheduled to take place on the 23 January 2020 but was re-listed to take place in May 2020 (which has been adjourned). The Company expects the outcome of the prosecution to be within the provision provided for in the audited consolidated financial statements for the year ended 31 December 2019.

10.4 Health and safety offences relating to the M1 smart motorways project

By way of a letter dated 2 January 2020, the Company has been informed that the Health and Safety Executive intends to bring proceedings against it for alleged breaches of Regulations 13(1) and 27(4) of the Construction (Design and Management) Regulations 2015 following a fatal accident during the construction of the M1 smart motorways project (between junctions 16 to 19) on 10 October 2016. This project was delivered by a joint venture company owned by the Company and Galliford Try Limited. The Company's investigations have not revealed any systemic failings within the joint venture company and the Company expects the outcome of the prosecution to be within the provision provided for in the audited consolidated financial statements for the year ended 31 December 2019.

11. No significant change

Save as disclosed below, there has been no significant change in the financial performance or financial position of the Costain Group since 31 December 2019 (the date to which Costain's latest audited year-end financial information was prepared).

On 31 March 2020 Costain announced that as a result of COVID-19, onsite construction activities in London (which represent approximately 30% of the Group's annual revenues) including Crossrail, HS2 enabling works and Thames Tideway contracts, were being paused at the request of clients. Though this temporary suspension of onsite construction activities in London does not impact the Group's order book, it has had a negative impact on the Group's revenues whilst the suspension of activities continues and work is delayed.

12. Regulatory Disclosures

The Company regularly publishes announcements via the RNS system and the Company's website. Below is a summary of the information disclosed in accordance with the Company's obligations under the Market Abuse Regulation over the last 12 months relevant at the date of this prospectus. In addition to the RNS system, full announcements can be accessed on the webpage of the Company at <https://www.costain.com/investors/regulatory-news/>.

Inside information

Ahead of announcing its results for the six months ended 30 June 2019, on 28 June 2019 the Company announced in a trading update that revenue for 2019 would be lower than previously

anticipated and that underlying profit for the full year was expected to be in the range of £38.0 million to £42.0 million.

As further described in section 10 of this Part XII (Additional Information), on 12 December 2019, the Company announced the result of an arbitration decision relating the A465 Contract. As a result of the decision, the Company announced that it expected underlying profit for 2019 to be in the range of £17 million to £19 million and the year-end net cash position to be c. £20 million.

On 11 March 2020, the Company announced the Group's unaudited preliminary results for the year ended 31 December 2019 and a proposed new capital raising of up to £100 million, fully underwritten by HSBC, Investec and Liberum on a standby basis (further details of the Standby Equity Agreement are set out in section 9 of this Part XII (Additional Information)).

The Company has today announced that it has conditionally raised £100 million (before expenses) in aggregate by way of a Firm Placing and Placing and Open Offer, comprising approximately £80 million (before expenses) through the issue of 133,348,799 New Ordinary Shares pursuant to a Firm Placing and approximately £20 million (before expenses) through the issue of 33,317,868 New Ordinary Shares pursuant to a Placing and Open Offer.

Dealings by persons discharging managerial responsibilities and their persons closely associated

The Company has made a number of disclosures in accordance with Article 19 of the Market Abuse Regulation in relation transactions carried out by certain of the Company's persons discharging managerial responsibilities ("PDMRs") and their persons closely associated. Such transactions included the grant and exercise of awards over Ordinary Shares and the acquisition of Ordinary Shares by certain PDMRs and persons closely associated.

13. Takeovers and Mergers

The City Code is issued and administered by the Takeover Panel. The Takeover Panel has been designated as the supervisory authority to carry out certain regulatory functions in relation to takeovers and merger transactions pursuant to the Directive on Takeover Bids (2004/25/EC) (the "Takeovers Directive"). Following the implementation of the Takeovers Directive by the Takeovers Directive (Interim Implementation) Regulations 2006, the rules in the City Code, which are derived from that Directive, now have a statutory basis.

