THIS ANNOUNCEMENT CONTAINS INFORMATION WITHIN THE MEANING OF ARTICLE 7 OF THE MARKET ABUSE REGULATION (EU) 596/2014 AS IT FORMS PART OF UK LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018

COSTAIN

21 AUGUST 2024

COSTAIN GROUP PLC
("Costain", the "Group", or the "Company")
RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024 ("H1 24")

Continued strong financial performance, with a £4.3bn forward work position.

- **Revenue of £639.3m (H1 23: £664.4m)** reflecting growth in Natural Resources, and as expected, a small reduction in Transportation.
- **Adjusted operating profit[1] up 8.7% to £16.3m (H1 23: £15.0m)** reflecting an increased operating margin in Transportation and increasing volumes and margin in Natural Resources. Reported operating profit was £13.9m (H1 23: £7.6m).
- **On course to meet margin targets of 3.5% and 4.5% during FY 24 and FY 25 respectively.** Adjusted operating margin[1] increase of 20bps to 2.5% (H1 23: 2.3%), with margin growth in both divisions.
- **Adjusted EPS up 27.3% to 5.6p (H1 23: 4.4p)** driven by interest earned on stronger net cash position and adjusted operating profit increase. Reported EPS was 5.0p (H1 23: 1.9p).
- **Increased high quality forward work[2] position of £4.3bn of more than three times FY 23 revenue (FY 23: £3.9bn; H1 23: £4.0bn),** with contract wins across all sectors and significant growth in Water. At least a further £500m of Water contracts won post half year.
- **Interim dividend payment of 0.4p (H1 23: 0.4p),** in line with H1 23.
- **Strong balance sheet and as separately announced today, a £10m on-market share buyback launched.**

Financial summary

(£m unless otherwise stated)	H1 24	H1 23	Change
Revenue	**639.3**	664.4	(3.8)%
Adjusted operating profit[1]	**16.3**	15.0	8.7%
Adjusted operating margin[1]	**2.5%**	2.3%	20bps
Adjusted profit before tax[1]	**19.4**	15.9	22.0%
Adjusted EPS[1]	**5.6p**	4.4p	27.3%
Reported operating profit	**13.9**	7.6	82.9%
Reported profit before tax	**17.0**	8.5	100.0%
Reported EPS	**5.0p**	1.9p	163.2%
Dividend per share	**0.4p**	0.4p	-
Net cash balance	**166.0**	132.1	£33.9m
Forward work position[2]	**£4.3bn**	£4.0bn	£0.3bn

1. See notes 1 to 4 of the financial statements for adjusted metric details and definitions, and 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 Water and other frameworks included at allocated volume.

Alex Vaughan, Chief Executive Officer, commented:

“We are performing strongly and are progressing with our strategic priorities in our chosen growth markets, including broadening our customer and service mix. In the first half we have delivered a further significant increase in operating profit together with a sharp growth in earnings per share. The net cash balance grew to £166m, adjusted operating margin increased as expected, and due to the quality of our earnings, we remain on track to deliver our margin targets during FY 24 and FY 25.

“As a result of our strong performance and valued long-term relationships with our customers, we have increased our forward work position to a very healthy £4.3bn at the half year, with contract wins across all our sectors. Our focus on industry-leading solutions, predictable performance and long-term established customer relations has seen us win further significant Water contracts post period end and we expect further wins for the Group in the second half of the year. The quality and customer balance of our forward work position across our two divisions, together with strong highly visible market investment, gives us good visibility on future revenue and margin. We continue to deliver improvements in the business and remain confident in the Group’s prospects.

“As a result of our confidence in our long-term prospects, and our strong cash position, we have today announced a £10m share buyback which will commence with immediate effect.”

Outlook

Having secured a significant volume of work in H1 24, our high-quality forward work position stood at £4.3 billion at the end of the first half, with at least a further £500 million of new work with Southern Water secured post period end and further wins expected in the second half. The quality and volume of our forward work gives us good visibility on future revenue and margin.

We operate in growth markets meeting critical national needs, providing essential national infrastructure through delivering services that shape, create and deliver our customers’ needs. Our confidence is based on multiple factors including our clear strategic priorities, our alignment with an increasingly broad and high-quality customer base which is investing in critical infrastructure, and our opportunities for further operational and margin improvements.

While we remain mindful of the macro-economic and geopolitical conditions and their importance for near-term government priorities and the timing of spending, we are well positioned for further cash generation and growth in profits.

We remain on track to deliver an adjusted operating margin run-rate of 3.5% during the course of FY 24 and 4.5% during the course of FY 25, in line with our ambition to deliver margins in excess of 5.0%.

Our expectations for FY 24 remain unchanged.

Enquiries

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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 21 August 2024. Please go to https://stream.brrmedia.co.uk/broadcast/66a7577827d380a9b7f0b4e7 to register for the event.

We will also host a live presentation relating to results via Investor Meet Company at 10am on 22 August 2024. Investors can sign up to Investor Meet Company for free and register to meet Costain Group PLC via: https://www.investormeetcompany.com/costain-group-plc/register-investor

Board changes

As announced on 12 March 2024, Mr Bishoy Azmy stepped down from the Board with effect from 31 March 2024.

Use of alternative performance measures

Throughout this release we use a number of '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 notes 1 to 4.

Person responsible

This announcement contains inside information. The person responsible for this announcement at Costain is Helen Willis, Chief Financial Officer.

ELIMINATING HARM

We have started 2024 with a strong positive safety, health and environmental performance, having continued our focus as a learning organisation in driving improvements through our leading indicators for performance. These include workforce engagement and targeted assurance activities, which are contributing to our aim of eliminating harm across all our activities. We measure our safety performance through our lost time injury rate (LTIR) which for H1 24 was 0.09 (H1 23: 0.11). Costain's LTIR is calculated as a ratio of the total number of lost time incidents (defined by the Health & Safety Executive) per every 100,000 hours worked.

GROUP TRADING PERFORMANCE

Another strong financial performance

We report both our statutory results, 'reported', and results excluding adjusting items, 'adjusted'. Key adjusting items for H1 24 include the impact of this final year of our Transformation programme.

Reported and adjusted revenue was £639.3m in H1 24 (H1 23: £664.4m), a small reduction on the prior period. We saw increased Natural Resources revenue in Water, and in Defence and Nuclear Energy. In Transportation, as expected, we saw reductions in Road volumes, due to the completion of certain projects, and in Rail due to the completion of our main works at Gatwick Station. We had increased revenue in Integrated Transport including the Heathrow H7 contract and new contracts with TfL.

Adjusted operating profit grew by 8.7% to £16.3m (H1 23: £15.0m) and the adjusted operating margin increased to 2.5% (H1 23: 2.3%), driven mainly by the improved performance in Transportation resulting from a better margin mix derived from newer contracts and increased volumes, and margin in Natural Resources, which has a greater mix of consultancy services.

Reported operating profit increased from £7.6m in H1 23 to £13.9m in H1 24, with the prior period impacted by an £5.3m non-recurring impairment of an intangible asset. We also had a £2.4m cost in H1 24 (H1 23: £2.1m) in respect of our Transformation programme.

Net finance income was £3.1m (H1 23: £0.9m), driven by higher interest income from increased bank deposits and lower bank charges.

Adjusted profit before tax increased 22.0% to £19.4m (H1 23: £15.9m), with adjusted basic earnings per share (EPS) up by 27.3% at 5.6p (H1 23: 4.4p), in part reflecting higher net finance income. Reported profit before tax was up 100.0% at £17.0m (H1 23: £8.5m), while reported basic earnings per share (EPS) was up 163.2% at 5.0p (H1 23: 1.9p).

Adjustments to reported items

We incurred £2.4m (H1 23: £2.1m) in respect of this final year of our Transformation programme, and £nil (H1 23: £5.3m) of restructuring costs. The restructuring costs in H1 23 related to an impairment of an intangible asset following the repositioning of digital services. We expect Transformation programme costs of around £5.0m in FY 24, and thereafter such costs to be minimal and not to be separately disclosed as adjusting items.

Cashflow and liquidity
Cash from operations in H1 24 was £15.2m (H1 23: £16.9m), resulting from increased adjusted operating profits and timings of certain cash receipts around the period end.

Free cash flow in H1 24 of £14.2m (H1 23: £26.5m) reflected the timing of working capital around the period end, as well as higher tax and capital expenditure payments as we invest in new systems, partially offset by lower cash flows on adjusting items.

