



10 MARCH 2026

COSTAIN GROUP PLC
(“Costain”, the “Group”, or the “Company”)
RESULTS FOR THE YEAR ENDED 31 DECEMBER 2025 (“FY 25”)

Record £7bn forward work, improved quality of earnings, strong markets underpin future growth

Alex Vaughan, Chief Executive Officer, commented: *“I am pleased to report another strong performance, with 9% adjusted operating profit growth and a 4.5% adjusted operating margin. Strong cash generation has resulted in a strengthened balance sheet and supports increased shareholder returns, with confirmation that we will proceed with a £20m share buyback programme in FY 26 and implement our target dividend cover of 3x adjusted earnings. As we return to the FTSE 250, thank you to everyone in the Costain team for their valued support.*

“The Group is strongly positioned in structurally growing markets where significant long-term investment is being made to meet critical national needs, and where we work in long-term collaborative partnerships with an increasing number of customers. Our forward work position has grown by 30% to a record £7.0bn, almost seven times FY 25 revenue, giving good visibility of future work and, combined with our strong balance sheet, underpins our confidence in delivering revenue and operating profit growth in FY 26 and a step change in performance in FY 27 and beyond.”

Continued strong performance reflecting the quality of our contract portfolio

- Revenue of £1,045.7m (FY 24: £1,251.1m), with growth in Natural Resources offset by the previously announced reduction in Transportation.
- Adjusted operating profit¹ up 9.3% to £47.1m (FY 24: £43.1m).
- Further margin improvement, with adjusted operating margin¹ up 110bps to 4.5% (FY 24: 3.4%).
- Reported operating profit up 44.1% to £44.8m (FY 24: £31.1m), principally reflecting a reduction in adjusting items.
- Adjusted EPS¹ of 14.5p (FY 24: 14.6p), principally reflecting increased adjusted operating profit offset by a higher adjusted effective tax rate. Reported EPS up by 23.0% to 13.9p (FY 24: 11.3p).

Financial strength and cash generation enabling increased shareholder returns

- Strong balance sheet with net cash of £189.3m (FY 24: £158.5m), reflecting significant growth in adjusted free cash flow to £63.1m (FY 24: £27.1m) and the £10m share buyback programme in FY 25.
- Removal of dividend parity arrangement will lead to an increase in the FY 25 final dividend to 3.2p (FY 24: 2.0p) and the launch of a £20m share buyback programme in FY 26.

Strong market momentum and increased forward work position underpins growth prospects

- Forward work position up 30% to a record £7.0bn (FY 24: £5.4bn), with contract awards and extensions across all sectors, underpinning our confidence in a step change in performance in FY 27 and beyond.
- Substantial growth opportunities across all target markets outlined in the government’s 10-year Infrastructure Strategy, including regulatory commitments in water, energy and aviation.

Financial summary

(£m unless otherwise stated)	FY 25	FY 24	Change
Revenue	1,045.7	1,251.1	(16.4)%
Adjusted operating profit ¹	47.1	43.1	9.3%
Adjusted operating margin	4.5%	3.4%	110bps
Adjusted profit before tax ¹	50.5	48.5	4.1%
Adjusted EPS ¹	14.5p	14.6p	(0.7)%
Adjusted free cash flow ¹	63.1	27.1	132.8%
Reported operating profit	44.8	31.1	44.1%
Reported profit before tax	48.2	36.5	32.1%
Reported EPS	13.9p	11.3p	23.0%
Dividend per share	4.2p	2.4p	75.0%
Net cash balance ¹	189.3	158.5	£30.8m
Forward work position ²	£7.0bn	£5.4bn	£1.6bn

1. See notes 1, 3 and 4 of the financial statements for adjusted metric details and definitions, and Financial Review for reconciliation to reported metrics.
2. Forward work is the total of order book and preferred bidder book which includes revenue from contracts which are partially or fully unsatisfied and probable revenue from frameworks included at allocated volume.

Note: Company-compiled consensus for FY 25, FY 26 and FY 27 expectations can be found at <https://www.costain.com/investors/consensus/>.

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Analyst & investor presentation

A live webcast of our results by Alex Vaughan (CEO) and Helen Willis (CFO) will be at 9am on 10 March 2026. Please register for the event at <https://brmedia.news/COSTFY25>. This will be available for playback after the event at <https://www.costain.com/>.

There will also be a live presentation relating to our results via Investor Meet Company at 10am on 11 March 2026. Please visit <https://www.investormeetcompany.com/costain-group-plc/register-investor> to sign up to this meeting.

Use of alternative performance measures

Throughout this release we use ‘adjusted’ measures to provide users with a clearer picture of the underlying performance of the business. To aid understanding of the underlying and overall performance of the Group, certain amounts that the Board considers to be material or non-recurring in size or nature, or related to the accounting treatment of acquisitions, are adjusted because they are not long term in nature and will not reflect the long-term performance of the Group. This is in line with how management monitors and manages the business on a day-to-day basis. These adjustments are discussed in further detail in the Financial Review and in notes 1 to 4.

GROUP TRADING PERFORMANCE

Strong financial performance reflecting quality of contract portfolio and predictable execution

We report both statutory results (reported) and results excluding adjusting items (adjusted).

Revenue was £1,045.7m in FY 25 (FY 24: £1,251.1m). In Natural Resources, there was increased revenue across Energy, and Defence and Nuclear Energy, with stable revenue in Water, a good performance given the water industry was transitioning from the delivery of AMP7 to early design work in the AMP8 regulatory cycle and Tideway neared completion. In Transportation, there were revenue reductions in Road, due to the expected completion of historic Regional Delivery Partnerships (RDP) framework projects, and in Rail, as previously announced, due to the development of a revised schedule for HS2, which moved work into FY 26 and future years. There was strong growth in Integrated Transport, reflecting the expansion of our work at Heathrow.

Adjusted operating profit grew by 9.3% to £47.1m (FY 24: £43.1m), with increased volumes and strong in-year contract performance in Natural Resources and the positive impact of normal course of business contract completions in both divisions partially offset by lower volumes in Transportation. The adjusted operating margin increased to 4.5% (FY 24: 3.4%), benefiting from the increase in adjusted operating profits and the lower volumes of completed historic RDP framework projects, which operated at below normal margin levels. Reported operating profit increased to £44.8m (FY 24: £31.1m), with lower adjusting items of £2.3m (FY 24: £12.0m), reflecting £2.6m of restructuring costs (FY 24: £0.1m credit), £0.7m of residual Transformation programme costs (FY 24: £5.4m), and a £1.0m provision release relating to fire safety compliance liabilities (FY 24: £6.7m cost).

Net finance income was £3.8m (FY 24: £5.4m), reflecting lower interest income from lower bank deposits and interest rates, and higher bank charges on the accelerated amortisation of charges relating to our prior refinancing. Adjusted profit before tax increased 4.1% to £50.5m (FY 24: £48.5m). Adjusted basic earnings per share (EPS) was broadly flat at 14.5 pence (FY 24: 14.6 pence), with the increase in adjusted operating profit and a reduced share count following the FY 24 and FY 25 share buyback programmes offset by a higher adjusted effective tax rate and lower net finance income. Reported profit before tax was up 32.1% at £48.2m (FY 24: £36.5m), while reported basic EPS was up 23.0% at 13.9 pence (FY 24: 11.3 pence).

Further strengthening of the balance sheet

Our net cash position at the end of the year was £189.3m (FY 24: £158.5m) after taking account of the £10m share buyback programme and higher dividend payments in FY 25.

Cash from operations in FY 25 was £50.7m (FY 24: £41.7m), with the increase reflecting increased adjusted operating profits and working capital timing. Adjusted free cash flow in FY 25 of £63.1m (FY 24: £27.1m) was higher than in the same period last year, benefiting from the above-mentioned increase in cash from operations and lower capital expenditure following the investment in a new HR system in FY 24. During FY 25 we paid 97% of invoices within 60 days (FY 24: 98%).

We expect our FY 26 year-end net cash position to be approximately £175m after the partial unwind of historic working capital benefits and enhanced shareholder returns, in the form of a £20m share buyback programme and an almost doubling of dividend cash payments.

Record forward work position

Costain continues to secure further strategic programme awards and enjoys good visibility on future work. As at the end of FY 25, our forward work position, which is our combined order book and preferred bidder book, stood at £7.0bn (FY 24: £5.4bn; H1 25: £5.6bn), representing an increase of 30% and almost seven times our FY 25 annual revenue. It includes £1.1bn of revenue for FY 26, equivalent to 90% of our forecast revenue for the year. This forward work position is built on long-term programmes that enable us to deliver a high consistency, continuity and quality of work for our customers. As at the end of FY 25, it included no single-stage lump sum contracts and was predominantly long-term programmes of work with target cost contracts where the scope of work, design and budget are developed and agreed with the client.