The City Code applies to all takeovers and merger transactions, howsoever effected, where, among other things, the offeree company is a public company (except an open-ended investment company) which has its registered office in the United Kingdom, the Channel Islands or the Isle of Man.

However, the City Code applies to the Company in respect of matters relating to the information to be provided to its employees and matters relating to company law (in particular the percentage of voting rights which confers control and any derogation from the obligation to launch an offer, as well as the conditions under which the Board may undertake any action which might result in the frustration of an offer). This includes Rule 9 of the City Code, under which any person who acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with such person are interested) carry 30% or more of the voting rights of a company subject to the City Code, must make a general offer in cash to the holders of any class of equity share capital whether voting or non-voting and also to the holders of any other class of transferable securities carrying voting rights to acquire the balance of the shares not held by such person and any person acting in concert with that person. An offer under Rule 9 of the City Code must be in cash or be accompanied by a cash alternative at not less than the highest price paid within the 12 months prior to the announcement of the offer for any shares by the person required to make the offer or any person acting in concert with that person.

The takeover provisions are intended to ensure that, in the event of an offer, sufficient information will be made available to the Shareholders, that the Shareholders will be treated equally and that there will be a proper and timely offer period.

For the purposes of the City Code:

- “**persons acting in concert**” comprise persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control (as defined below) of a company or to frustrate the successful outcome of an offer for a company; and
- “**control**” means an interest, or interests, in shares carrying in aggregate 30% or more of the voting rights of a company, irrespective of whether such interest or interests give de facto control.

In the event that the Takeovers Directive ceases to apply in the UK, it is expected that the City Code will apply in full to any offer for the Company.

No public takeover bid has been made in relation to the Company during the last financial year or the current financial year.

14. Tax

Please see Part XI (United Kingdom Taxation Considerations) of this document for information relating to UK taxation.

15. Third party information

Certain information contained in this document has been sourced from third parties. In each case, the source of such information is indicated where the information appears in this document. The Company confirms that the information in this document that has been sourced from third parties has been accurately reproduced and that, as far as it is aware and is able to ascertain from information published by these third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

16. Consents

- 16.1 Rothschild & Co whose address is New Court, St Swithin's Lane, London EC4N 8AL has given and has not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.
- 16.2 HSBC whose address is 8 Canada Square, London E14 5HQ has given and has not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.
- 16.3 Investec whose address is 2 Gresham Street, London EC2V 7QP has given and has not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.
- 16.4 Liberum whose address is Ropemaker Place, Level 12, 25 Ropemaker Street, London EC2Y 9LY has given and has not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.

17. General

- 17.1 The total expenses of the Firm Placing and Placing and Open Offer payable by the Company are approximately £7.0 million (exclusive of VAT). The Company's net proceeds from the Firm Placing and Placing and Open Offer would be approximately £93.0 million.
- 17.2 The auditors of the Company are PricewaterhouseCoopers LLP of 1 Embankment Place, London WC2N 6RH, who have audited the consolidated financial statements of the Group for the financial years ended 31 December 2018 and 31 December 2019. PricewaterhouseCoopers LLP issued unqualified reports on the consolidated financial statements of the Group for the financial years ended 31 December 2018 and 31 December 2019. PricewaterhouseCoopers LLP is a member firm of the Institute of Chartered Accountants in England and Wales.
- 17.3 The Company remains subject to the continuing obligations of the Listing Rules with regard to the issue of securities for cash, and the provisions of section 561 of the Companies Act (which confers on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to any further issuances of share capital of the Company.

- 17.4 The Existing Ordinary Shares are in registered form, are capable of being held in uncertificated form and are admitted to the Official List and are traded on the main market for listed securities of the London Stock Exchange.
- 17.5 The New Ordinary Shares will be in registered form and, from Admission, will be capable of being held in uncertificated form and title to such shares may be transferred by means of a relevant system (as defined in the CREST Regulations). Where New Ordinary Shares are held in certificated form, share certificates will be sent to the registered members by first class post. Where New Ordinary Shares are held in CREST, the relevant CREST stock account of the registered members will be credited. The New Ordinary Shares will have the ISIN GB00B64NSP76.
- 17.6 The Company will make an appropriate announcement(s) to a Regulatory Information Service in relation to the results of the Capital Raising, which is expected to be on or around 28 May 2020.