Our net cash position at the end of H1 24 was £166.0m (FY 23: £164.4m, H1 23: £132.1m). We expect our full year end net cash position to be at least similar to H1 24, excluding the impact of our £10m share buyback, as the underlying net free cash flow from the business is expected to be offset by the unwinding of positive working capital timing benefits accumulated since the end of FY 22, as previously announced in our FY 23 results.

During H1 24 we paid more than 97% of invoices within 60 days (H1 23: 98%). In January 2024 Costain was re-confirmed as one of the fastest-paying lead contractors in construction on an average days-to-pay basis following the submissions to the Government's Duty to Report on Payment Practices and Performance.

Strength of business model
Critical national needs and the resultant demand for essential infrastructure ensure that the Transport, Water, Energy and Defence markets continue to offer significant long-term opportunities for the Group.

As a result of our clear strategy, the Group has continued to make good progress in building a stronger business. We are:

- Focused on growth markets meeting critical national needs, ensuring the UK has its essential infrastructure, as set out in the second National Infrastructure Assessment, and the National Infrastructure and Construction Pipeline 2023, with more than £700bn of investment expected during the next ten years, as well as supporting the new Government's critical growth missions.
- Continuing to build and expand our broader Tier 1 customer base and be recognised for our long-term established relationships with both new and existing customers, who are increasing their scale of activities with us:
  - In line with Ofwat's draft determination, we expect water investment to at least double during the next regulatory period to its highest level for decades and through recent contract awards we are well placed to capitalise on these opportunities.
  - We expect long-term growth in the Energy sector due to the expected changes in energy mix for the UK. We will continue to build our leading expertise as a solution provider to address the growing energy transition investment plans.
  - We are well positioned for the significant public and private sector Transportation, Defence and Nuclear Energy investment.
  - In addition, our Integrated Transport business has seen us expand our work with Heathrow and with TfL in order to progress refurbishment of their critical transport infrastructure.
- Providing an increasingly broader expert-led service mix of construction and consultancy services to meet our customers' ecosystem requirements, helping them by shaping,

creating, and delivering pioneering infrastructure solutions to meet their needs, leveraging our core contracting expertise in managing major infrastructure programmes.
- Maintaining a strong balance sheet with good levels of positive cash generation, a strong risk management culture, financing capacity and minimal pension costs.

Costain enjoys good forward visibility with a strong forward work position. Our forward work position, which is our combined order book and preferred bidder book, stood at £4.3bn at period end (FY 23: £3.9bn; H1 23: £4.0bn), representing more than three times our FY 23 annual revenue. Post the period end we have won at least a further £500m of new work in Water.

We have more than £538m of secured Group revenue for H2 24 at the end of H1 24, representing around 90% of forecast revenue for the period. Awards have yet to be made on a number of bids undertaken since 2022 and we currently expect further awards to be made during H2 24 and FY 25.

Our Transformation programme, which simplifies and increases efficiencies within the business and is expected to be largely complete during FY 24 is progressing well, having delivered profit and adjusted operating margin uplift during H1 24, as well as enabling disciplined investment in business improvement activities.

The accurate assessment and management of risk and uncertainty is central to our strategy. 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.
- Strategic supply chain partners, with application of robust supply chain management processes.

As a result of the implementation of our strategy and risk management processes, at the end of H1 24, our order book does not include any single stage design and build fixed-price construction contracts.

We continue to effectively manage the impact of inflationary pressures on revenue and costs.

Actuarial pension review
On 30 June 2023, we announced that agreement had been reached with the Trustee of the Group's defined benefit pension scheme on the 31 March 2022 triennial actuarial funding valuation and ongoing contributions to the Scheme. The contribution plan from the Group to the Costain Pension Scheme runs from 1 July 2023 to 31 March 2027 and is for a payment of £3.3m per year, payable in monthly instalments, scheduled to increase in line with inflation (CPI) each 1 April.

An assessment of the Scheme funding position was carried out on 31 March 2024 and, as the funding level (on a Technical Provisions basis) was more than 101%, contributions will stop from 1 July 2024 to 30 June 2025. These contributions would have amounted to £3.4m for the period if the Scheme funding level had been less than 101%.

In addition to contributions being stopped for a year, as the funding level is above 101%, "dividend parity" will be suspended for a year. Under the dividend parity arrangement, an additional matching contribution (the excess of the total dividend above the Scheme contribution) is paid to the Costain Pension Scheme when the total of the interim and final dividends (or other return of capital such as a buyback) is greater than the contributions paid into the Scheme in the previous Scheme financial year, which runs from 1 April to 31 March.

Capital allocation

Costain continues to perform well against its strategic targets and expects to deliver long-term sustainable value for its stakeholders. The Group's capital allocation priorities are; investing for growth, progressive dividend, selective M&A and returning surplus capital.

- **Investing for growth**. Costain will continue disciplined investment in key areas such as systems and digitisation that will accelerate its business transformation. The Group's Transformation programme, which simplifies and increases efficiencies within the business and is expected to be largely complete during FY 24, is progressing well. In addition, the Group will invest around £5.0m in FY 24 in upgrading its HR system to increase efficiencies within the business.

- **Progressive dividend.** The Board recognises the importance of dividends for shareholders and expects to target dividend cover of around three times adjusted earnings. Dividend payments take into account the cash flow generated in the period, and the potential impact of the "dividend parity" arrangement relating to the defined benefit pension scheme, which continues until 31 March 2027.

  Dividend payments were resumed in FY 23 with a full year dividend of 1.2p per share for the year, in line with the pension payments level under the dividend parity arrangements. In line with the dividend policy adopted in H1 23, the Board has declared an interim dividend of 0.4p per share for the six months ended 30 June 2024.

- **Selective M&A**. The Board 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 and cash position, identified surplus capital will be returned to shareholders through share buybacks or special dividends. The current outlook and trading across Costain's markets is encouraging and is supportive of our strategy.

Having reviewed the Group's strong cash performance and ongoing capital requirements, the Board has concluded that an on-market share buyback programme for up to a maximum aggregate consideration of £10m (excluding stamp duty and expenses) is appropriate and a value-enhancing use of cash, while maintaining the Group's financial flexibility to invest in its strategy to deliver sustainable growth and attractive returns.

Dividend

Dividend payments were resumed in H1 23 with an interim dividend of 0.4p per share for the six months ended 30 June 2023, and a final dividend of 0.8p per share. In line with the H1 23 payment, the Board has declared an interim dividend of 0.4p per ordinary share for the six months ended 30 June 2024.

The interim dividend will be paid on 18 October 2024 to shareholders on the register at the close of business on 13 September 2024.

Payment of the interim dividend will be both as a cash dividend and scrip dividend alternative. Shareholders wishing to join the scrip dividend scheme should return a completed mandate form to the Registrar, Equiniti, by 27 September 2024. The scrip reference price will be announced on 19 September 2024.

DIVISIONAL REVIEW

TRANSPORTATION

£m	H1 24 adjusted[1]	H1 24 reported	H1 23 adjusted[1]	H1 23 reported	Change (adjusted)[1]
Road	*171.5*	*171.5*	*201.8*	*201.8*	*-15.0%*
Rail	*240.6*	*240.6*	*259.3*	*259.3*	*-7.2%*
Integrated transport	*32.2*	*32.2*	*26.0*	*26.0*	*23.8%*
Total revenue	**444.3**	**444.3**	**487.1**	**487.1**	-8.8%
Divisional operating profit	13.8	13.8	12.2	6.9	13.1%
Divisional operating margin	3.1%	3.1%	2.5%	1.4%	0.6pt

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

- As expected, revenue of £444.3m was down 8.8%, reflecting lower volumes in Road due to the completion of some contracts, and in Rail due to the completion of our main works for Gatwick Station.
- Increased revenue in Integrated Transport due to our expanding work at Heathrow and with TfL.
- Adjusted operating margin increased by 0.6pt to 3.1%, due to improved operating performance and margins in newer contracts.
- Revenue secured for H2 24 is £358.4m for Transportation as at 30 June 2024.

Our revenue in H1 24 was mainly from a number of complex project delivery schemes for HS2 and National Highways. We are transitioning towards a better-balanced portfolio, benefitting from activities in Rail, Aviation, Ports and Local Government, together with continuing activities with HS2 and National Highways.

