

31 March 2020

Costain Group PLC

("Costain" or the "Group" or the "Company ")

Update on COVID-19

Costain, the smart infrastructure solutions company, today issues the following update on the impact of COVID-19.

COVID-19

In managing our response to COVID-19, we have four priorities:

- Doing the right thing for society;
- Ensuring the safety and wellbeing of all our workforce, supply chain partners, clients and the communities we work in;
- Continuing to support our clients in the delivery of their critical national services; and
- Protecting the financial strength of the Group.

All employees who can work from home are now doing so and have the technology and capabilities to continue to service our clients. For those who are recognised as essential workers providing critical work on construction sites, we have put in place strict measures to ensure their health and safety, which comply as a minimum with the Government's prescriptive guidance as to social distancing at work.

The impact and response to COVID-19 is uncertain and we remain in active discussions with our clients to understand what work can and should continue with the appropriate safety measures. Whilst over 95% of our revenues are for government agencies or regulated businesses, the current circumstances are having a varied impact on our operations:

- Where we provide a critical range of services to strategic highway, local authority clients and to water utilities, we have seen our activities continue at safe levels of operation. These services represent c 50% of our annual revenues.
- In our consultancy services to energy, defence and aviation, which together represent c 10% of our annual revenues, we are seeing little change in demand.
- However, in London to ensure safe travel while social distancing and where operational issues affect us, on-site construction activities including on our Crossrail, HS2 Enabling Works and Thames Tideway contracts have been paused, pending further review, at the request of our clients. On-site construction activities which have been paused represent c 30% of our revenues. Home based activities which are continuing on these projects represent c 10% of our revenues.

We remain well placed to benefit from the long-term opportunity to address the UK's changing infrastructure needs once our operations can fully resume.

Management actions and financial position

To mitigate the financial impact of COVID-19 and protect our cash position during this period of disruption, we are implementing a number of prudent actions including:

- Making reductions to our cost base and deferring capital expenditure.
- Taking advantage of the opportunity to defer PAYE and VAT payments.
- The Board and senior leadership team have agreed a 30% reduction in salaries and directors' fees for up to three months.

To safeguard jobs across the Group we will make use of the Government's job retention scheme, and will 'furlough' the affected workforce, ensuring immediate remobilisation when conditions improve.

The Board had already taken the decision not to pay a final dividend in respect of the year ended 31 December 2019 at the time of its results on 11 March 2020.

As at 26 March 2020, the Group had £40 million of cash, £90 million share of cash in project bank accounts and joint operations and £116 million of drawn debt. In addition, the Group has a further £71 million of bank debt facilities.

We will continue to monitor external events, manage the situation closely and update the market as appropriate.

Update on capital raising

On 11 March 2020, the Group announced a proposed new capital raising of up to £100 million (the “Capital Raising”) to be completed in the coming weeks. The Capital Raising is fully underwritten by HSBC, Investec and Liberum on a standby basis. The Board is continuing to progress the Capital Raising and a further update will be provided in due course.

Annual General Meeting

The Company is considering how best to hold its 2020 Annual General Meeting (“AGM”), which was due to be held on 7 May 2020, due to the unprecedented and evolving situation with regard to the global coronavirus outbreak.

We shall provide details regarding the AGM in due course. Our priority is the health and safety of our shareholders, Directors, employees, advisors and other people involved in the AGM.

Alex Vaughan, chief executive officer, commented:

“I would like to thank everyone who is supporting our business through this challenging period and in particular all our workforce who continue to work so professionally, as they always do, in supporting each other and meeting our clients’ critical needs.

“We are continually monitoring and implementing the necessary measures to safeguard those who continue to work on essential projects across the UK. Our priorities remain their safety and wellbeing, doing the right thing for society, continuing to support our clients and protecting the financial strength of the Group.

“I am confident that the steps we are taking to manage our business through this uncertainty will ensure we are well placed to respond strongly once our operations can fully resume.”

Ends

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Notes to Editors

Costain helps to improve people's lives with integrated, leading edge, smart infrastructure solutions across the UK's transportation, water, energy and defence markets. We help our clients improve their business performance by increasing capacity, improving customer service, safeguarding security, enhancing resilience, decarbonising and delivering increased efficiency. Our vision is to be the UK's leading smart infrastructure solutions company. We will achieve this by focusing on blue chip clients whose major spending plans are underpinned by strategic national needs, regulatory commitments, legislation or essential performance requirements. We offer our clients leading edge solutions that are digitally optimised through the following five services which cover the whole lifecycle of their assets: future-shaping strategic consultancy; consultancy and advisory; digital technology solutions; asset optimisation and complex programme delivery. Our culture and values underpin everything we do.

For more information visit www.costain.com