18. Sources and bases of selected financial information

In this document:

- 18.1 Unless otherwise stated, financial information reported under IFRS relating to Costain has been extracted or provided (without material adjustment) from the published annual report and accounts for Costain for the years ended 31 December 2018 and 31 December 2019.
- 18.2 Unless otherwise stated, all prices quoted for Ordinary Shares are closing mid-market prices and are derived from the Daily Official List of the London Stock Exchange.
- 18.3 As at the Latest Practicable Date, the Company had 108,283,074 Ordinary Shares in issue.
- 18.4 All share prices expressed in pence and all percentages have been rounded to one decimal place.

19. Available documents

Copies of the following documents will be available for inspection on the Company's website at www.costain.com/investors from the date of this document until Admission:

- 19.1 the Costain Articles;
- 19.2 the 2018 Financial Statements and 2019 Financial Statements;
- 19.3 the consent letters referred to in section 16 of this Part XII (Additional Information); and
- 19.4 this document.

PART XIII
DOCUMENTATION INCORPORATED BY REFERENCE

The table below sets out the various sections of such documents which are incorporated by reference into this document, so as to provide the information required pursuant to the Prospectus Regulation and to ensure that this document contains the relevant reduced information which is necessary to enable investors to understand the prospects of the Company and the significant changes in the business and the financial position of the Company that have occurred since the end of the last financial year and the rights attaching to the Ordinary Shares.

The parts of these documents which are not being incorporated by reference are either not relevant for an investor or are covered elsewhere in this document. Information that is itself incorporated by reference or referred or cross referred to in the documents below is not incorporated by reference into this document. Except as set forth above, no other portion of these documents is incorporated by reference into this document. These documents incorporated by reference are available for inspection in accordance with section 19 of Part XII (Additional Information).

<u>Reference document</u>	<u>Information incorporated by reference</u>	<u>Page numbers of reference document</u>
Annual Report and Accounts 2019	Independent Auditor's Report	114–121
	Consolidated Income Statement	122
	Consolidated Statement of Comprehensive Income and Expense	123
	Consolidated Statement of Financial Position . . .	124
	Company Statement of Financial Position	125
	Consolidated Statement of Changes in Equity . . .	126
	Company Statement of Changes in Equity	127
	Consolidated Cash Flow Statement	128
	Company Cash Flow Statement	129
	Notes to the Financial Statements	130–180
	2018 Annual Report and Accounts	Independent Auditor's Report
Consolidated Income Statement		112
Consolidated Statement of Comprehensive Income and Expense		113
Consolidated Statement of Financial Position . . .		114
Company Statement of Financial Position		115
Consolidated Statement of Changes in Equity . . .		116
Company Statement of Changes in Equity		117
Consolidated Cash Flow Statement		118
Company Cash Flow Statement		119
Notes to the Financial Statements		120–172

APPENDIX I DEFINITIONS

The following definitions apply throughout this document unless the context otherwise requires:

'2016 Recovery Plan'	means the recovery plan in respect of the Costain Pension Scheme agreed between the Costain Pension Trustee and relevant members on the Costain Group based on the actuarial valuation of the Costain Pension Scheme carried out as at 31 March 2016;
'2018 Annual Report and Accounts'	the published annual report for the Group for the year ended 31 December 2018, including the 2018 Financial Statements;
'2018 Financial Statements'	the audited consolidated financial statements of the Group Prepared in accordance with IFRS as adopted by the EU as at and for the year ended 31 December 2018, together with the notes thereto and auditor's report thereon;
'2019 Annual Report and Accounts'	the published annual report for the Group for the year ended 31 December 2019, including the 2019 Financial Statements;
'2019 Financial Statements'	the audited consolidated financial statements of the Group prepared in accordance with IFRS as adopted by the EU as at and for the year ended 31 December 2019, together with the notes thereto and auditor's report thereon;
'2019 Recovery Plan'	means the recovery plan in respect of the Costain Pension Scheme agreed between the Costain Pension Trustee and relevant members of the Costain Group based on the actuarial valuation of the Costain Pension Scheme carried out as at 31 March 2019;
'A465 Contract'	means the contract entered into between Costain and the Welsh Government for the construction of the A465 Heads of Valley road;
'Admission'	means the admission of the New Ordinary Shares to the premium listing segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange;
'AMP6'	means OFWAT's asset management plan for the planning period for 2015–2020;
'AMP7'	means OFWAT's asset management plan for the planning period for 2020–2025;
'Application Form'	means the personalised application form on which Qualifying Non-CREST Shareholders may apply for New Ordinary Shares under the Open Offer;
'ASGC'	means ASGC Construction L.L.C.;
'ASGC Group'	means ASGC and its subsidiaries and subsidiary undertakings;
'Board' or 'Costain Board'	means the board of directors of Costain;
'Bonding Facility Agreements'	has the meaning given in section 9.6 of Part XII (Additional Information) of this document;
'Bookrunners'	means HSBC, Investec and Liberum;
'Business Day'	means any day (other than a Saturday or Sunday) on which banks generally are open for business in London (other than solely for settlement and trading in Euro);

‘Capital Raising’	means the Firm Placing and the Placing and Open Offer;
‘City Code’	means the City Code on Takeovers and Mergers of the United Kingdom;
‘Closing Price’	means the closing middle market quotation of an Existing Ordinary Share as derived from the Daily Official List;
‘Companies Act’	means the Companies Act 2006, as amended;
‘Costain’ or the ‘Company’	means Costain Group PLC;
‘Costain Articles’	means the articles of association of Costain;
‘Costain Directors’	means the directors of Costain, and ‘Costain Director’ means any one of them;
‘Costain Group’ or ‘Group’	means Costain and its subsidiaries and subsidiary undertakings;
‘Costain Pension Scheme’	means the Costain Pension Scheme, governed and administered in accordance with the provisions of a definitive trust deed and rules dated 4 March 2011, as amended;
‘Costain Pension Trustee’	means Costain Pension Scheme Trustee Limited, as trustee of the Costain Pension Scheme;
‘Costain Shareholders’	means holders of Ordinary Shares;
‘Court’	means the High Court of Justice in England and Wales;
‘CREST’	means the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in the CREST Regulations);
‘CREST Deposit Form’	means the CREST deposit form set out on page 3 of the Application Form;
‘CREST Manual’	means the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996, as amended);
‘CREST member’	means a person who has been admitted by Euroclear as a system-member (as defined in the Uncertificated Securities Regulations);
‘CREST Proxy Instruction’	has the meaning ascribed to it in paragraph 13 of the notes to the Notice of General Meeting;
‘CREST Regulations’	means the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended from time to time;
‘CREST sponsored members’	means a CREST member admitted to CREST as a sponsored member;
‘CREST sponsors’	means a CREST participant admitted to CREST as a CREST sponsor;
‘Daily Official List’	means the daily official list of the London Stock Exchange;
‘dealing day’	means a day upon which dealings in domestic securities may take place on the London Stock Exchange;