Road revenue declined by 15.0% in H1 24 compared with the prior year, as expected, driven by a reduction in schemes revenue as they near completion. As a strategic partner for National Highways, we support their key investment programmes through the Regional Delivery Partnerships (RDP) major projects frameworks, the Smart Motorways Programme (SMP) Alliance, the SPaTs2 consultancy framework, and Area 14 highway maintenance.

On RDP, in Cornwall we opened to traffic the widened A30 dual carriageway between Chiverton and Carland Cross on schedule. Our work to upgrade the A1 around Newcastle continues to progress well with the widening of the Birtley to Coal House section. We have completed the work on the A12 with the successful granting of the Development Consent Order application for the Chelmsford to A120 widening project. We have also agreed the scheme budget for the M60 Simister Island scheme, and have progressed to the detailed design phase, and are continuing to deliver highway maintenance activities on our Area 14 contract.

Within the SMP Alliance, our delivery of the M6 Junction 21a-26 smart motorway upgrade is nearing completion, and we are supporting the National Emergency Area Retrofit programme on the M1 for smart motorways through design and delivery of additional stopping areas.

We have a growing pipeline of opportunities in Road for local government bodies, as well as National Highways, and see good long-term prospects in this market.

Rail revenue decreased by 7.2% in H1 24, principally because of the completion of our work at Gatwick Station in the period. The Skanska Costain STRABAG JV contract to construct the southern section of route for HS2, which has a twin bore tunnel, now has four tunnel boring machines (TBMs) fully in operation. We are working closely with HS2 Ltd to optimise our delivery schedule to best progress the project delivery within its current budget.

We continue to expand our portfolio of work for Network Rail and DfT through our framework contracts, where we are providing professional consulting services. The main works to upgrade Gatwick Station concourse for Network Rail completed in H1 24 following the opening of the station in Q4 23.

We also have several live tenders being progressed in Rail.

Integrated Transport provides a mix of consulting and complex project delivery to sub-national transport bodies, Central Government, and to Aviation customers. Revenue increased by 23.8% in H1 24 on the prior year, reflecting growing work volumes at Heathrow and with TfL.

During H1 24, we continued work for TfL. We were awarded the Gallows Corner Flyover Detailed Design & Build contract and the design phase for Brent Cross, with work for both projects underway. We have commenced our next stage of works on the A40 Westway and continue to support TfL's CCTV service.

During H1 24, we increased the volume of our work at Heathrow to shape, create and deliver asset renewal and construction projects through the H7 Terminal Asset Renewal Partner and Major Project Partner frameworks. We also continue to support other aviation customers at East Midlands, Gatwick, Manchester and Stansted airports.

We expect that Aviation, Ports, local and devolved transport bodies will offer strong growth opportunities for the business.

NATURAL RESOURCES

£m	H1 24 adjusted[1]	H1 24 reported	H1 23 adjusted[1]	H1 23 reported	Change reported
Water	*119.8*	*119.8*	*107.2*	*107.2*	*11.8%*
Energy	*21.7*	*21.7*	*24.0*	*24.0*	*-9.6%*
Defence and Nuclear Energy[2]	*53.5*	*53.5*	*46.1*	*46.1*	*16.1%*
Total revenue	**195.0**	**195.0**	**177.3**	**177.3**	10.0%
Divisional operating profit	8.4	8.4	7.5	7.5	12.0%
Divisional operating margin	4.3%	4.3%	4.2%	4.2%	0.1pt

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

2. Defence and Nuclear includes nuclear-related revenue previously included in Energy, following the Natural Resources reorganisation.

- Revenue increased by 10.0% to £195.0m, reflecting growth in Water, and in Defence and Nuclear Energy.
- Divisional operating profit increased to £8.4m (H1 23: £7.5m), and adjusted operating margin increased by 0.1pt to 4.3%.
- Revenue secured for H2 24 is £180.3m for Natural Resources as at 30 June 2024.

Water delivers a broad range of services to improve asset and operational resilience across the Water sector, together with decarbonisation capabilities. Revenue increased by 11.8% on H1 23 with good visibility across our five-year AMP7 programmes through to 2025, and our recently announced AMP8 projects with Northumbrian Water and United Utilities for the period 2025-2030. We are moving to the commissioning phase for Tideway, where in a joint venture, we are responsible for the eastern section.

The breadth of our service offering continues to grow with work including wastewater to gas, water quality assurance and water treatment, as well as design, maintenance, capital delivery and strategic resource options. We continue to work on capital delivery programmes for Anglian Water, Severn Trent Water, Southern Water, and Thames Water in AMP7.

We have strongly increased our presence in the Water sector in the period, with the combination of the rollover of current contracts, contract extensions and new customer wins. During H1 24 these include: major AMP8 contract wins with Northumbrian Water and United Utilities; contract extensions with Severn Trent Water and Thames Water; and an AMP7 maintenance service provider contract for United Utilities. Our CMDP+ joint venture with MWH Treatment was awarded contracts by Southern Water as part its AMP7 investment programme. Post period end, our CMDP+ joint venture with MWH Treatment won work with Southern Water on their AMP8 programme valued at least at £500m to Costain. This contract will extend our long-term continuous relationship with Southern Water to more than twenty years.

Energy revenue decreased by 9.6% in H1 24 on the prior year, due to delays to our programmes as we await Final Investment Decisions this year. We expect significant long-term growth in this sector given the requirement for energy infrastructure investment to support economic growth, tackle climate change and enhance the natural environment, as outlined in the National Infrastructure Commission's recent SNIA. 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.

Our strategic focus areas are energy transition (hydrogen and carbon capture), energy resilience (brownfield modifications for enhanced longevity and performance, energy storage and carbon reduction) and energy connectivity (gas and electricity networks). In energy transition, in addition to continuing to support bp's Net Zero Teesside Power and Northern Endurance Partnership joint ventures with the design of the interconnecting CO2 pipeline and associated utilities, we have commenced the design of the H2Teesside new hydrogen pipeline, as an augmentation of our scope for the East Coast Cluster. In energy resilience, we have been supporting a number of clients including INEOS FPS and Dana Petroleum with studies and design activities to progress their sustainability initiatives. In energy connectivity, we continue to manage the safety-critical gas mains replacement programme for Cadent in the East of England.

During H1 24, as a continuation of our work in the area, we have been selected to oversee and manage the engineering, procurement and construction of the onshore CO_2 gathering systems for the £4bn East Coast Cluster investment. We continue to support bp as it progresses the wider de-carbonisation of the local energy supply and pursues innovative carbon capture and storage solutions, with this contract expected to commence at the end of 2024. We were selected by Wales and West Utilities to lead a series of studies to develop their hydrogen vision.

We have seen growth in project delivery and opportunities in supporting our long-standing petrochemical customers in decarbonising their midstream operations through large scale energy switching engineering projects, including hydrogen generation and transportation.

Defence and Nuclear Energy supports several public and private sector organisations in a variety of customer-side, delivery partnership roles, across the UK Defence Nuclear Enterprise. Revenue increased by £7.4m, 16.1% on the prior year, driven by a growth in demand for support within our current delivery partnership roles with Atomic Weapons Establishment (AWE) and Babcock, and in our EDF and Sellafield framework contracts. With AWE and Babcock we work as a construction delivery partner in a consultancy contract, delivering major infrastructure projects and providing expertise in design and construction management.

During H1 24, we were awarded two new framework contracts in the nuclear energy sector and continue to see opportunities for further growth in this area.

We are currently well positioned across the Defence Nuclear Enterprise, supporting the UK's Continuous At Sea Deterrent (CASD), and our ambition is to be the delivery partner of choice for the Ministry of Defence's (MoD) and its prime contractors, for its future strategic infrastructure needs.

STRATEGY

The Group operates in the UK infrastructure market, focused on providing solutions that safeguard the future of our planet and transform the performance of the UK's infrastructure ecosystem, aligned to our purpose of 'Improving People's Lives'.

Markets

In line with the priorities of the National Infrastructure Commission's Second National Infrastructure Assessment, we are strategically well positioned in our four chosen markets of Transport, Water, Energy and Defence. These markets are essential to ensuring the UK has the infrastructure to meet our critical national needs of economic growth and social change, climate resilience, energy transition to net zero, environmental resilience and national security. Our leading service expertise, strong long term customer relationships, and differentiated broader offering positions the business to benefit from a greater share of our customers' long-term investment plans, providing significant opportunities for growth. While the National Infrastructure and Construction Pipeline 2023 sets out more than £700bn of investment in the next ten years, we recognise the immediate-term constraints on government funding.