Our order book stood at £3.6bn at period end (FY 24: £2.5bn; H1 25: £3.4bn). The preferred bidder book stood at £3.4bn at period end (FY 24: £2.9bn; H1 25: £2.2bn). The preferred bidder book comprises contracts for which we have been selected on frameworks, and allocated an intended volume of work, but where a further works order is required prior to the works commencing. We note that some of our framework and consulting revenue is not recorded in either our order book or preferred bidder book, as it is undefined.

Rigorous and disciplined risk management – underpinning strong forward work position

The stringent assessment and management of risk is central to the successful execution of our strategic plans. Our risk management processes and disciplines continue to ensure a robust operational and trading performance, and our ambition remains to deliver improving operating margins in excess of 5.0%. This is achieved through rigorous risk management and commercial control throughout our operations in three key areas:

- a disciplined approach to contract selection, which includes robust commercial and legal reviews, proactive shaping of procurement approaches with our customers, and a rigorous multi-stage gating process;
- commercial and operational assurance, which includes project level controls, management oversight of forecasts, and cross-disciplinary contract review meetings; and
- working with strategic supply chain partners, with application of robust supply chain management processes.

Capital allocation

The Group's capital allocation priorities remain consistent. As announced on 26 January 2026, a new agreement has been reached with the Trustee of the defined benefit pension scheme that removes the dividend parity arrangement that previously existed, taking away a significant constraint that had existed in respect of returns to shareholders. Recognising this, the Board undertook a review of its options regarding both the dividend and other returns of capital, and on 26 January 2026 it announced two intentions: to pay a dividend in line with its target of dividend cover of three times adjusted earnings, and to undertake a £20m share buyback programme in FY 26. The Board will proceed with both actions. Our capital allocation priorities continue to be:

- **Investing for growth.** Costain will continue disciplined investment in key areas such as systems and digitalisation to accelerate its business transformation and expects to invest around £10m per annum in this area in the coming years. We will also continue to prioritise investment in capabilities and expertise to support targeted growth opportunities.
- **Dividend.** The Group has a target dividend cover of three times adjusted earnings. The Board has proposed an increase of 60% in the final dividend for the year ended 31 December 2025

to 3.2 pence per share (FY 24: 2.0 pence). This results in an increase of 75% in the full-year FY 25 dividend to 4.2 pence per share (FY 24: 2.4 pence). If approved at the AGM, the final dividend will be paid on 26 May 2026 to shareholders on the share register at close of business on 17 April 2026.

- **Selective M&A.** The Group retains optionality to pursue strategic investments in technology, skills and capabilities to enhance our ability to support customers.
- **Returning surplus capital.** After ensuring a strong balance sheet, identified surplus capital will be returned to shareholders through share buybacks or special dividends. The Group completed a £10m share buyback programme in both FY 24 and FY 25, and on 10 March 2026 it plans to announce a £20m share buyback programme, to be completed during FY 26.

STRATEGIC PROGRESS

Group strategy

Costain is an infrastructure solutions business, with a purpose of improving people's lives, and is implementing its growth and value creation strategy through:

- a clear focus on markets where there is strategic long-term investment being made to meet critical national needs, to create a sustainable future for a more prosperous, resilient, and decarbonised future;
- working with our targeted customers in long-term strategic partnerships, normally for five years or more; and
- enhancing our value by providing services and innovative engineering solutions to meet our customers' broad and changing needs.

The Group made good progress during FY 25 in executing its strategic priorities.

Growth in strong markets

We have increasing confidence that we are well positioned in our chosen growth markets of Transport (Road, Rail and Integrated Transport, including aviation and ports), Water, Energy, and Defence, where there is strategic long-term investment being made to meet critical national needs, as evidenced through:

- the UK Government's 10-year Infrastructure Strategy and Infrastructure Pipeline, providing greater clarity on £725bn of investment;
- regulated determinations in water, energy and aviation that are expected to result in significant increases in future investment in these sectors; and
- the mix of our record forward work position of £7.0bn.

Predictable, best-in-class delivery

It is critical that the services and programmes that we deliver for our customers are predictable and best-in-class as standard. We continuously drive improvements in this area. In FY 25 we:

- opened the M1 National Emergency Area Retrofit North programme ahead of schedule, and opened our projects on the M6, A30 and A1 on time;
- had a very positive close to AMP7, with our teams achieving 100% compliance with our customers' regulatory date commitments across over 100 projects;
- successfully completed the twin-bore Northolt Tunnel from West Ruislip to Old Oak Common for HS2 safely and on schedule;
- safely managed the complex demolition of the Allerdene bridge on the A1 Birtley to Coal House project with no disruption to the busy East Coast Main Line;

- delivered extensive upgrades to dock infrastructure at Devonport to the highest safety and environmental standards, to enable Royal Navy submarines to undergo critical maintenance;
- safely completed the demolition of the connector between Terminal 1 and Terminal 2 (T2) at Heathrow ahead of schedule, a key milestone in the T2 baggage handling facility project; and
- unlocked significant efficiency through our engineering-led solutions on our programmes.

Growing, resilient customer mix

We choose to work with customers in strategic long-term programmes, which are normally of a duration of five years or more. We build long-term, valued partnerships, with many of our customer relationships extending over 20 years as we repeatedly extend programmes of work. These include National Highways, Sellafield, Southern Water, Thames Water, and United Utilities. New customer relationships added over the past five years include Heathrow, Manchester Airports Group, Babcock, TfL, Anglian Water, bp and Northumbrian Water Group.

During FY 25, we continued to build and expand our customer base and increase the breadth of activities with new and existing customers to enhance the business' resilience in the event of short-term changes in individual customer investment plans.

Customer relationships extended during FY 25 include:

- Sellafield: 15-year contract to deliver critical utilities infrastructure upgrades at the nuclear power station, extending and expanding a relationship that began in 2005;
- Anglian Water: contract to deliver an additional 260km of pipeline in the east of England over the next five years, as part of the Strategic Pipeline Alliance;
- EDF: a five-year extension to our existing contract to provide project controls services across their fleet of eight nuclear power stations; and
- Babcock, Heathrow, Severn Trent Water, Thames Water and TfL: expansion of our work on existing framework agreements to progress refurbishment of their critical infrastructure.

Post year-end we were awarded a contract for the design and build of a junction on the M5 in Somerset, extending our long-standing relationship with National Highways.

New customer relationships in 2025 include:

- Urenco: a programme delivery partner framework to deliver new and upgraded infrastructure at its Cheshire site, and an additional design services FEED for Europe's first commercial scale high-assay low-enriched uranium facility;
- Eastern Highways Alliance (EHA): a place on the multi local authority framework that covers civil engineering and construction works across the EHA road network;
- Nuclear Restoration Services (NRS): a contract to deliver a decommissioning project at the Trawsfynydd nuclear power station in North Wales; and
- Sizewell C: a 10-year contract to provide project management expertise.

Post year-end we were awarded a place on two framework contracts with London Gatwick airport, covering a range of capital projects to upgrade the airport's infrastructure.

Building a meaningful consultancy service

Our business is differentiated in seeking to meet our customers' broader business needs, not just their new capital infrastructure construction and maintenance. Consultancy services grew to 17% of FY 25 Group revenues (FY 24: 12%). In addition to the Urenco, EDF and Sizewell C awards noted above, during FY 25 we won consultancy business with:

- Department for Energy Security & Net Zero: to provide technical and strategic consultancy services on the Department's Energy and Net Zero Professional Services Framework;
- National Highways: where we secured a place on the Specialist Professional and Technical Services Framework 3 (SPaTs3) through the RIS3 road investment cycle;
- Department for Transport: to provide technical and commercial advice to develop a range of rail infrastructure enhancement projects in the Western, Wales and Wessex regions;
- Storengy UK: to deliver two FEED contracts to support the development of their underground hydrogen storage facility in Cheshire;
- Manchester Airports Group: to conduct two biodiversity studies at Manchester Airport and East Midlands airport; and
- further design commissions as part of our AMP8 water framework agreements and Network Rail professional services framework agreement.

Sustainability performance

Being a sustainable business is fundamental to Costain's purpose of improving people's lives and is central to our vision to create infrastructure for a more prosperous, resilient and decarbonised future. Demonstration of sustainability credentials is often a key component of our customers' selection process when awarding new work. Our sustainability programme brings together the sustainability issues materially important to Costain, driving towards our medium-term goals as set out in our 2030 sustainability programme.

The safety of our people is a core value and an important component of our sustainability programme. Following several years of improving safety performance to industry-leading levels, culminating in a record performance in FY 24, we saw a rise in our lost time injury rate (LTIR) to 0.16 in FY 25 from 0.11 in FY 24, although other safety metrics showed improvement in the year. LTIR is calculated as the ratio of the total number of lost time incidents per every 100,000 hours worked.