'Directors'	means Costain Directors;
'Disclosure Guidance and Transparency Rules'	means the disclosure guidance and transparency rules made by the FCA acting under Part VI of FSMA (as set out in the FCA Handbook), as amended from time to time;
'EBITA'	means operating profit before amortisation and non-recurring costs after writing off bidding and mobilisation costs incurred;
'EEA'	means the European Economic Area;
'EEA State'	means a member state of the EEA;
'Enlarged Share Capital'	means the expected issued ordinary share capital of the Company immediately following the issue of the New Ordinary Shares pursuant to the Capital Raising;
'ESMA'	means the European Securities and Markets Authority;
'ESMA Recommendations'	means the ESMA update of the CESR recommendations: The consistent implementation of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive (ESMA/2013/319);
'Equiniti'	means Equiniti Limited, or, in certain circumstances, Equiniti Financial Services Limited, an affiliate of Equiniti Limited, both of Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA;
'Euro' or '€'	means the single currency of the member states of the European Union that adopt or have adopted the euro as their lawful currency under the Treaty on the Functioning of the European Union;
'Euroclear'	means Euroclear U.K. & Ireland Limited;
'Ex-Entitlements Date'	means the date on which the Existing Ordinary Shares are marked ex-entitlement, being 8.00 a.m. on 11 May 2020;
'Excess Application Facility'	the arrangement pursuant to which Qualifying Shareholders may apply for New Ordinary Shares in excess of their Open Offer Entitlements;
'Excess Open Offer Entitlements'	means, in respect of each Qualifying CREST Shareholder, the conditional entitlement to apply for Excess Open Offer Shares under the Excess Application Facility, which are subject to allocation in accordance with this document;
'Excess Open Offer Shares'	the New Ordinary Shares which Qualifying Shareholders will be invited to acquire pursuant to the Excess Application Facility;
'Existing Ordinary Shares'	means the Ordinary Shares in issue as at the date of this document;
'Existing Ordinary Shareholders'	means holders of Existing Ordinary Shares;
'Facilities Agreement'	has the meaning given in section 9.5 of section XII (Additional Information) of this document;
'FCA'	means the Financial Conduct Authority in the UK;
'FCA Handbook'	the FCA's Handbook of Rules and Guidance, as amended from time to time;
'Firm Placee'	means any person that has conditionally agreed to subscribe for Firm Placing Shares;

'Firm Placing'	means the conditional placing by the Bookrunners, as agents of and on behalf of Costain, of the Firm Placing Shares on the terms and subject to the conditions contained in the Placing Agreement;
'Firm Placing Shares'	means the 133,348,799 New Ordinary Shares which are to be issued pursuant to the Firm Placing;
'Form of Proxy'	means the form of proxy for use at the General Meeting which accompanies this document;
'FSMA'	means the Financial Services and Markets Act 2000, as amended;
'General Meeting'	means the general meeting of Costain to be held on 27 May 2020, or any adjournment thereof, to consider and, if thought fit, to approve the Resolution;
'HMRC'	means HM Revenue & Customs;
'HSBC'	means HSBC Bank plc;
'IFRS'	means the International Financial Reporting Standards;
'Investec'	means Investec Bank plc;
'JerseyCo'	means Project France Funding Limited;
'Joint Global Co-ordinators'	means Investec and Liberum;
'Latest Practicable Date'	means 6 May 2020, being the latest practicable date prior the publication of this document;
'Liberum'	means Liberum Capital Limited;
'Listing Rules'	means the rules and regulations made by the FCA under FSMA and contained in the FCA's publication of the same name;
'London Stock Exchange'	means London Stock Exchange plc;
'Market Abuse Regulation'	means Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation);
'Money Laundering Regulations'	means the Money Laundering Regulations (2007) S.I. 2012/2157, as amended;
'New Ordinary Shares'	means 166,666,667 new Ordinary Shares to be issued by the Company pursuant to the Capital Raising;
'Notice of General Meeting'	means the notice of General Meeting set out at the end of this document;
'Offer Price'	means 60 pence per New Ordinary Share;
'Official List'	means the list maintained by the FCA;
'OFGEM'	means the Office of Gas and Electricity Markets, being the body responsible for the electricity and downstream natural gas markets in the UK;
'OFWAT'	means the Water Services Regulation Authority, being the body responsible for economic regulation of the privatised water and sewerage industry in England and Wales;
'Open Offer'	means the conditional invitation to Qualifying Shareholders to subscribe for the Open Offer Shares at the Offer Price on the terms and subject to the conditions set out in this document and in the case of Qualifying Non-CREST Shareholders only, the Application Form;