Customers

Within our chosen markets we work with a growing number of Tier 1 customers who choose to work with their partners through long-term strategic five-to-ten-year programmes of work, aligned to us meeting their five-year business plan outcomes. The strategic nature of these contracts allows us to build strong long-lasting valued relationships, and for us to maintain consistency and continuity of workflows over the business plan period. Both ensure a good quality of work, service and an optimal risk profile.

Services

In working with our customers, our business is differentiated in seeking to meet their broader business needs, and not merely their new capital infrastructure needs. This includes asset maintenance, extending the life of and optimising the performance of existing assets, advising on long term asset planning and overseeing development programmes. We achieve this by working with our customers as construction, consulting and digital infrastructure partners.

PERFORMANCE

Key measures of our performance are:

- Financial performance on growth and margins.
- New customer wins and expansions of existing customer relationships, further diversifying our revenue base.

Our risk management processes on contracts continues to ensure a robust operational performance. In addition, we have secured further opportunities with our customers. Our strategy provides for assured delivery, lower risk contracts in our orderbook, together with a broader business mix, and our ambition remains to deliver improving long-term operating margins.

We remain on track to deliver on our operational milestones, outlined in March 2023:

- An adjusted operating margin run-rate of 3.5% during the course of FY 24, as we increase effectiveness within the business through the implementation of our Transformation programme, the growth of our consultancy services, the increased effectiveness in procurement and ongoing control of operating costs.
- An adjusted operating margin run-rate of 4.5% during the course of FY 25 to be reached by improving margins within complex programme delivery (construction contracts), further efficiencies from our Transformation programme and an increasing mix of higher-margin contracts.
- We continue to have an ambition for an adjusted operating margin in excess of 5.0%.
- We expect that central costs will be held around 0.8% to 0.9% of revenue during FY 24 to FY 25 and we expect divisional margins to increase during the period to achieve our Group target. We continue to monitor and manage the impact of inflationary pressures on FY 24 revenue and costs.

Customer growth
During H1 24, we:

- Expanded our presence in Water, winning a series of major contracts including significant AMP8 agreements with:
    - Northumbrian Water, where we will shape and deliver its strategic infrastructure upgrade programme over a potential 12-year period.
    - Severn Trent Water, which will see us improve water and wastewater treatment infrastructure across the Company's portfolio.
    - United Utilities, where we will work with other partners to deliver a £3bn programme to upgrade assets including water and wastewater treatment sites, pumping stations and reservoirs.
    - And, post period end, a major AMP8 contract with Southern Water in our joint venture.
- Won additional contracts with Southern Water and Thames Water to support new strategic assets, water supply resilience and improved wastewater treatment.
- Were confirmed as National Highways' partner for the next stage of the M60 Simister Island upgrade.
- Have been selected by bp's Net Zero Teesside Power and Northern Endurance Partnership joint ventures to oversee the construction of a CO_2 gathering systems for carbon capture and storage, and by bp's H2Teesside to design a new hydrogen pipeline, both for the East Coast Cluster.
- Grew our rail consultancy with work on critical national programmes such as Northern Powerhouse Rail, Weather Resilience and R&D programmes.
- Were appointed by TfL to progress refurbishment of critical pieces of transport infrastructure, and expanded our work with Heathrow. Have been chosen by Wales and West Utilities to examine the integration of hydrogen refuelling stations into the UK's gas network.
- Won additional project management commissions for significant defence customers and new nuclear energy contracts.

PEOPLE

Our people strategy is focused on six key themes:

- Excellent leadership and line management role modelling of our values and behaviours, to motivate and engage our people.
- Having a diverse, inclusive, and thriving workforce.

- Creating high-performing, agile teams with a one Costain ethos.
- Developing skills, capabilities, and talent now and for the future giving our people the opportunity to grow their careers at Costain.
- Ensuring our people feel valued, respected, recognised and appropriately rewarded.
- Valuing the health and wellbeing of our people and the safety of everyone working with us and around us, which is one of our core values.

Costain has invested in a new HR system to improve employee experience, enhance cybersecurity, and enable greater digital integration. The system has been through the design and build phases and will be launched to the business at the end of Q4 24 following testing.

In April 2024, we held a dedicated leadership impact day where all Costain offices and project teams collectively took time to create a safe space to talk about wellbeing. The day was focused on the wellbeing tools and resources available to our people and discussing areas for improvement to ensure everyone can be at their best.

One of our priorities is to develop our people and give them opportunities to grow their careers at Costain. We have a leadership framework that provides the blueprint for leadership at Costain and is being embedded into our people processes and development offer.

In recognition of the positive action Costain has taken over recent years on gender equality, in June, we were listed as one of The Times Top 50 Employers for Gender Equality 2024. Compared to industry benchmarks, Costain's overall gender and ethnic diversity can be considered industry-leading. At the close of H1 24, 28.8% of colleagues were female (FY 23: 27.5%) and 15.7% were of an ethnic minority (FY 23: 14.5%).

Costain's gender pay gap continues to reduce, underpinned by targeted action on female development and increasing the diversity of our talent pipeline to address underrepresentation in the upper-middle and upper-pay quartiles. Following the successful pilot of a women's empowerment programme in 2023, we have commissioned and commenced further intakes in 2024.

For the second year, we voluntarily disclosed Costain's ethnicity pay gaps, forming part of an integrated pay report alongside the statutory gender pay gap disclosure. We recognise that employees from different ethnic backgrounds have different experiences of pay and reward, which is why we report separate pay gaps for different ethnic groups. We have held and will be holding further listening circles with our employees for the ethnic groups represented in our pay gaps to better understand employee experiences and how best to tackle our ethnicity pay gaps.

In April 2024, we announced increased support for colleagues who are parents and carers, enhancing our maternity and adoption leave offerings to 26 weeks at full pay, paternity leave to 8 weeks at full pay and introducing paid carers' leave. We continue to improve workplace accessibility, with direct input from our employee networks in the design of our new offices and site setup standards. In H2 24, Costain will be assessed against the Disability Confident level 3 standard, and if successful will be awarded the accolade of being a Disability Confident Leader under the conditions of the scheme.

Applying sustainable procurement principles is optimising the value we provide for our customers and enhancing the social and environmental outcomes achieved. In H1 24, our contracts (including joint ventures) spent £320m with SMEs, representing 40% of their total spend, exceeding the UK Government target of 33%, and exceeding our FY 23 performance of 38%.

PLANET

Carbon and climate change

Through the delivery of low-carbon design, best-in-class delivery and creating climate-resilient infrastructure, Costain is well placed to support our customers in their transition to net zero emissions.

Pioneering solutions to address the challenges

Costain has recently secured nationally significant contracts with Net Zero Teesside Power and the Northern Endurance Partnership for a landmark carbon capture scheme (as one of nine specialist partners) and with Thames Water to design a new reservoir in Oxfordshire that could supply up to 15 million people across the South East of the UK. We continue to support OFWAT with constructability advice on infrastructure investment options. In August, we were awarded a multimillion-pound front-end engineering and design (FEED) contract by bp for a new hydrogen pipeline network in the Teesside area.

Driving our services towards Net Zero

In February 2024, Costain received approval from the Science Based Target initiative for its near and long-term net zero targets which are now forming the basis of our climate transition plan and nature positive plan which is in development. The plans will see Costain aligned with the Transition Plan Taskforce Disclosure Framework, Taskforce for Nature-related Financial Disclosures (TNFD) respectively and build on the good progress of Costain's climate change action plan.

The recent focus of Costain's climate change action plan has been to improve data through a new carbon data tool. Costain's new tool which is currently being implemented will enable enhanced data analytics, integration with technical baselines and the ability to track performance with greater frequency. The tool will fundamentally improve how data is collected across all scopes, including supplier-sourced Scope 3 emissions.

In 2022, Costain issued a hydrotreated vegetable oil (HVO) fuel mandate which contributed to a 24% reduction in scope 1 emissions in 2023, with HVO making up 88% of all fuel purchased. Increasing the proportion of projects using mains-supplied electricity rather than generators has been a recent priority, contributing to a combined Scope 1 and 2 emissions reduction of 16% in 2023.