We made good progress towards many of our 2030 sustainability goals during FY 25, including:

- a reduction in our gender and ethnicity pay gaps;
- the creation of over £600k of social value as we implemented our social value plan and celebrated Costain's 160th anniversary with an employee volunteering campaign;
- an average score of 46/50 in the Considerate Constructors Scheme (industry average of 41/50);
- a reduction in environmental incidents, waste and water consumption;
- a 41% year-on-year decrease in emissions and continued improvements to data collection following the introduction of our Environmental Construction Data Tracker in 2024; and
- retention of the Green Economy Mark, recognising that our revenue exceeds the 50% 'green income' threshold.

The above strategic progress is supporting our goal to be admired as a valued partner by our customers and supply chain, as a trusted employer and community partner, and as a business that delivers increasing and sustainable shareholder returns.

OUTLOOK

Strong market momentum and increased forward work position underpins our growth prospects. We are well placed to capture the substantial multi-year growth opportunities that exist across all our chosen markets. Our confidence is underpinned by our strategic long-term relationships with customers and the strength of our forward work and balance sheet. As we deliver these higher volumes of work, we will remain focused on maintaining the rigorous contract management disciplines that have led to today's high-quality contract portfolio and industry-leading margins. We expect to remain highly cash generative and to deliver progress in both revenue and adjusted operating profit in FY 26 with an adjusted operating margin of around 4.0% for the full year, in line with market expectations, as the positive contract completions in FY 25 are not expected to repeat in FY 26, and as we invest in the business to support the attractive growth opportunities. We continue to expect a step change in performance in FY 27 and beyond, driven by the step up in our customer's investment spending plans and growth across all our markets, and our ambition remains to deliver improving operating margins in excess of 5.0%.

DIVISIONAL REVIEW

TRANSPORTATION

£m	FY 25 ¹	FY 24 ¹	Change ¹
Road	165.8	330.3 ²	(49.8)%
Rail	344.3	459.9 ²	(25.1)%
Integrated transport	95.2	55.6	71.2%
Total revenue	605.3	845.8	(28.4)%
Divisional operating profit	24.9	29.9	(16.7)%
Divisional operating margin	4.1%	3.5%	60bps

1. On a reported and adjusted basis. See notes 1, 3 and 4 of the financial statements for adjusted metric details and definitions, and reconciliation to reported metrics.
2. Road and Rail in FY 24 includes revenue previously included in Integrated Transport, reported within Road and Rail from the start of FY 25.

- Revenue of £605.3m was down 28.4%, as previously announced, reflecting significantly lower revenue in Road, due to the completion of historic RDP framework projects, and lower revenue in Rail, due to the development of a new integrated programme schedule for HS2, which moved work into FY 26 and future years, partially offset by strong growth in Integrated Transport due to our expanding work at Heathrow.
- Adjusted operating margin increased by 60bps to 4.1%, reflecting the positive impact of normal course of business contract completions in Road, and the lower volumes of historic RDP road projects, which operated at below normal margin levels.
- Our forward work position for FY 26 is £616m as at 31 December 2025.

We are encouraged by the UK Government's 10-year Infrastructure Strategy and Infrastructure Pipeline, which sets out plans to increase investment in Transport (excluding HS2) in the medium term, notably in local, regional and devolved transport (such as the Northern Powerhouse Rail, East

West Rail schemes and regional road infrastructure), together with the regulatory commitments and major expansion plans that will increase investment in the aviation sector.

Road revenue declined by 49.8% to £165.8m, driven by a reduction in National Highways schemes revenue as several historic RDP framework projects reached completion, partially offset by growth with TfL. As a strategic partner for National Highways, we support their key investment programmes through the RDP major projects frameworks, the Specialist Professional and Technical Services (SPaTs) consultancy frameworks, and Area 14 highway maintenance contract.

On RDP, in Cornwall we opened to traffic a critical piece of infrastructure with a new stretch of A30 dual carriageway between Chiverton and Carland Cross. Our work to upgrade the A1 around Newcastle was also successfully completed at the end of 2025. We are progressing the detailed design phase of the M60 Simister Island scheme, which has been confirmed as part of the Infrastructure Pipeline, and we won a place on the SPaTs3 framework to provide technical and engineering services through National Highways' RIS3 road investment programme for the period 2026 to 2031.

Within the Smart Motorways Programme (SMP) Alliance, we completed the delivery of the M6 Junction 21a-26 smart motorway upgrade, and our work to support the National Emergency Area Retrofit (NEAR) programme on the M1, through the design and delivery of 41 additional emergency areas for smart motorways, opened ahead of schedule. This programme of work is now complete.

With TfL we increased the volume of work, progressing contracts at Gallows Corner and Brent Cross and completing critical works on the A40 Westway, and we continue to support TfL's CCTV service.

During 2025, we won a place on a multi local authority framework with the Eastern Highways Alliance (EHA), covering civil engineering and construction works across the road network of 11 local authorities in the east of England. This is the first time Costain has been awarded a place on a multi local authority schemes framework. This is of strategic importance given the greater emphasis on the local roads sector in the coming years, with investment targeted at unlocking new infrastructure and housing schemes.

In January 2026, we announced the award of a contract to design and build a new junction on the M5 in Somerset to provide access to the planned Agratas factory, which will be Britain's biggest electric vehicle battery manufacturing facility.

Rail revenue decreased by 25.1% to £344.3m, principally because of the revised schedule for HS2, which moved work into FY 26 and future years, as previously announced. During FY 25, the last of the tunnel boring machines (TBMs) in the Northolt Tunnel successfully completed their drives safely and on schedule, a major milestone for the HS2 project as it completed the twin-bore tunnel between West Ruislip and Old Oak Common. Work has now begun on the tunnel from Old Oak Common to Euston, with the first TBM beginning its drive in Q1 26. Above ground there is significant work in delivering key infrastructure to support the new railway. As previously announced, the HS2 programme continues to be navigating a change in its programme delivery strategy, with an integrated programme being developed.

We continue to expand our portfolio of work for Network Rail and DfT through our professional services consulting framework contracts.

Integrated Transport revenue increased by 71.2% to £95.2m, reflecting the growing volumes at Heathrow where we are upgrading the Terminal 2 baggage handling facilities and systems. We are involved in several other key projects at Heathrow, such as replacing the cladding on the main road tunnel in and out of the airport.

We also continue to support Manchester Airports Group at East Midlands, Manchester and London Stansted airports, and we have been awarded a place on two framework contracts at London Gatwick airport, to cover a range of capital projects to upgrade and modernise the airport's infrastructure. As a result, we are now working for the three largest aviation customers in the UK, a market where we see strong medium-term growth potential driven by regulatory commitments and major expansion plans.

NATURAL RESOURCES

£m	FY 25 ¹	FY 24 ¹	Change ¹
<i>Water</i>	250.8	251.5	(0.3)%
<i>Energy</i>	64.2	46.2	39.0%
<i>Defence and Nuclear Energy</i>	125.4	107.6	16.5%
Total revenue	440.4	405.3	8.7%
Divisional operating profit	35.0	23.8	47.1%
Divisional operating margin	7.9%	5.9%	200bps

1. On a reported and adjusted basis. See notes 1, 3 and 4 of the financial statements for adjusted metric details and definitions, and reconciliation to reported metrics.

- Revenue increased by 8.7% to £440.4m, reflecting growth in Energy and Defence and Nuclear Energy, with stable revenues in Water as the industry transitioned from AMP7 to AMP8 and Tideway neared completion.
- Divisional adjusted operating profit increased to £35.0m (FY 24: £23.8m), and adjusted operating margin increased by 200bps to 7.9%, reflecting a higher mix of consultancy revenue and positive normal course of business contract completions as AMP7 concluded.
- Our forward work position for FY 26 is £500m as at 31 December 2025.

Water revenue was stable at £250.8m, a good performance given the water industry was transitioning from the delivery of AMP7 to early design work in the AMP8 regulatory cycle and Tideway neared completion. We provide a broad range of services to improve asset and operational resilience across the sector, together with decarbonisation capabilities.

We delivered a very strong close to AMP7, achieving 100% of our regulatory date commitments on behalf of our customers across over 100 projects. Our focus has now moved to the successful mobilisation of the AMP8 capital delivery programmes for both existing AMP7 customers (Anglian Water, Severn Trent Water, Southern Water and Thames Water) as well as our new AMP8 alliances with United Utilities and Northumbrian Water. We also have a managed service provider contract with United Utilities and a professional services contract with Yorkshire Water. Following our successful contract awards in FY 24 we have good visibility across 2025-2030 and continue to expect a doubling of investment in AMP8 compared to AMP7, to over £100bn. The AMP8 investment is

expected to peak in 2027-2029 and is a key component of the expected step change in the Group's performance in FY 27 and beyond. These high levels of investment are expected to continue into AMP9, which runs from 2030-2035. Our contracts with United Utilities, Northumbrian Water and Southern Water extend through to the end of AMP9.