'Open Offer Entitlements'	means entitlements to subscribe for the Open Offer Shares, allocated to a Qualifying Shareholder pursuant to the Open Offer;
'Open Offer Shares'	means the 33,317,868 New Ordinary Shares for which Qualifying Shareholders are being invited to apply to be issued pursuant to the terms of the Open Offer;
'Ordinary Shares'	means an ordinary share in the capital of the Company (including, if the context requires, the New Ordinary Shares);
'Overseas Shareholders'	means Costain Shareholders who are resident in, ordinarily resident in, or citizens of, jurisdictions outside the United Kingdom;
'pence', 'Pounds', '£', 'Pounds Sterling', 'Sterling' or 'UK pence'	means the lawful currency of the United Kingdom;
'Pensions Regulator'	means the regulator established under Part 1 of the Pensions Act 2004 (as amended) in the United Kingdom;
'Placee'	means a Firm Placee or Placing Placee;
'Placing'	means the conditional placing, by the Bookrunners, as agents of and on behalf of the Company, of the Placing Shares subject to clawback pursuant to the Open Offer, on the terms and subject to the conditions contained in the Placing Agreement;
'Placing Agreement'	means the placing agreement dated 7 May 2020 between the Company, Rothschild & Co and the Bookrunners, details of which are set out in section 9 of Part XII (Additional Information) of this document;
'Placing Placee'	means any person who has conditionally agreed to subscribe for the Placing Shares pursuant to the Placing;
'Placing Shares'	means the New Ordinary Shares proposed to be issued by the Company pursuant to the Placing;
'PRA'	means the Prudential Regulation Authority in the UK;
'Prospectus' or 'this document'	means this document, comprising a circular and a prospectus relating to the Company for the purpose of the Capital Raising and Admission;
'Prospectus Regulation'	means the Regulation (EU) No 2017/1129 of the European Parliament and of the Council of 14 June 2018 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC;
'Prospectus Regulation Rules'	means the prospectus regulation rules made by the FCA pursuant to Part VI of FSMA (as set out in the FCA Handbook), as amended;
'Qualifying CREST Shareholders'	means Qualifying Shareholders holding Ordinary Shares in uncertificated form;
'Qualifying Non- CREST Shareholders'	means Qualifying Shareholders holding Ordinary Shares in certificated form;
'Qualifying Shareholders'	means holders of Ordinary Shares on the register of members of the Company at the Record Time with the exclusion of the Restricted Shareholders;

'Receiving Agent'	means Equiniti;
'Record Time'	means 6.00 p.m. on 4 May 2020;
'Regulatory Information Service'	one of the regulatory information services authorised by the FCA to receive, process and disseminate regulatory information from listed companies;
'Relationship Agreement'	has the meaning given in section 9.4 of Part XII (Additional Information) of this document;
'Resolution'	means the resolution to be proposed at the General Meeting as set out in the 'Notice of the General Meeting';
'Restricted Jurisdiction'	means any jurisdiction, including but not limited to Australia, Canada, Japan, Switzerland, New Zealand, the Republic of South Africa and the United States of America, where the extension or availability of the Capital Raising (and any other transaction contemplated thereby) would (i) result in a requirement to comply with any governmental or other consent or any registration filing or other formality which Costain regards as unduly onerous, or (ii) otherwise breach any applicable law or regulation;
'Restricted Shareholder'	means, subject to certain exceptions, Shareholders who have registered addresses in, who are incorporated in, registered in or otherwise resident or located in, the United States or any other Restricted Jurisdiction;
'Rothschild & Co'	means N.M. Rothschild & Sons Limited;
'SDRT'	means stamp duty reserve tax;
'SEC'	means the US Securities and Exchange Commission;
'Securities Act'	means the US Securities Act of 1933, as amended;
'Shareholders'	means Costain Shareholders;
'Standby Equity Agreement'	means the standby equity agreement dated 10 March 2020 between the Company and each of the Bookrunners, details of which are set out in section 9 of Part XII (Additional Information) of this document;
'subsidiary'	has the meaning given in section 1159 of the Companies Act 2006, unless otherwise provided in this document;
'subsidiary undertaking'	has the meaning given in section 1162 of the Companies Act 2006;
'Surety Facility Agreements'	has the meaning given in section 9.6 of Part XII (Additional Information) of this document;
'Takeover Panel'	means the United Kingdom Panel on Takeovers and Mergers;
'UK' or 'United Kingdom'	means the United Kingdom of Great Britain and Northern Ireland;
'UK Corporate Governance Code'	means the UK Corporate Governance Code published in July 2018 by the Financial Reporting Council in the UK;
'uncertificated' or 'in uncertificated form'	means a share or other security recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which by virtue of the Uncertificated Securities Regulations, may be transferred by means of CREST;