In 2024, we have taken action to eliminate the use of natural gas to heat our Manchester office, by installing an energy-efficient variable refrigerant flow (VRF) heat recovery system. As previously announced, Costain is moving to a new London headquarters which will further our emissions reduction and energy efficiency from H2 24.

Costain engineers play a proactive role in supporting our customers to optimise solutions and creating opportunities for carbon reduction through our collaborative approach to applying the principles of PAS2080.

On the TfL Gallows Corner project, Costain and design consultant Pell Frishman identified over 440tCO_2e of carbon savings through effective and efficient design solutions. Working in accordance with PAS2080 the team developed opportunities such as optimised steelwork geometries and sizing and the use of pre-cast concrete.

For National Highways M60 Simister Island Interchange, Costain, in partnership with Jacobs and AECOM, has prioritised reusing existing assets within the design, achieving a 5% reduction in emissions from the baseline design. This approach will also reduce land take, reduce impact on biodiversity and be most cost-efficient for the customer.

Nature

To safeguard our planets future, action on restoring nature and becoming nature positive is critically linked to the transition to net zero emissions. Costain has committed to delivering biodiversity net gain on all construction contracts (where relevant) and contributing to a wider restoration of nature, aligning with the increased priority of our customers. Costain is taking a leading role on biodiversity and nature through various industry groups and has been at the forefront of the sector by voluntarily disclosing against the Task Force for Nature Related Financial Disclosure (TNFD) recommendations in our 2023 ESG report.

The recently opened A30 Chiverton to Charland Cross scheme, which Costain delivered on behalf of National Highways is benefitting local wildlife with 33 multi-species crossing points added along the route, 150,000 trees planted, and the creation of an additional 4.5 hectares of new woodland.

Costain through the CMDP+ joint venture with MWH Treatment delivered a pioneering scheme for Southern Water at the Hailsham South Wastewater Treatment Works (WTW). The scheme created an ecosystem from redundant assets and reused materials, going beyond normal industry practice to enhance the natural environment. Upgrading the WTW was necessary to comply with an enhanced Environment Agency discharge consent for phosphorous. The innovative solution provided by the CMDP+ joint venture reduced 324 lorry movements, eliminated 16.9tCO_2e through the reuse of excavated spoil and achieved biodiversity net gain by retaining wetland. The project met its objectives and achieved the lowest phosphorus limits in the UK.

Social value

In H1 24 we launched our new social value plan, which is underpinned by our comprehensive social value framework. The social value plan demonstrates our commitment and enabling actions to achieve our goal of improving one million lives by 2030. As part of this initiative, we are implementing a new social value tool which will enhance our ability to forecast, measure, monitor and evaluate our social value, ensuring greater transparency and accountability.

We continue to prioritise our community relationships, ensuring we are a good neighbour and present a positive image of the construction industry. In H1 24, the Considerate Constructor Scheme rated Costain contracts on average 47/50 (FY23: 45/50) exceeding the industry average of 41/50. This third-party industry assessment highlights the high standards expected of Costain contracts, confirming Costain’s position as an industry leader in responsible business.

FINANCIAL REVIEW

Divisional adjusted to reported reconciliation

	Transportation			Natural Resources			Group		
	H1 24	H1 23	Change	**H1 24**	H1 23	Change	**H1 24**	H1 23	Change
Revenue £m									
Reported	**444.3**	487.1	-8.8%	**195.0**	177.3	10.0%	**639.3**	664.4	-3.8%
Operating profit £m									
Adjusted	**13.8**	12.2	13.1%	**8.4**	7.5	12.0%	**16.3**	15.0	8.7%
Adjusting items	**-**	(5.3)		**-**	-		**(2.4)**	(7.4)	
Reported	**13.8**	6.9	100.0%	**8.4**	7.5	12.0%	**13.9**	7.6	82.9%

Adjusting items

We incurred £2.4m (H1 23: £2.1m) on transformation and £nil (H1 23: £5.3m) on restructuring costs. Restructuring costs in H1 23 included intangible asset impairment charges relating to development costs incurred as we repositioned our digital services towards growth. We expect transformation costs of around £5.0m in FY 24 and thereafter such costs to be minimal and not to be separately disclosed as adjusting items.

Net financial income/(expense)

Net finance income amounted to £3.1m (H1 23: £0.9m). Interest income from bank deposits amounted to £3.5m (H1 23: £1.6m). The charges on banking facilities and other similar charges was £0.7m (H1 23: £1.6m). In addition, the net financial income for H1 24 includes the interest income on the net assets of the pension scheme of £1.3m (H1 23: £1.6m) and the interest expense on lease liabilities of £1.0m (H1 23: £0.7m) under IFRS16.

Tax

The Group has a tax charge of £3.5m (H1 23: £3.4m) giving an effective tax rate of 20.8% (H1 23: 40.0%). The adjusted effective tax rate was 21.3% (H1 23: 24.5%). We expect the effective tax rate in 2024 to remain marginally below the blended statutory tax rate of 25%.

Cashflow

The Group generated an adjusted £14.2m free cash inflow in H1 24 (H1 23: £26.5m), lower than in the same period last year largely due to the timing of working capital and higher tax and capital expenditure payments as we invest in new systems, partially offset by lower pension deficit contributions and cash flows on adjusting items.

£m	H1 24	H1 23
Cash from operations	15.2	16.9
Add back adjusting items	3.3	4.0
Add back pension deficit contributions	1.7	5.7
Less taxation	(1.9)	-
Less capital expenditure	(4.1)	(0.1)
Free cash flow	**14.2**	**26.5**

The Group had a positive net cash balance of £166.0m as of 30 June 2024 (FY 23: £164.4m; H1 23: £132.1m) comprising Costain cash balances of £96.2m (FY 23: £105.2m; H1 23: £77.6m), cash held by joint operations of £69.8m (FY 23: £59.2m; H1 23: £54.5m) and borrowings of £nil (FY 23: £nil; H1 23: £nil). During H1 24, the Group's average month-end net cash balance was £173.9m (FY 23: £141.4m; H1 23: £127.9m) and the Group's average week-end net cash balance was £168.2m (FY 23: £141.0m; H1 23: £126.5m). Utilisation of the total bonding facilities as of 30 June 2024 was £65.3m (FY 23: £69.9m, H1 23: £78.9m).

£m	H1 24	H1 23	FY 23
Cash and cash equivalents at the beginning of year	164.4	123.8	123.8
Net cash flow	1.6	8.3	40.6
Cash and cash equivalents at the end of year	166.0	132.1	164.4
Borrowings	-	-	-
Net cash	**166.0**	**132.1**	**164.4**

Pensions

Cash contributions made to the scheme during H1 24 amounted to £1.7m (H1 23: £5.7m) and the charge to operating profit in respect of the administration cost of the UK Pension Scheme in H1 24 was £0.1m (H1 23: £0.1m).

As at 30 June 2024, the Group's pension scheme was in surplus in accordance with IAS 19 at £55.1m (FY 23: £53.5m surplus; H1 23: £58.7m surplus). The movement in the IAS 19 valuation, being a slight increase in surplus from 31 December 2023 to 30 June 2024 was due to a change in discount rate assumptions resulting in a decrease in benefit obligations.

Forward work position

Our forward work position is the combination of our order book and preferred bidder book and stood at £4.3bn at period end.

Our order book stood at £1.8bn at period end (FY 23: £2.1bn; H1 23: £2.5bn). The order book evolves as contracts progress and as new contracts are added at periods aligned to our customers' strategic procurement windows which are typically every five years. The order book does not therefore provide a complete picture of the Group's potential future revenue expectations.

We have a continuing shift towards the preferred bidder book away from the order book as we continue to secure long-term (five-to-ten-year) framework positions with our customers, especially in the water sector, providing a reliable and long-term stream of future work.

The preferred bidder book increased to £2.5bn at period end (FY 23: £1.8bn; H1 23: £1.5bn) and includes contracts in Water, Energy, Defence and Nuclear Energy, Road and Integrated Transport, including Heathrow. The preferred bidder book comprises contracts for which we have been selected on frameworks 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 our order book, or preferred bidder book, as it is undefined and is expected to represent an increasing proportion of our future revenue.