Water resilience is a critical area of focus for the industry, and in June 2025, we announced a five-year extension to our Strategic Pipeline Alliance contract with Anglian Water to improve resilience to drought and climate change by transferring water from wetter regions to drier parts of the east of England. During the year, our work for Tideway, where in a joint venture we are responsible for building the eastern section of London's new 'super sewer', became operational, bringing significantly greater environmental resilience to London.

The breadth of our service offering continues to grow; for example, it now includes constructability advice to customers as they design new strategic reservoirs. We secured a key position supporting the South East Strategic Reservoir Option (SESRO) project, positioning us well for future reservoir programmes over the next 10 years.

Energy revenue increased by 39.0% to £64.2m. We provide our customers in this sector with a range of services including engineering design, managed services and programme management, solving our customers' complex energy challenges through excellence in engineering and delivery.

In energy transition (hydrogen and carbon capture), we continue to support bp with the design and delivery of its leading industrial scale carbon capture programme. We were awarded two FEED contracts with a new customer, Storengy UK, for its pioneering underground hydrogen storage project in Cheshire. We also continue to provide studies to Wales and West Utilities to assist them as they develop their hydrogen vision.

In energy connectivity (gas and electricity networks), we continue to manage the safety-critical gas mains replacement programme for Cadent in the east of England, achieving very high customer satisfaction scores. Ofgem has an £80bn investment programme planned for the RIIO-3 regulatory period from 2026 to 2031 to maintain critical gas networks and upgrade the UK's electricity grid. This is four times the level of investment made during RIIO-2, with the first £28bn tranche of this programme now approved, and we continue to expect strong growth opportunities as the UK embarks on its 'Great Grid Upgrade'.

Defence and Nuclear Energy revenue increased by 16.5% to £125.4m, driven by growth within our current delivery partnership roles for executive non-departmental public and government bodies and with Tier 1 companies. During the period, we completed extensive upgrades to the dock infrastructure at Devonport for Babcock, to enable Royal Navy submarines to undergo critical maintenance before returning to sea, and we continued to support the Atomic Weapons Establishment (AWE) as their construction delivery partner to deliver major infrastructure projects.

We made significant progress in the nuclear energy sector in FY 25. In October, we announced the award of a major delivery partnership contract with Sellafield, worth up to £1bn over 15 years, to deliver critical utilities infrastructure upgrades, thereby extending a relationship that began in 2005. We also extended our project controls services contract with EDF to support their fleet of nuclear power stations for a further five years, and won a contract with Nuclear Restoration Services (NRS) for decommissioning work at a nuclear power station in North Wales.

In March, we added Urenco as a new customer, securing a programme delivery partner framework to deliver new and upgraded infrastructure at its Cheshire site and then an additional design services FEED for Europe's first commercial scale high-assay low-enriched uranium facility. This facility will provide the fuel for the small modular reactor and advanced modular reactor units for Rolls Royce as part of Great British Nuclear's drive to deliver cheaper, cleaner and more secure energy. We also won a 10-year framework with Sizewell C to provide engineering, project delivery and quality control expertise to support the construction of the new nuclear power station.

Geopolitical uncertainty is leading to significant investment in national security, including defence infrastructure, as well as a renewed focus on civil nuclear energy to improve energy resilience, and the government is committed to long-term development of the civil nuclear energy sector. As a result, we continue to see strong medium-term growth opportunities in Defence and Nuclear Energy and are well positioned across the Defence Nuclear Enterprise.

FINANCIAL REVIEW

Divisional adjusted to reported reconciliation

	Transportation			Natural Resources			Group		
	FY 25	FY 24	Change	FY 25	FY 24	Change	FY 25	FY 24	Change
Revenue £m									
Reported	605.3	845.8	(28.4%)	440.4	405.3	8.7%	1,045.7	1,251.1	(16.4%)
Operating profit £m									
Adjusted	24.9	29.9	(16.7)%	35.0	23.8	47.1%	47.1	43.1	9.3%
Adjusting items	-	-	-	-	-	-	(2.3)	(12.0)	(80.8%)
Reported	24.9	29.9	(16.7)%	35.0	23.8	47.1%	44.8	31.1	44.1%

Adjusting items

Adjusting items were significantly lower in FY 25, amounting to £2.3m (FY 24: £12.0m). We incurred £0.7m (FY 24: £5.4m) of residual Transformation programme costs and £2.6m (FY 24: £0.1m credit) of restructuring costs, partially offset by a £1.0m provision release (FY24: £6.7m cost) relating to historic fire safety compliance claims.

Net financial income

Net finance income amounted to £3.8m (FY 24: £5.4m). The interest payable on loans and other similar charges was £1.8m (FY 24: £1.4m), reflecting higher bank charges on the accelerated amortisation of charges relating to our prior refinancing, and there was lower interest income on the lower bank deposits of £5.0m (FY 24: £6.7m). In addition, the net finance income includes the interest income on the net assets of the pension scheme of £3.0m (FY 24: £2.6m) and the interest expense on lease liabilities of £2.4m (FY 24: £2.5m) under IFRS 16.

Tax

The Group had a tax charge of £10.9m (FY 24: £5.9m) giving an effective tax rate of 22.6% (FY 24: 16.2%). The adjusted effective tax rate was 22.8% (FY 24: 18.3%). This is lower than the statutory tax rate due to permanent differences, including tax relief on the exercise of share-based payments. We expect the effective tax rate in FY 26 to remain marginally below the statutory tax rate of 25%.

Cash flow

The Group generated adjusted free cash flow of £63.1m in FY 25 (FY 24: £27.1m), higher than the previous year largely due to the timing of year-end working capital and lower tax and capital expenditure payments.

£m	FY 25	FY 24
Cash from operations	50.7	41.7
Add back adjusting items	3.5	8.6
Add back pension deficit contributions	0.0	2.0
Add back / (less) cash flows on cash and cash equivalents – with restrictions	12.4	(14.0)
Less taxation	(0.7)	(2.2)
Less capital expenditure	(2.8)	(9.0)
Free cash flow	63.1	27.1

The Group had a positive net cash balance, excluding cash with restrictions, of £189.3m as of 31 December 2025 (FY 24: £158.5m; H1 25: £144.9m) comprising Costain cash balances of £121.6m (FY 24: £95.8m; H1 25: £85.0m), cash held by joint operations of £67.7m (FY 24: £62.7m; H1 25: £59.9m) and borrowings of £nil (FY 24: £nil; H1 25: £nil). During FY 25, the Group's average month-end net cash balance was £152.6m (FY 24: £169.8m; H1 25: £149.4m) and the Group's average week-end net cash balance was £149.2m (FY 24: £164.3m; H1 25: £152.9m) with both average metrics impacted by the timing of working capital unwinds that did not reverse until the latter part of the year. Utilisation of the total bonding facilities as of 31 December 2025 was £72.4m (FY 24: £65.3m; H1 25: £71.2m).

£m	FY 25	FY 24
Cash and cash equivalents at the beginning of the year	158.5	164.4
Net cash flow	30.8	(5.9)
Cash and cash equivalents at the end of the year	189.3	158.5
Borrowings	-	-
Net cash	189.3	158.5

Pensions

Cash contributions made to the Group's defined benefit pension scheme (Scheme) during FY 25

amounted to £nil (FY 24: £2.0m). This reflected the annual actuarial assessments of the Scheme funding position carried out as at 31 March 2024 and as at 31 March 2025, both of which concluded that the funding level (on a Technical Provisions basis) was more than 101%, in turn triggering a pause in cash contributions from 1 July 2024 to 30 June 2025, and then again from 1 July 2025 to 30 June 2026.

The charge to operating profit in respect of the administration cost of the Scheme in FY 25 was £nil (FY 24: £0.1m). As at 31 December 2025, the Scheme was in surplus in accordance with IAS 19 at £60.0m (FY 24: £54.9m surplus; H1 25: £56.1m surplus). The movement in the IAS 19 valuation, being a slight increase in surplus from 31 December 2024 to 31 December 2025, was principally due to a change in inflation assumptions, which resulted in a decrease in benefit obligations.

On 26 January 2026, we announced that an agreement had been reached with the Trustee of the Scheme on the 31 March 2025 triennial actuarial funding valuation and ongoing Scheme contributions. Following this, the dividend parity arrangement that previously existed has been removed, there is no requirement going forward for an annual assessment of the Scheme funding position and there will be no further cash contributions made by the Company into the Scheme under the new schedule of contributions, which is in place until January 2031. We will continue to review options for restructuring the Scheme with the Trustee.

DIRECTORS REPORT

Going concern

In determining the appropriate basis of preparation of the financial statements for the year ended 31 December 2025, the Directors are required to consider whether the Group and the Company can continue in operational existence for the foreseeable future, being a period of at least twelve months from the date of approval of the accounts. Having undertaken a rigorous assessment of the financial forecasts, including its liquidity and compliance with covenants, the Board considers that the Group has adequate resources to remain in operation for the foreseeable future and, therefore, have adopted the going concern basis for the preparation of the financial statements. Please see note 1 for more details.