- 'Uncertificated Securities Regulations'** means the Uncertificated Securities Regulations (2001) S.I. 2001/3755;
- 'US' or 'United States' or 'United States of America'** means the United States of America, its territories and possessions, any State of the United States and the District of Columbia;
- 'US\$' or 'US dollar'** means the lawful currency of the United States; and
- 'VAT'** means value added tax.

All references to legislation in this document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

NOTICE OF GENERAL MEETING

COSTAIN GROUP PLC

(Incorporated in and registered in England and Wales with registered number 01393773)

NOTICE IS HEREBY GIVEN that a general meeting of Costain Group PLC (the “**Company**”) will be held at Costain House, Vanwall Business Park, Maidenhead, Berkshire, SL6 4UB on 27 May 2020 at 5.00 p.m. (the “**Meeting**”) for the purpose of considering and, if thought fit, passing the following resolution.

Unless expressly stated otherwise, terms defined in the prospectus of the Company dated 7 May 2020 shall have the same meaning in this Notice of General Meeting.

ORDINARY RESOLUTION

THAT:

1. The Directors be and are hereby generally and unconditionally authorised:
 - (A) to exercise all powers of the Company in accordance with section 551 of the Companies Act 2006 (the “**Act**”) to allot shares in the Company and to grant rights to subscribe for or to convert any security into such shares (all of which transactions are hereafter referred to as an allotment of “relevant securities”) up to an aggregate nominal amount of £83,500,000 pursuant to the Capital Raising, which authority shall be in addition to the existing authority conferred on the Directors on 7 May 2019, which shall continue in full force and effect. The authority conferred by this resolution shall expire at the Company’s next annual general meeting (unless previously revoked or varied by the Company in a general meeting), save that the Company may, before such expiry, revocation or variation, make an offer or agreement which would or might require relevant securities to be allotted after such expiry, revocation or variation and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority hereby conferred had not expired or been revoked or varied; and
 - (B) to allot the New Ordinary Shares pursuant to the Capital Raising, at an issue price of 60 pence, which is at a 20.1% discount to the Closing Price of the Ordinary Shares as at 6 May 2020 (being the last Business Day before the announcement of the Capital Raising) such power (unless and to the extent previously revoked, varied or renewed by the Company in a general meeting) to expire on the conclusion of the next annual general meeting of the Company.