DIRECTORS REPORT

Going concern

In determining the appropriate basis of preparation of the financial statements for the six months ended 30 June 2024, the directors are required to consider whether the Group 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.

Principal Risks and Uncertainties

The Directors consider that the principal risks facing the Group, including those that would threaten the successful and timely delivery of its strategic priorities, future performance, solvency and liquidity, remain substantially unchanged from those identified on pages 45 to 49 of the Group's Annual Report for the year ended 31 December 2023 which can be found at www.costain.com.

There we define and describe the principal risks that are most relevant to the Group including controls and key mitigating actions assigned to them. In summary, the Group's principal risks and uncertainties are as follows: 1) Safety, health, or environmental incidents 2) Securing work and responding to changes in customer spending plans 3) Managing our contracts and economic factors 4) Setting up, mobilising and delivering our Projects 5) Procurement and supply chain performance 6) Attracting, developing and retaining talent 7) Financial resilience 8) Information security 9) Climate Change and sustainability and 10) Delivering the benefits of our Transformation programme.

The Board reviews the status of all principal and emerging risks with a notable potential impact at Group level throughout the year. Additionally, the Board carries out focused risk reviews. These reviews include an analysis of principal risks, together with the controls, monitoring and assurance processes established to mitigate those risks to manageable levels. Separately, the Audit and Risk Committee carries out a review of the risk assurance framework and the effectiveness of risk management and internal controls.

Statement of Directors' Responsibilities

The Directors confirm that these condensed consolidated half year financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting', and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related-party transactions in the first six months and any material changes in the related party transactions described in the last Annual Report.

The current Directors of Costain Group PLC are listed in the Annual Report for the year ended 31 December 2023. As announced on 12 March 2024, Mr Bishoy Azmy stepped down from the Board with effect from 31 March 2024.

For and on behalf of the Board

Alex Vaughan
Chief Executive Officer
21 August 2024

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 six months ended 30 June 2024

£m	Note	H1 24 unaudited	H1 23 unaudited
Revenue	4	**639.3**	664.4
Cost of Sales		**(594.7)**	(618.0)
Gross profit		**44.6**	46.4
Impairment of intangible asset	*9*	-	*(5.3)*
Other administrative expenses		***(30.7)***	*(33.5)*
Administrative expenses		**(30.7)**	(38.8)
Operating profit		**13.9**	7.6
Profit from operations	4	**13.9**	7.6
Finance income	5	**4.8**	3.2
Finance expense	5	**(1.7)**	(2.3)
Net finance income		**3.1**	0.9
Profit before tax		**17.0**	8.5
Taxation	6	**(3.5)**	(3.4)
Profit for the period attributable to equity holders of the parent		**13.5**	5.1
Earnings per share			
Basic	7	**5.0p**	1.9p
Diluted	7	**4.9p**	1.8p

GROUP STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE

For the six months ended 30 June 2024

£m	**H1 24 unaudited**	**H1 23 unaudited**
Profit for the period	**13.5**	5.1
Total items that may be reclassified subsequently to profit or loss	**-**	-
Items that will not be reclassified to profit or loss:		
Remeasurement of retirement benefit asset	**(1.3)**	(8.7)
Tax recognised on remeasurement of retirement benefit asset	**0.1**	2.0
Total items that will not be reclassified to profit or loss	**(1.2)**	(6.7)
Other comprehensive expense for the period	**(1.2)**	(6.7)
Total comprehensive income/(expense) for the period attributable to equity holders of the parent	**12.3**	(1.6)

GROUP BALANCE SHEET

£m	Note	30 June 2024 unaudited	31 December 2023 audited
Assets			
Non-current assets			
Intangible assets	9	**48.3**	45.7
Property, plant and equipment	10	**26.8**	26.8
Equity accounted investments		**0.4**	0.4
Retirement benefit asset	12	**55.1**	53.5
Trade and other receivables		**4.5**	4.2
Insurance recovery asset		**0.5**	1.7
Deferred tax		**9.3**	11.8
Total non-current assets		**144.9**	144.1
Current assets			
Trade and other receivables		**168.7**	149.1
Insurance recovery asset		**13.3**	11.0
Taxation		**0.4**	-
Cash and cash equivalents	11	**166.0**	164.4
Total current assets		**348.4**	324.5
Total assets		**493.3**	468.6
Liabilities			
Non-current liabilities			
Other payables		**2.1**	2.2
Lease liabilities		**12.8**	14.0
Total non-current liabilities		**14.9**	16.2
Current liabilities			
Trade and other payables		**225.1**	207.8
Taxation		**-**	0.6
Lease liabilities		**9.9**	10.3
Provisions for other liabilities and charges		**13.1**	14.3
Total current liabilities		**248.1**	233.0
Total liabilities		**263.0**	249.2
Net assets		**230.3**	**219.4**
Equity			
Share capital	13	**2.8**	138.3
Share premium		**16.5**	16.4
Translation reserve		**0.6**	0.6
Capital redemption reserve	13	**136.4**	-
Treasury shares		**(1.0)**	(1.9)
Retained earnings		**75.0**	66.0
Total equity		**230.3**	**219.4**

GROUP STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

£m	Share capital	Share premium	Translation reserve	Capital redemption reserve	Treasury shares	Retained earnings	Total equity
At 1 January 2023 audited	137.5	16.4	0.6	-	-	56.7	211.2
Profit for the period	-	-	-	-	-	5.1	5.1
Other comprehensive income	-	-	-	-	-	(6.7)	(6.7)
Issue of shares under employee share schemes	0.8	-	-	-	-	(0.8)	-
Shares purchased to satisfy employee share schemes	-	-	-	-	-	(0.1)	(0.1)
Equity-settled share-based payments	-	-	-	-	-	0.8	0.8
At 30 June 2023 unaudited	138.3	16.4	0.6	-	-	55.0	210.3
At 1 January 2024 audited	**138.3**	**16.4**	**0.6**	**-**	**(1.9)**	**66.0**	**219.4**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**13.5**	**13.5**
Other comprehensive expense	**-**	**-**	**-**	**-**	**-**	**(1.2)**	**(1.2)**
Issue of ordinary shares under employee share schemes (see note 13)	**0.9**	**-**	**-**	**-**	**(0.6)**	**(0.2)**	**0.1**
Shares purchased to satisfy employee share schemes	**-**	**-**	**-**	**-**	**0.8**	**(0.8)**	**-**
Acquisition of treasury shares	**-**	**-**	**-**	**-**	**(0.5)**	**-**	**(0.5)**
Nominal value reduction (see note 13)	**(136.4)**	**-**	**-**	**136.4**	**1.2**	**(1.2)**	**-**
Equity-settled share-based payments	**-**	**-**	**-**	**-**	**-**	**1.1**	**1.1**
Dividends paid	**-**	**0.1**	**-**	**-**	**-**	**(2.2)**	**(2.1)**
At 30 June 2024 unaudited	**2.8**	**16.5**	**0.6**	**136.4**	**(1.0)**	**75.0**	**230.3**

GROUP CASH FLOW STATEMENT

For the six months ended 30 June 2024

£m	Note	H1 24 unaudited	H1 23 unaudited
Cash flows from/ (used by) operating activities			
Profit for the year		**13.5**	5.1
Adjustments for:			
Finance income	5	**(4.8)**	(3.2)
Finance expense	5	**1.7**	2.3
Taxation	6	**3.5**	3.4
Loss on disposal of property, plant and equipment		**0.5**	-
Impairment of intangible asset		**-**	5.3
Depreciation of property, plant and equipment	10	**5.8**	6.9
Amortisation of intangible assets	9	**0.1**	0.4
Shares purchased to satisfy employee share schemes		**-**	(0.1)
Share-based payments expense		**1.1**	0.8
Cash from operations before changes in working capital and provisions		**21.4**	20.9
Increase in trade and other receivables		**(20.6)**	(4.8)
Increase in trade and other payables		**17.2**	9.7
Movement in other provisions and employee benefits		**(2.8)**	(8.9)
Cash from operations		**15.2**	16.9
Interest received		**2.5**	1.6
Interest paid		**(1.5)**	(0.7)
Taxation paid		**(1.9)**	-
Net cash from operating activities		**14.3**	17.8
Cash flows from/ (used by) investing activities			
Additions to property, plant and equipment		**(1.8)**	-
Additions to intangible assets		**(2.3)**	(0.1)
Net cash used by investing activities		**(4.1)**	(0.1)
Cash flows from/ (used by) financing activities			
Ordinary dividends paid		**(2.1)**	-
Issue of ordinary share capital		**0.1**	-
Acquisition of treasury shares		**(0.5)**	-
Repayments of lease liabilities		**(6.1)**	(9.4)
Net cash used by financing activities		**(8.6)**	(9.4)
Net increase in cash and cash equivalents		**1.6**	8.3
Cash and cash equivalents at beginning of the period	11	**164.4**	123.8
Cash and cash equivalents at end of the period	11	**166.0**	132.1

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.