For and on behalf of the Board

Alex Vaughan
Chief Executive Officer
9 March 2026

Helen Willis
Chief Financial Officer

Cautionary statement

This report contains forward-looking statements. These have been made by the Directors in good faith based on the information available to them up to the time of their approval of this report. The Directors can give no assurance that these expectations will prove to have been correct. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward-looking information, actual results may differ materially from those expressed or implied by these forward-looking statements. The Directors undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Shareholder information

There is a large amount of information about our business on our website, www.costain.com. This includes copies of recent investor presentations as well as London Stock Exchange announcements.

GROUP INCOME STATEMENT

For the year ended 31 December 2025

£m	Note	2025	2024
Revenue	4	1,045.7	1,251.1
Cost of sales		(931.9)	(1,147.8)
Gross profit		113.8	103.3
Administrative expenses		(69.0)	(72.2)
Operating profit		44.8	31.1
Share of results of joint ventures and associates		(0.4)	-
Profit from operations		44.4	31.1
Finance income	5	8.0	9.3
Finance expense	5	(4.2)	(3.9)
Net finance income		3.8	5.4
Profit before tax		48.2	36.5
Taxation	6	(10.9)	(5.9)
Profit for the year attributable to equity holders of the parent		37.3	30.6
Earnings per share			
Basic	7	13.9p	11.3p
Diluted	7	13.7p	11.1p

GROUP STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE

For the year ended 31 December 2025

£m	2025	2024
Profit for the year	37.3	30.6
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation transferred to the income statement	(1.0)	-
Total items that may be reclassified subsequently to profit or loss	(1.0)	-
Items that will not be reclassified to profit or loss:		
Remeasurement of retirement benefit asset	2.1	(3.1)
Tax recognised on remeasurement of retirement benefit asset	(0.5)	0.8
Tax recognised on share-based payments	0.8	-
Total items that will not be reclassified to profit or loss	2.4	(2.3)
Other comprehensive income/(expense) for the year	1.4	(2.3)
Total comprehensive income for the year	38.7	28.3

GROUP STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

£m	Note	2025	2024
Assets			
Non-current assets			
Intangible assets	9	51.1	51.2
Property, plant and equipment	10	34.5	35.3
Equity accounted investments		-	0.4
Retirement benefit asset	12	60.0	54.9
Trade and other receivables		2.3	4.3
Deferred tax		2.9	8.6
Total non-current assets		150.8	154.7
Current assets			
Trade and other receivables		191.5	185.3
Insurance recovery asset		4.3	8.8
Income tax		-	1.5
Cash and cash equivalents - with restrictions		26.0	38.4
Cash and cash equivalents	11	189.3	158.5
Total current assets		411.1	392.5
Total assets		561.9	547.2
Liabilities			
Non-current liabilities			
Other payables		1.1	1.8
Lease liabilities		16.5	12.8
Total non-current liabilities		17.6	14.6
Current liabilities			
Trade and other payables		267.4	271.0
Income tax		0.3	-
Lease liabilities		8.5	13.0
Provisions for other liabilities and charges		9.9	12.9
Total current liabilities		286.1	296.9
Total liabilities		303.7	311.5
Net assets		258.2	235.7
Equity			
Share capital	13	2.7	2.7
Share premium		17.1	16.5
Translation reserve		(0.4)	0.6
Treasury shares		(1.1)	(0.7)
Capital redemption reserve		136.5	136.5
Retained earnings		103.4	80.1
Total equity		258.2	235.7

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

£m	Share capital	Share premium	Translation reserve	Treasury shares	Capital redemption reserve	Retained earnings	Total equity
At 1 January 2024	138.3	16.4	0.6	(1.9)	-	66.0	219.4
Profit for the year	-	-	-	-	-	30.6	30.6
Other comprehensive expense	-	-	-	-	-	(2.3)	(2.3)
Issue of ordinary shares under employee share option plans	0.9	-	-	(0.6)	-	(0.3)	-
Shares awarded to satisfy employee share schemes	-	-	-	1.7	-	(1.7)	-
Equity-settled share-based payments	-	-	-	-	-	2.3	2.3
Acquisition of treasury shares	-	-	-	(1.1)	-	-	(1.1)
Nominal value reduction	(136.4)	-	-	1.2	136.4	(1.2)	-
Share buyback	(0.1)	-	-	-	0.1	(10.0)	(10.0)
Dividends paid	-	0.1	-	-	-	(3.3)	(3.2)
At 31 December 2024	2.7	16.5	0.6	(0.7)	136.5	80.1	235.7
At 1 January 2025	2.7	16.5	0.6	(0.7)	136.5	80.1	235.7
Profit for the year	-	-	-	-	-	37.3	37.3
Other comprehensive (expense)/ income	-	-	(1.0)	-	-	2.4	1.4
Shares awarded to satisfy employee share schemes	-	-	-	1.6	-	(1.6)	-
Equity-settled share-based payments	-	-	-	-	-	3.1	3.1
Acquisition of treasury shares	-	-	-	(2.0)	-	-	(2.0)
Share buyback	-	-	-	-	-	(10.0)	(10.0)
Dividends paid	-	0.6	-	-	-	(7.9)	(7.3)
At 31 December 2025	2.7	17.1	(0.4)	(1.1)	136.5	103.4	258.2

GROUP CASH FLOW STATEMENT

For the year ended 31 December 2025

£m	Note	2025	2024
Cash flows generated from/(used by) operating activities			
Profit for the year		37.3	30.6
Adjustments for:			
Share of results of joint ventures and associates		0.4	-
Finance income	5	(8.0)	(9.3)
Finance expense	5	4.2	3.9
Taxation	6	10.9	5.9
Loss on disposals of property, plant and equipment		0.4	0.6
Depreciation of property, plant and equipment	10	11.8	11.9
Amortisation of intangible assets	9	1.1	0.3
Transfer from translation reserve		(1.0)	-
Share-based payments expense		3.1	2.3
Cash generated from operations before changes in working capital and provisions		60.2	46.2
(Increase)/decrease in receivables		(3.1)	15.0
Decrease in payables		(3.4)	(13.4)
Decrease in provisions		(3.0)	(4.2)
Contributions to defined benefit pension scheme		-	(1.9)
Cash generated from operations		50.7	41.7
Interest received		6.0	6.7
Interest paid		(4.7)	(3.5)
Taxation paid		(0.7)	(2.2)
Net cash generated from operating activities		51.3	42.7
Cash flows generated from/(used by) investing activities			
Additions to owned property, plant and equipment and leasehold improvements		(1.4)	(5.5)
Additions to intangible assets		(1.4)	(3.6)
Proceeds on disposals of property, plant and equipment		-	0.1
Net cash used by investing activities		(2.8)	(9.0)
Cash flows generated from/(used by) financing activities			
Ordinary dividends paid		(7.3)	(3.2)
Share buyback		(10.0)	(10.0)
Acquisition of treasury shares		(2.0)	(1.1)
Repayments of lease liabilities - principal		(10.8)	(11.3)
Net cash used by financing activities		(30.1)	(25.6)
Net (decrease)/increase in cash and cash equivalents - with restrictions		(12.4)	14.0
Net increase/(decrease) in cash and cash equivalents		30.8	(5.9)
Net increase in cash and cash equivalents (including cash with restrictions)		18.4	8.1
Cash and cash equivalents at beginning of the year (including cash with restrictions)	11	196.9	188.8
Cash and cash equivalents at end of the year (including cash with restrictions)	11	215.3	196.9
Cash and cash equivalents at beginning of the year (excluding cash with restrictions)			
Cash and cash equivalents at beginning of the year (excluding cash with restrictions)		158.5	164.4
Net increase/(decrease) in cash and cash equivalents		30.8	(5.9)
Cash and cash equivalents at end of the year (excluding cash with restrictions)		189.3	158.5

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

Costain Group PLC ("the Company") is a public limited company domiciled in England and incorporated in England and Wales. The consolidated financial statements of the Company for the year ended 31 December 2025 comprise the Group and the Group's interests in associates, joint ventures and joint operations and have been prepared and approved by the Directors in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. A duly appointed and authorised committee of the Board of Directors approved the preliminary announcement on 9 March 2026. The financial information set out above does not constitute the Company's statutory consolidated financial statements for the years ended 31 December 2025 and 2024 but is derived from those financial statements. Statutory financial statements for 2024 have been delivered to the Registrar of Companies and those for 2025 will be delivered in due course.

The auditor has reported on these financial statements. Their report for 2025 was (i) unqualified and (ii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006. Their report for the financial statements of 2024 was (i) unqualified, and (ii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

While the financial information included in this preliminary announcement has been prepared in accordance with UK-adopted international accounting standards, this announcement does not itself contain sufficient information to fully comply with UK-adopted international accounting standards.

The accounting policies have been applied consistently by the Group to each period presented in these financial statements.