Tracey Wood
Company Secretary

7 May 2020

Registered No:
01393773

Costain House
Vanwall Business Park,
Maidenhead
Berkshire SL6 4UB

By order of the Board

NOTES TO THE NOTICE OF GENERAL MEETING

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend, to speak and to vote on their behalf at the Meeting. A shareholder may appoint more than one proxy in relation to the Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. Given the current restrictions on attendance, shareholders are encouraged to appoint the chairman of the meeting to vote on their behalf. A Form of Proxy which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a Form of Proxy and believe that you should have one, or if you require additional forms, please contact the Company's registrars, Equiniti on 0371 384 2849 (overseas callers should use +44 (0) 121 415 0264). Lines open 9.00 a.m. to 5.00 p.m., Monday to Friday (excluding English and Welsh public holidays). Calls to the shareholder helpline from outside of the United Kingdom will be charged at the applicable international rate. You can only appoint a proxy using the procedures set out in these notes and the notes to the Form of Proxy.
2. In order to be valid, a completed Form of Proxy must be returned to Equiniti by one of the following methods:
 - (A) in hard copy form by post or by courier to the Company's Registrar, Equiniti, at the address shown on the Form of Proxy;
 - (B) in electronic form by (i) logging onto the website www.sharevote.co.uk and entering your Voting ID, Task ID and Shareholder Reference Number (SRN) shown on your Form of Proxy, or (ii) if you have already registered with Equiniti's online portfolio service, Shareview, by submitting your Form of Proxy at www.shareview.co.uk. Full instructions are given on both websites; or
 - (C) in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below,and in each case must be received by Equiniti no later than 5.00 p.m. on 25 May 2020 (or, if the General Meeting is adjourned, the date which is two days before the day of the adjourned meeting). Please note that any electronic communication sent to Equiniti that is found to contain a computer virus will not be accepted.
3. To change your proxy instructions you may return a new proxy appointment using the methods set out above. Where you have appointed a proxy using the hard copy Form of Proxy and would like to change the instructions using another hard copy Form of Proxy, please contact Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. If two or more valid but differing proxy appointments are received in respect of the same share for use at the General Meeting, the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the others as regards that share; if the Company is unable to determine which was last received, none of them shall be treated as valid in respect of that share.
4. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in note 13 below) will not prevent a shareholder attending the Meeting and voting in person if he or she wishes to do so. However, please note the restrictions on attendance at the Meeting as described in section 21 of Part V (Chairman's Letter) of the Prospectus.
5. In the case of a member which is a company, the Form of Proxy must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
6. Any power of attorney or any other authority under which the Form of Proxy is signed (or a duly certified copy of such power or authority) must be included with the Form of Proxy.
7. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

8. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him or her and the shareholder by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
9. The statement of the rights of shareholders in relation to the appointment of proxies in notes 1 and 2 above does not apply to Nominated Persons. The rights described in these notes can only be exercised by shareholders of the Company. Nominated persons are reminded that they should contact the registered holder of their shares (and not the Company) on matters relating to their investment in the Company.
10. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the register of members of the Company at 6.30 p.m. on 25 May 2020 (or, in the event of any adjournment, by 6.30 p.m. on the day which is two days before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
11. As at the Latest Practicable Date the Company's issued share capital consists of 108,283,074 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at the Latest Practicable Date are 108,283,074. The Company does not hold any shares in treasury.
12. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
13. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by 5.00 p.m. on 25 May 2020. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
14. CREST members and, where applicable, their CREST sponsor, or voting service providers, should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
15. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
16. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

17. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
18. The resolution to be put to the meeting will be voted on by poll and not by a show of hands. A poll reflects the number of voting rights exercisable by each member. The results of the poll will be published on the Company's website and notified to the UK Listing Authority as soon as practicable after the votes have been counted and verified.
19. Any member or duly appointed proxy attending the Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the Meeting but no such answer need be given if:
 - (i) to do so would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information;
 - (ii) the answer has already been given on a website in the form of an answer to a question; or
 - (iii) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.
20. A copy of this notice, and other information required by section 311A of the Companies Act 2006, can be found at www.costain.com.
21. Except as provided above, members who have general queries about the Meeting should contact the Company's registrars Equiniti in writing at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA or by telephoning their shareholder helpline on 0371 384 2849 (overseas callers should use +44 (0) 121 415 0264). No other methods of communication will be accepted. Lines open 9.00 a.m. to 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.
22. Please note that any electronic address provided for in this notice of meeting (or in any related documents, including the Form of Proxy) to communicate with the Company may not be used for any purpose other than expressly stated.