This condensed consolidated interim financial report for the half year reporting period ended 30 June 2024 has been prepared in accordance with the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. The interim report does not include all of the notes normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual audited financial statements within the Annual Report and Accounts for the year ended 31 December 2023, which has been prepared in accordance with the UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006. Those accounts have been reported on by the Group's auditors and delivered to the Registrar of Companies. The audit report for 2023 was (i) unqualified and (ii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The Group has applied the following standards and amendments for the first time for the period commencing 1 January 2024:

- Classification of Liabilities as Current or Non-current and Non-current liabilities with covenants – Amendments to IAS 1;
- Lease liability in sale and leaseback – Amendments to IFRS 16; and
- Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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. These borrowing facilities give the Group access to an £85m sustainability-linked revolving credit facility (RCF) and surety and bank bonding facilities totalling £270m. These facilities have a leverage covenant of net debt/EBITDA ≤1.5 times, an interest covenant of EBITA/net interest payable covenant 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 £50.0m. These financial covenants are tested quarterly. As at 30 June 2024, the Group had a leverage covenant ratio of below zero (the Group had no net debt) and an interest covenant ratio of 13.3 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 £20m bank bonding and £250m surety company bonding facilities.

In determining the appropriate basis of preparation of the financial statements for the six months ended 30 June 2024, the directors are required to consider whether the Group 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 period to 30 September 2025, being the first covenant deadline more than 12 months after the approval of the 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, lower margins, 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 will be able to operate within its 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 has 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 – Alternative performance measures

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. 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, restructuring costs, 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). 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. 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 directors consider that the significant areas of judgement made by management that have a significant effect on the Group's performance as well as those estimates with a significant risk of material adjustment during the second half of the year are unchanged from those identified on pages 150 to 153 of the Annual Report for the year ended 31 December 2023.

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 1.

The profit adjustments represent amounts included in the income statement. The Group incurred £2.4m (H1 23: £2.1m) on transformation. There were no intangible assets impaired in H1 24 (H1 23: £5.3m).

Six months ended 30 June 2024	**Adjusted**	**Intangible impairment**	**Adjusting items**	**Total**
	£m	**£m**	**£m**	**£m**
Revenue	**639.3**	**-**	**-**	**639.3**
Cost of sales	**(594.7)**	**-**	**-**	**(594.7)**
Gross profit	**44.6**	**-**	**-**	**44.6**
Administrative expenses before other items	***(28.3)***	**-**	**-**	***(28.3)***
Transformation costs	**-**	**-**	***(2.4)***	***(2.4)***
Administrative expenses	**(28.3)**	**-**	**(2.4)**	**(30.7)**
Operating profit/loss	**16.3**		**(2.4)**	**13.9**
Profit/ (loss) from operations	**16.3**	**-**	**(2.4)**	**13.9**
Net finance income	**3.1**	**-**	**-**	**3.1**
Profit/ (loss) before tax	**19.4**	**-**	**(2.4)**	**17.0**
Taxation	**(4.1)**	**-**	**0.6**	**(3.5)**
Profit/ (loss) for the period	**15.3**	**-**	**(1.8)**	**13.5**
Basic earnings per share	**5.6p**			**5.0p**

Six months ended 30 June 2023	Adjusted	Intangible impairment	Other adjusting items	Total
	£m	£m	£m	£m
Revenue	**664.4**	-	-	**664.4**
Cost of sales	**(618.0)**	-	-	**(618.0)**
Gross profit	**46.4**	-	-	**46.4**
Administrative expenses before other items	***(31.4)***	-	-	***(31.4)***
Impairment of intangible asset	-	***(5.3)***	-	***(5.3)***
Transformation costs	-	-	***(2.1)***	***(2.1)***
Administrative expenses	**(31.4)**	**(5.3)**	**(2.1)**	**(38.8)**
Operating profit/ (loss)	**15.0**	**(5.3)**	**(2.1)**	**7.6**
Profit/ (loss) from operations	**15.0**	**(5.3)**	**(2.1)**	**7.6**
Net finance income	**0.9**	-	-	**0.9**
Profit/ (loss) before tax	**15.9**	**(5.3)**	**(2.1)**	**8.5**
Taxation	**(3.9)**	-	**0.5**	**(3.4)**
Profit/ (loss) for the period	**12.0**	**(5.3)**	**(1.6)**	**5.1**
Basic earnings per share	**4.4p**			**1.9p**

4. OPERATING SEGMENTS

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

The Group evaluates segment performance on the basis of profit or loss from operations before interest and tax expense 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.

Six months ended 30 June 2024	Natural Resources £m	Transportation £m	Central costs £m	Total £m
Segment revenue				
Total revenue	**195.0**	**444.3**	**-**	**639.3**
Segment profit/ (loss)				
Adjusted operating profit/ (loss)	**8.4**	**13.8**	**(5.9)**	**16.3**
Profit/ (loss) from operations before adjusting items	**8.4**	**13.8**	**(5.9)**	**16.3**
Adjusting items:				
Transformation costs	**-**	**-**	**(2.4)**	**(2.4)**
Profit/ (loss) from operations	**8.4**	**13.8**	**(8.3)**	**13.9**
Net finance income				**3.1**
Profit before tax				**17.0**

Six months ended 30 June 2023	Natural Resources £m	Transportation £m	Central costs £m	Total £m
Segment revenue				
Total revenue	**177.3**	**487.1**	**-**	**664.4**
Segment profit/ (loss)				
Adjusted operating profit/ (loss)	**7.5**	**12.2**	**(4.7)**	**15.0**
Profit/ (loss) from operations before adjusting items	**7.5**	**12.2**	**(4.7)**	**15.0**
Adjusting items:				
Intangible impairment	**-**	**(5.3)**	**-**	**(5.3)**
Transformation costs	**-**	**-**	**(2.1)**	**(2.1)**
Profit/ (loss) from operations	**7.5**	**6.9**	**(6.8)**	**7.6**
Net finance income				**0.9**
Profit before tax				**8.5**

5. NET FINANCE INCOME/ (EXPENSE)

£m	H1 24	H1 23
Interest income from bank deposits	**3.5**	**1.6**
Interest income on the net assets of the defined benefit pension scheme	**1.3**	**1.6**
Finance income	**4.8**	**3.2**
Interest payable on banking facilities and other similar charges*	**(0.7)**	**(1.6)**
Interest expense on lease liabilities	**(1.0)**	**(0.7)**
Finance expense	**(1.7)**	**(2.3)**
Net finance income	**3.1**	**0.9**

*Other similar charges include arrangement and commitment fees payable.

6. TAXATION

£m	H1 24	H1 23
On profit for the period		
Current tax charge for the period	**(0.9)**	**(0.7)**
Deferred tax charge for the period	**(2.6)**	**(2.7)**
Tax charge in the consolidated income statement	**(3.5)**	**(3.4)**

£m	H1 24	H1 23
Tax reconciliation		
Profit before tax	**17.0**	**8.5**
Taxation at 25.0% (H1 23: 23.5%)	**(4.2)**	**(2.0)**
Adjustments in respect of prior years	**0.7**	**-**
Disallowed expenses	**-**	**(1.3)**
Rate adjustment relating to deferred taxation	**-**	**(0.1)**
Tax charge in the consolidated income statement	**(3.5)**	**(3.4)**

7. EARNINGS PER SHARE

The calculation of earnings per share is based on profit of £13.5m (H1 23: £5.1m) and the number of shares set out below.

	H1 24 Number (millions)	H1 23 Number (millions)
Weighted average number of ordinary shares in issue for basic earnings per share calculation	**273.2**	**275.8**
Dilutive potential ordinary shares arising from employee share schemes	**2.9**	**4.6**
Weighted average number of ordinary shares in issue for diluted earnings per share calculation	**276.1**	**280.4**

8. DIVIDENDS

£2.2m dividends were paid or provided for in respect of the six months ended 30 June 2024 (H1 23: none).