Going concern

The Group's principal business activity involves work on the UK's infrastructure, mostly delivering long-term contracts with a number of customers. To meet its day-to-day working capital requirements, it uses cash balances provided from shareholders' capital and retained earnings and its borrowing facilities.

In 2025, the Group successfully concluded negotiations with its bank and surety facility providers to refinance a new four-year agreement of its bank and bonding facilities to September 2029, with an option to extend by a further year. The Group's new facilities agreement replaces the previous three-year facilities agreement to September 2026 and comprises a £100m revolving credit facility (RCF) (previous RCF: £85m) and surety and bank bonding facilities totalling £295m (previous facilities: £270m). The RCF facility is currently undrawn.

These facilities have a leverage covenant of net debt/adjusted EBITDA ≤ 1.5 times, an interest covenant of adjusted EBITA/net interest payable of ≥ 4.0 times and a liquidity covenant whereby the aggregate of, without double counting, any cash and cash equivalent investments and the available commitment under the facility does not fall below £50m. These financial covenants are tested quarterly. As at 31 December 2025, the Group had a leverage covenant ratio of below zero (the Group had no net debt) and an interest covenant ratio of 11.1 times. As part of its contracting operations, the Group may be required to provide performance and other bonds. It satisfies these requirements by utilising its £30m bank bonding and £265m surety bonding facilities.

In determining the appropriate basis of preparation of the financial statements for the year ended 31 December 2025, the Directors are required to consider whether the Group and the Company can continue in operational existence for the foreseeable future, being a period of at least twelve months from the date of approval of the financial statements.

In assessing the going concern assumption, the Board reviewed the Group's base case plans for the 15 month period to 30 June 2027, being a period of more than 12 months from the date of approval of these financial statements. The Directors have assumed that the current RCF remains in place with the same covenant requirements through to its current expiry date, which is beyond the end of the period reviewed for Going Concern purposes. The base case assumes delivery of the Board approved strategic and financial plans. As part of the assessment, the Board also identified severe but plausible downsides affecting future profitability, working capital requirements and cash flow. The severe but plausible downsides include applying the aggregated impact of lower revenue (-30% on work to be secured), lower margins (-3% on work to be secured), higher working capital requirements and adverse contract settlements.

Both the base case and severe but plausible forecasts show significant headroom and indicate that the Group and the Company will be able to operate within available banking facilities and covenants throughout this period.

Having undertaken a rigorous assessment of the financial forecasts, including its liquidity and compliance with covenants, the Board considers that the Group and the Company have adequate resources to remain in operation for the foreseeable future and, therefore, the Directors have adopted the going concern basis in the preparation of the financial statements.

Alternative performance measures

Income statement presentation - adjusting items

The Group discloses alternative performance measures, in addition to statutory disclosures, to provide investors with supplementary information which may be relevant to the Group's future performance. 'Adjusted profit' excludes 'adjusting items', which are significant items of income and expenditure that the Board considers are incremental to business operations and do not reflect the long-term performance of the Group. These adjusted measures are reconciled to statutory disclosures, with the tax impact given, in note 3, and disclosed in the segmental reporting in note 4. Presenting results on this basis is consistent with internal reporting to the Board. Alternative performance measures do not have standardised meanings and, therefore, they may not be comparable between companies.

The Directors exercise judgement in determining classification as an 'adjusting item' using quantitative and qualitative factors. Consideration is given, both individually and collectively, to the circumstances giving rise to the item, its materiality and whether it is expected to recur.

'Adjusted profit' may exclude income and expenditure related to acquisitions, discontinued operations, transformation costs, costs of a function or sector-wide restructuring programme, claims and litigation, and impairments, where the impairment is the result of an isolated, non-recurring event. 'Adjusted earnings per share' is calculated using 'adjusted profit'.

The Group also presents 'net cash/bank debt' and 'adjusted free cash flow' as alternative performance measures in the front of the Annual Report. 'Net cash/bank debt' is defined as cash and cash equivalents less interest-bearing borrowings (excluding leases under IFRS 16 and net of unamortised arrangement fees) and excluding 'cash and cash equivalents - with restrictions'.

'Adjusted free cash flow' is defined as cash generated from operations, excluding cash flows relating to 'adjusting items' and pension deficit contributions, less taxation and capital expenditure and excluding cash flows related to 'cash and cash equivalents - with restrictions'.

The Directors consider that these measures provide useful information about the Group's liquidity position.

2. SIGNIFICANT AREAS OF JUDGEMENT AND ESTIMATION

The estimates and underlying assumptions used in the preparation of these financial statements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The most critical accounting policies and significant areas of estimation and judgement arise from the accounting for long-term contracts under IFRS 15, 'Revenue from Contracts with Customers' and the assumptions used in the accounting for defined benefit pension schemes under IAS 19, 'Employee benefits'.

Long-term contracts

The majority of the Group's activities are undertaken via long-term contracts and IFRS 15 requires the identification and separation of individual, distinct performance obligations, which are then accounted for individually. The most common type of contracts undertaken by the Group with multiple performance obligations are framework contracts. In most cases, the obligations are satisfied over time and estimates are made of the total contract costs and revenues. In many cases, these obligations span more than one financial year. Both cost and revenue forecasts may be affected by a number of uncertainties that depend on the outcome of future events and may need to be revised as events unfold and uncertainties are resolved. Cost forecasts take into account the expectations of work to be undertaken on the contract. Revenue forecasts take into account compensation events, variations and claims and assessments of, for example, the impact of pain/gain arrangements and disallowed or withheld costs, to the extent that the amounts the Group expects to recover can be reliably estimated and are highly probable not to reverse.

Management bases its estimates of costs and revenues and its assessment of the expected outcome of each long-term contractual obligation on the latest available information. This includes detailed contract valuations, progress on discussions over compensation events, variations and claims with customers, progress against the latest programme for completing the works, forecasts of the costs to complete and, in certain cases, assessments of recoveries from insurers, suppliers and contractors, where these are considered virtually certain. Revenue is recognised when the related compensation events, variations and claims are agreed with the customer (or are otherwise legally enforceable), and only to the extent that the resulting forecast consideration is considered highly probable of not resulting in a significant reversal.

There are a small number of material contracts where management has been required to make significant accounting estimates and, which result in estimation uncertainty, as at 31 December 2025. In relation to these contracts, the Group has included estimated recoveries with a combined value of £13.4m (2024: £8.6m), on the basis that these are considered highly probable not to reverse. However, there are a range of factors which will affect the ultimate outcome once these contracts are finalised. Management considers that the estimation uncertainty in relation to these contracts ranges from a potential upside of £15.8m to a downside of £13.4m (2024: a potential upside of £11.2m to a downside of £8.6m). The ultimate financial impact of this estimation uncertainty will depend, inter alia, on the terms of the contract and the interaction with incentive arrangements, such as pain/gain mechanisms and bonus or KPI arrangements, as well as final conclusions regarding claims and compensation events and assessments of, for example, costs disallowed under the contract.

In addition, the HS2 programme is currently navigating a change in its programme delivery strategy with an integrated programme being developed, and discussions are underway on a potential revised programme with the supply chain, including the Skanska-Costain-Strabag Joint Venture. Our 2025 financial result reflects the current contractual position.

The estimates of the forecast contract outcome and the profit or loss earned to date are updated regularly and significant changes are highlighted through established internal review procedures. The impact of any change in the accounting estimates (both positive and negative) is then reflected in the financial statements.

While management believes it has recorded positions that are highly probable not to reverse on the basis of existing facts and circumstances, there are uncertain factors which will impact the final contract outcome and could give rise to material adjustments within the next financial year. Given the inherent complexity and pervasive impact of the various judgements and estimates impacting revenue, cost of sales and related balance sheet amounts, it is not considered plausible to quantify the impact of taking alternative assessments on each of these judgements.

Defined benefit pension scheme

Defined benefit pension schemes require significant estimates in relation to the assumptions for the discount rate, inflation and member longevity that underpin the valuation. Each year in selecting the appropriate assumptions, the Directors take advice from an independent qualified actuary. The assumptions and resultant sensitivities are set out in note 12.

3. RECONCILIATION OF REPORTED OPERATING PROFIT TO ADJUSTED OPERATING PROFIT

‘Adjusted operating profit’ and ‘adjusted earnings per share’ are presented as non-GAAP alternative performance measures. The Board considers the adjusted measures better reflect the underlying trading performance of the Group for the reasons described in note 2.

The profit adjustments represent amounts included in the income statement. £2.6m was incurred as a result of restructuring of some of the central functions within the business in 2025, as well as £0.7m on residual Transformation costs. There has been a £1.0m provision release in relation to the fire safety provision taken in 2024 as a result of progressing negotiations. In 2024, adjusting items of £5.4m were incurred on the Group’s Transformation programme and £6.7m in relation to the settlement of a fire safety compliance claim on one building and a provision for the sole other identified obligation. A £0.1m credit was also recognised as a result of the sale in 2024 of assets written down during restructuring in 2023.

Year ended 31 December 2025	Adjusted	Adjusting	Total
	£m	£m	£m
Revenue	1,045.7	-	1,045.7
Cost of sales	(931.9)	-	(931.9)
Gross profit	113.8	-	113.8
Administrative expenses before adjusting items	(66.7)	-	(66.7)
Adjusting items:			
Restructuring costs	-	(2.6)	(2.6)
Transformation costs	-	(0.7)	(0.7)
Fire safety provision release	-	1.0	1.0
Administrative expenses	(66.7)	(2.3)	(69.0)
Operating profit	47.1	(2.3)	44.8
Share of results of joint ventures and associates	(0.4)	-	(0.4)
Profit from operations	46.7	(2.3)	44.4
Net finance income	3.8	-	3.8
Profit before tax	50.5	(2.3)	48.2
Taxation	(11.5)	0.6	(10.9)
Profit for the year attributable to equity holders of the parent	39.0	(1.7)	37.3
Basic earnings per share	14.5p		13.9p

Year ended 31 December 2024	Adjusted	Adjusting items	Total
	£m	£m	£m
Revenue	1,251.1	-	1,251.1
Cost of sales	(1,147.8)	-	(1,147.8)
Gross profit	103.3	-	103.3
Administrative expenses before adjusting items	(60.2)	-	(60.2)
Adjusting items:			
Restructuring credit	-	0.1	0.1
Transformation costs	-	(5.4)	(5.4)
Fire safety claims	-	(6.7)	(6.7)
Administrative expenses	(60.2)	(12.0)	(72.2)
Operating profit	43.1	(12.0)	31.1
Net finance income	5.4	-	5.4
Profit before tax	48.5	(12.0)	36.5
Taxation	(8.9)	3.0	(5.9)
Profit for the year attributable to equity holders of the parent	39.6	(9.0)	30.6
Basic earnings per share	14.6p		11.3p

4. OPERATING SEGMENTS

The Group has two business segments: Transportation and Natural Resources. These segments are strategic business units with separate management and have different customers or offer different services. Segmental information is provided to the Chief Executive who is the chief operating decision maker. The segments are discussed in the Strategic Report section of the financial statements.

The Group evaluates segment performance on the basis of profit or loss from operations before interest and taxation and before 'adjusting items'. The segment results that are reported to the Chief Executive include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Other items are allocated to the operating segments where appropriate but otherwise are viewed as Central costs.

2025	Natural Resources £m	Transportation £m	Central costs £m	Total £m
Segment revenue				
Revenue	440.4	605.3	-	1,045.7
Segment profit/(loss)				
Operating profit/(loss) before other items	35.0	24.9	(12.8)	47.1
Share of results of joint ventures and associates	(0.4)	-	-	(0.4)
Operating profit/(loss) before adjusting items	34.6	24.9	(12.8)	46.7
Adjusting items:				
Restructuring costs	-	-	(2.6)	(2.6)
Transformation costs	-	-	(0.7)	(0.7)
Fire safety provision release	-	-	1.0	1.0
Profit/(loss) from operations	34.6	24.9	(15.1)	44.4
Net finance income				3.8
Profit before tax				48.2

2024	Natural Resources £m	Transportation £m	Central costs £m	Total £m
Segment revenue				
Revenue	405.3	845.8	-	1,251.1
Segment profit/(loss)				
Operating profit/(loss) before adjusting items	23.8	29.9	(10.6)	43.1
Adjusting items:				
Restructuring credit	-	-	0.1	0.1
Transformation costs	-	-	(5.4)	(5.4)
Fire safety claims	-	-	(6.7)	(6.7)
Profit/(loss) from operations	23.8	29.9	(22.6)	31.1
Net finance income				5.4
Profit before tax				36.5

5. FINANCE INCOME/(EXPENSE)

£m	2025	2024
Interest income from bank deposits	5.0	6.7
Interest income on the net assets of the defined benefit pension scheme	3.0	2.6
Finance income	8.0	9.3
Interest payable on interest bearing bank loans, borrowings and other similar charges	(1.8)	(1.4)
Interest expense on lease liabilities	(2.4)	(2.5)
Finance expense	(4.2)	(3.9)
Net finance income	3.8	5.4

Other similar charges includes arrangement and commitment fees payable.

6. TAXATION

£m	2025	2024
On profit for the year		
UK corporation tax at statutory rate of 25.0% (2024: 25.0%)	(5.1)	(4.1)
Adjustment in respect of prior years	0.2	1.0
Current tax charge for the year	(4.9)	(3.1)
Deferred tax charge for the current year	(5.3)	(4.0)
Adjustment in respect of prior years	(0.7)	1.2
Deferred tax charge for the year	(6.0)	(2.8)
Tax charge in the consolidated income statement	(10.9)	(5.9)

£m	2025	2024
Tax reconciliation		
Profit before tax	48.2	36.5
Taxation at 25.0% (2024: 25.0%)	(12.0)	(9.1)
Amounts qualifying for tax relief and disallowed expenses	1.6	1.0
Adjustments in respect of prior years	(0.5)	2.2
Tax charge in the consolidated income statement	(10.9)	(5.9)

7. EARNINGS PER SHARE

The calculation of earnings per share is based on profit of £37.3m (2024: £30.6m) and the number of shares set out below.

	2025 Number (millions)	2024 Number (millions)
Weighted average number of ordinary shares in issue for basic earnings per share calculation	268.5	271.3
Dilutive potential ordinary shares arising from employee share schemes	4.2	3.3
Weighted average number of ordinary shares in issue for diluted earnings per share calculation	272.7	274.6

8. DIVIDENDS

An interim dividend of 1.0 pence per share was paid for the six months ended 30 June 2025. The Board is proposing a final dividend of 3.2 pence per share. Payment of the final dividend will be both as a cash dividend and scrip dividend alternative (to be renewed at the 2026 AGM). Shareholders wishing to join the scrip dividend scheme should return a completed mandate form to the Registrar, Equiniti, by 11 May 2026. The scrip dividend reference price will be announced on 23 April 2026.

9. INTANGIBLE ASSETS

	Goodwill £m	Customer relationships £m	Other acquired intangibles £m	Other intangibles £m	Total £m
Cost					
At 1 January 2024	54.1	15.4	9.7	16.2	95.4
Additions	-	-	-	5.8	5.8
Disposals	-	-	-	(7.6)	(7.6)
At 31 December 2024	54.1	15.4	9.7	14.4	93.6
At 1 January 2025	54.1	15.4	9.7	14.4	93.6
Additions	-	-	-	1.0	1.0
At 31 December 2025	54.1	15.4	9.7	15.4	94.6
Accumulated amortisation and impairment					
At 1 January 2024	9.0	15.4	9.7	15.6	49.7
Charge in year	-	-	-	0.3	0.3
Disposals	-	-	-	(7.6)	(7.6)
At 31 December 2024	9.0	15.4	9.7	8.3	42.4
At 1 January 2025	9.0	15.4	9.7	8.3	42.4
Charge in year	-	-	-	1.1	1.1
At 31 December 2025	9.0	15.4	9.7	9.4	43.5
Net book value					
At 31 December 2025	45.1	-	-	6.0	51.1
At 31 December 2024	45.1	-	-	6.1	51.2
At 1 January 2024	45.1	-	-	0.6	45.7

Goodwill has been allocated to the applicable cash generating units of the Transportation segment (£15.5m (2024: £15.5m)) and the Natural Resources segment (£29.6m (2024: £29.6m)).

The Group reviews the value of goodwill and, in the absence of any identified impairment risks, tests are based on internal value in use calculations of the cash-generating unit (CGU). The key assumptions for these calculations are: operating margins, discount rates and growth rates. Discount rates have been estimated based on pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The rates used to discount the forecast cash flows for the Transportation and Natural Resources CGUs were 13.5% and 13.8% respectively. In 2024, the rates used to discount the forecast cash flows for both the Transportation and Natural Resources CGUs was 15.9%.

The value –in-use calculations use the Group’s four-year cash flow forecasts, which are based on the expected revenues and profitability of each CGU, taking into account the current level of secured and anticipated orders, extrapolated for future years by the expected growth rate applicable to each CGU, 2.0% for both Transportation and Natural Resources (2024: 2.0% for both Transportation and Natural Resources).

At 31 December 2025, based on the internal value-in-use calculations, management concluded that the recoverable value of both the Natural Resources and the Transportation cash-generating units exceeded their respective carrying amounts with substantial headroom.

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £m	Plant & Equipment £m	Right-of-use assets			Total £m
			Vehicles £m	Land & Buildings £m	Plant & equipment £m	
Cost						
At 1 January 2024	-	15.0	19.6	19.5	13.1	67.2
Additions	8.2	0.1	8.9	7.3	2.3	26.8
Disposals	-	(7.1)	(5.7)	(10.9)	(9.8)	(33.5)
At 31 December 2024	8.2	8.0	22.8	15.9	5.6	60.5
At 1 January 2025	8.2	8.0	22.8	15.9	5.6	60.5
Additions	0.3	1.1	6.6	0.1	4.5	12.6
Disposals	-	(0.1)	(4.0)	(2.1)	(4.9)	(11.1)
At 31 December 2025	8.5	9.0	25.4	13.9	5.2	62.0
Accumulated depreciation and impairment						
At 1 January 2024	-	14.6	9.0	9.8	7.0	40.4
Charge in year	0.2	0.2	6.1	2.8	2.6	11.9
Disposals	-	(7.1)	(5.6)	(8.3)	(6.1)	(27.1)
At 31 December 2024	0.2	7.7	9.5	4.3	3.5	25.2
At 1 January 2025	0.2	7.7	9.5	4.3	3.5	25.2
Charge in year	1.1	0.1	6.9	1.8	1.9	11.8
Disposals	-	(0.1)	(4.0)	(1.8)	(3.6)	(9.5)
At 31 December 2025	1.3	7.7	12.4	4.3	1.8	27.5
Net book value						
At 31 December 2025	7.2	1.3	13.0	9.6	3.4	34.5
At 31 December 2024	8.0	0.3	13.3	11.6	2.1	35.3
At 1 January 2024	-	0.4	10.6	9.7	6.1	26.8

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analysed below and include the Group's share of cash held by joint operations of £67.7m (2024: £62.7m).

	2025 £m	2024 £m
Cash and cash equivalents	189.3	158.5
Net cash	189.3	158.5

Cash and cash equivalents - with restrictions

'Cash and cash equivalents - with restrictions' comprise amounts held in trust accounts on behalf of certain customers and designated for future payment to suppliers under contracts where Costain is acting as a principal.

	2025 £m	2024 £m
Cash and cash equivalents - with restrictions	26.0	38.4
Cash and cash equivalents - with restrictions in the cash flow statement	26.0	38.4

12. PENSIONS

The Group operates a defined benefit pension scheme in the UK; contributions, if due, are paid by subsidiary undertakings. There are also two defined contribution pension schemes in place in the UK, to which contributions are made by both subsidiary undertakings and employees. The total pension charge in the income statement is £13.1m, comprising £16.1m included in operating costs less £3.0m interest income included in net finance income (2024: £12.2m, comprising £14.8m included in operating costs less £2.6m interest income included in net finance income).

Defined benefit scheme

The defined benefit scheme was closed to new members on 31 May 2005 and from 1 April 2006, future benefits were calculated on a Career Average Revalued Earnings basis. The scheme was closed to future accrual of benefits to members on 30 September 2009. A full actuarial valuation of the scheme was carried out as at 31 March 2025 and this was updated to 31 December 2025 by a qualified independent actuary. At 31 December 2025, there were 2,875 retirees and 2,296 deferred members (2024: 2,886 retirees and 2,601 deferred members).

The weighted average duration of the obligations is 12.0 years (2024: 11.0 years).

	2025 £m	2024 £m	2023 £m
Present value of defined benefit obligations	(491.0)	(497.5)	(542.6)
Fair value of scheme assets	551.0	552.4	596.1
Recognised asset for defined benefit obligations	60.0	54.9	53.5

Movements in present value of defined benefit obligations

	2025 £m	2024 £m
At 1 January	497.5	542.6
Interest cost	26.4	25.0
Remeasurements – demographic assumptions	(14.0)	0.5
Remeasurements – financial assumptions	(6.0)	(41.0)
Remeasurements – experience adjustments	20.3	3.7
Benefits paid	(33.2)	(33.3)
At 31 December	491.0	497.5

Movements in fair value of scheme assets

	2025 £m	2024 £m
At 1 January	552.4	596.1
Interest income	29.4	27.6
Remeasurements – return on assets	2.4	(39.9)
Contributions by employer	-	2.0
Administrative expenses	-	(0.1)
Benefits paid	(33.2)	(33.3)
At 31 December	551.0	552.4

Expense recognised in the income statement

	2025 £m	2024 £m
Administrative expenses paid by the pension scheme	-	(0.1)
Administrative expenses paid directly by the Group	(2.3)	(1.8)
Interest income on the net assets of the defined benefit pension scheme	3.0	2.6
	0.7	0.7

Fair value of scheme assets

	2025 £m	2024 £m
Global equities	90.8	90.0
Multi-asset growth funds	22.6	20.7
Multi-credit fund	80.6	83.8
LDI plus collateral	345.1	339.7
Cash	11.9	18.2
	551.0	552.4

Principal actuarial assumptions (expressed as weighted averages)

	2025 %	2024 %
Discount rate	5.45	5.50
Future pension increases	2.75	2.95
Inflation assumption	2.85	3.10

Weighted average life expectancies from age 65 as per mortality tables used to determine benefits at 31 December 2025 and 31 December 2024 are:

	2025		2024	
	Male (years)	Female (years)	Male (years)	Female (years)
Currently aged 65	21.3	23.3	21.9	23.8
Non-retirees currently aged 45	22.1	24.1	22.9	25.1

The discount rate, inflation and pension increase and mortality assumptions have a significant effect on the amounts reported. Changes in these assumptions would have the following effects on the defined benefit scheme:

	Pension liability £m	Pension cost £m
Increasing the discount rate by 0.25%, decreases pension liability and increases pension income/reduces pension cost by	11.9	0.6
Decreasing inflation by 0.25% (which reduces pensions increases), decreases pension liability and increases pension income/reduces pension cost by	8.7	0.5
Increasing life expectancy by one year, increases pension liability and reduces pension income/increases pension cost by	19.5	1.1

As highlighted in the table above, the defined benefit scheme exposes the Group to actuarial risks such as longevity, interest rate, inflation and investment risks. The LDI portfolio is designed to respond to changes in gilt yields in a similar way to a fixed proportion of the liabilities. With the LDI portfolio, if gilt yields fall, the value of the investments will rise to help partially match the increase

in the trustee valuation of the liabilities arising from a fall in the gilt yield-based discount rate. Similarly, if gilt yields rise, the value of the matching asset portfolio will fall, as will the valuation of the liabilities because of an increase in the discount rate. The leverage within the LDI portfolio means the equivalent of 95% of the value of the assets is sensitive to changes in interest rates and inflation and this mitigates the equivalent movement in the liabilities of the scheme as a whole.

In accordance with the pension regulations, a triennial actuarial review of the Costain defined benefit pension scheme was carried out as at 31 March 2025. In January 2026, the funding valuation and ongoing Scheme contributions were agreed with the Scheme Trustee. Following this, the dividend parity arrangement that previously existed has been removed, there is no requirement going forward for an annual assessment of the Scheme funding position and there will be no further cash contributions made by the Company into the Scheme under the new schedule of contributions which is in place until January 2031.

The next triennial actuarial review will be carried out as at 31 March 2028.

Any surplus of deficit contributions to the Costain Pension Scheme would be recoverable by way of a refund, as the Group has the unconditional right to any surplus once all the obligations of the Scheme have been settled. Accordingly, the Group does not expect to have to make provision for these additional contributions arising from this agreement in future financial statements.

The DWP has, through the Pension Schemes Bill, introduced a mechanism to allow trustees to address any issues arising from the Virgin Media and the NTL Pension Trustee judgement. This legislation will allow trustees of affected schemes to retrospectively obtain written actuarial confirmation that any historic benefits changes that may have been made meet the necessary standards. The Trustee of the Costain Pension Scheme will review if any action needs to be taken.

Defined contribution schemes

Two defined contribution pensions schemes are operated. The total expense relating to these plans was £13.8m (2024: £12.9m).

13. SHARE CAPITAL

	2025		2024	
	Number (millions)	Nominal value £m	Number (millions)	Nominal value £m
Issued share capital				
Shares in issue at beginning of year - ordinary shares of one pence each, fully paid (2024: 50 pence each)	268.8	2.7	276.7	138.3
Issued in year (see below)	4.3	-	1.8	0.9
Nominal value reduction	-	-	-	(136.4)
Share buyback	(6.4)	-	(9.7)	(0.1)
Shares in issue at end of year - ordinary shares of one pence each, fully paid	266.7	2.7	268.8	2.7

The Company's issued share capital comprised 266,714,895 ordinary shares of one pence each as at 31 December 2025 (2024: 268,766,087 ordinary shares). All shares rank pari passu regarding entitlement to capital and dividends.

The 2022 LTIP vested in the year and 3,800,000 shares were issued in April 2025 to satisfy this vesting. A total of 543,908 shares were issued under the Scrip Dividend Scheme during 2025.

In June 2025, Costain announced an on-market share buyback programme. This programme was completed in August 2025 and resulted in the purchase of 6,395,100 ordinary shares in aggregate for cancellation.

14. EVENTS AFTER THE REPORTING DATE

There are no events after the reporting date.