9. INTANGIBLE ASSETS

	Goodwill	Customer relationships	Other acquired intangibles	Other intangibles	Assets under development*	Total
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Cost						
At 1 January 2023	54.1	15.4	9.7	16.2	-	95.4
Additions	-	-	-	0.1	-	0.1
Disposals	-	-	-	(0.1)	-	(0.1)
At 31 December 2023	54.1	15.4	9.7	16.2	-	95.4
At 1 January 2024	**54.1**	**15.4**	**9.7**	**16.2**	**-**	**95.4**
Additions	**-**	**-**	**-**	**-**	**2.7**	**2.7**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**
At 30 June 2024	**54.1**	**15.4**	**9.7**	**16.2**	**2.7**	**98.1**
Accumulated amortisation/ impairment						
At 1 January 2023	9.0	15.4	9.7	9.1	-	43.2
Charge in year	-	-	-	1.3	-	1.3
Impairment in year	-	-	-	5.3	-	5.3
Disposals	-	-	-	(0.1)	-	(0.1)
At 31 December 2023	9.0	15.4	9.7	15.6	-	49.7
At 1 January 2024	**9.0**	**15.4**	**9.7**	**15.6**	-	**49.7**
Charge in period	**-**	**-**	**-**	**0.1**	-	**0.1**
At 30 June 2024	**9.0**	**15.4**	**9.7**	**15.7**	-	**49.8**
Net book value						
At 30 June 2024	**45.1**	**-**	**-**	**0.5**	**2.7**	**48.3**
At 31 December 2023	45.1	-	-	0.6	-	45.7

*Assets under development relate to the investment in a new HR system.

Goodwill has been allocated to the applicable cash generating units of the Transportation segment (£15.5m (H1 23: £15.5m)) and the Natural Resources segment (£29.6m (H1 23: £29.6m)).

The Group reviews the value of goodwill and in the absence of any identified triggering events, 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.

At 30 June 2024, the Group carried out a review of potential goodwill impairment indicators or triggers in order to determine if a full impairment review is required. No triggers were identified. As such, a full impairment review of each CGU will be carried out at 31 December 2024.

10. PROPERTY, PLANT AND EQUIPMENT

	Plant & equipment	Assets under construction*	Right-of-use assets		Total
			Land & buildings	Vehicles, plant & equipment	
	£m	£m	£m	£m	£m
At 31 December 2023					
Cost	15.0	-	19.5	32.7	67.2
Accumulated depreciation and impairment	(14.6)	-	(9.8)	(16.0)	(40.4)
Net book value	0.4	-	9.7	16.7	26.8
At 30 June 2024					
Cost					
At 1 January 2024	**15.0**	**-**	**19.5**	**32.7**	**67.2**
Additions	**-**	**1.8**	**3.7**	**4.4**	**9.9**
Disposals	**-**	**-**	**(4.1)**	**(6.3)**	**(10.4)**
At 30 June 2024	**15.0**	**1.8**	**19.1**	**30.8**	**66.7**
Accumulated depreciation and impairment					
At 1 January 2024	**14.6**	**-**	**9.8**	**16.0**	**40.4**
Charge in period	**0.1**	**-**	**1.4**	**4.3**	**5.8**
Disposals	**-**	**-**	**(2.2)**	**(4.1)**	**(6.3)**
At 30 June 2024	**14.7**	**-**	**9.0**	**16.2**	**39.9**
Net book value					
At 30 June 2024	**0.3**	**1.8**	**10.1**	**14.6**	**26.8**

*Assets under construction relate to leasehold improvements under way at the new London head office.

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 £69.8m (FY 23: £59.2m).

	30 June 2024 £m	31 December 2023 £m
Cash and cash equivalents	**166.0**	164.4
Net cash	**166.0**	164.4

12. PENSIONS

The Group operates a defined benefit pension scheme in the UK; contributions are paid by subsidiary undertakings. There are also two defined contribution pension schemes in place in the UK and contributions are made both by subsidiary undertakings and employees. The total pension charge in the income statement is defined benefit scheme net income of £0.4m, and defined contribution scheme operating costs of £6.1m (H1 23: defined benefit scheme net income of £0.2m, and defined contribution scheme operating costs of £6.1m).

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 2022 and this was updated to 30 June 2024 by a qualified independent actuary. At 30 June 2024, there were 2,886 retirees and 2,601 deferred members (2023: 2,885 retirees and 2,412 deferred members). The weighted average duration of the obligations is 11.4 years (2023: 11.9 years).

	At 30 June 2024 £m	At 31 December 2023 £m	At 31 December 2022 £m
Present value of defined benefit obligations	**(522.4)**	(542.6)	(527.1)
Fair value of scheme assets	**577.5**	596.1	587.3
Recognised asset for defined benefit obligations	**55.1**	53.5	60.2

Movements in present value of defined benefit obligations

	At 30 June 2024 £m	At 31 December 2023 £m
At 1 January	**542.6**	**527.1**
Interest cost	**12.7**	25.5
Remeasurements – demographic assumptions	**1.4**	(1.0)
Remeasurements – financial assumptions	**(22.3)**	14.8
Remeasurements – experience adjustments	**4.1**	10.5
Benefits paid	**(16.1)**	(34.3)
At end of period	**522.4**	**542.6**

Movements in fair value of scheme assets

	At 30 June 2024 £m	At 31 December 2023 £m
At 1 January	**596.1**	587.3
Interest income	**14.0**	28.7
Remeasurements – return on assets	**(18.1)**	6.5
Contributions by employer	**1.7**	8.1
Administrative expenses	**(0.1)**	(0.2)
Benefits paid	**(16.1)**	(34.3)
At end of period	**577.5**	**596.1**

Expense recognised in the income statement

	H1 24 £m	H1 23 £m
Administrative expenses paid by the pension scheme	**(0.1)**	(0.1)
Administrative expenses paid directly by the Group	**(0.8)**	(1.3)
Interest income on the net assets of the defined benefit pension scheme	**1.3**	1.6
	0.4	0.2

Fair value of scheme assets

	At 30 June 2024 £m	At 31 December 2023 £m
Global equities	**95.3**	99.5
Multi-asset growth funds	**46.9**	65.9
Multi-credit fund	**85.1**	96.6
LDI plus collateral	**330.6**	323.8
Cash	**19.6**	10.3
	577.5	**596.1**

Principal actuarial assumption (expressed as weighted averages)

	At 30 June 2024 %	At 31 December 2023 %
Discount rate	**5.15**	4.75
Future pension increases	**2.95**	2.90
Inflation assumption	**3.10**	3.05

Weighted average life expectancies from age 65 as per mortality tables used to determine benefits at 30 June 2024 and 31 December 2023 are:

	At 30 June 2024		At 31 December 2023	
	Male	**Female**	**Male**	**Female**
	(years)	**(years)**	**(years)**	**(years)**
Currently aged 65	**22.0**	**23.9**	22.0	23.8
Non-retirees currently aged 45	**23.0**	**25.2**	22.9	25.1

In accordance with the pension regulations, a triennial actuarial review of the Costain defined benefit pension scheme was carried out as at 31 March 2022. In June 2023, the valuation and updated deficit recovery plan were agreed with the Scheme Trustee resulting in cash contributions of £3.3m for each year commencing 1 July 2023 (increasing annually with inflation) until the deficit is cleared, and an additional contribution so that the total deficit contributions match the total dividend amount paid by the Company each year. As part of the agreement, the Scheme funding position is assessed each 31 March and, if the funding level (on a Technical Provisions basis) is more than 101%, contributions will stop for the following 1 July to 30 June. If the funding level falls below 101% at the following 31 March, contributions will resume for the next year starting 1 July to 30 June at the agreed new level.

An assessment of the Scheme funding position was carried out on the 31 March 2024 position, and as the funding level (on a Technical Provisions basis) was more than 101%, contributions will stop from 1 July 2024 to 30 June 2025. These contributions would have amounted to £3.4m for the period, should the Scheme funding level have been less than 101%.

In addition to contributions being stopped for a year, as the funding level is above 101%, "dividend parity" will be suspended for a year. Under the dividend parity arrangement, an additional matching contribution (the excess of the total dividend above the Scheme contribution) is paid to the Costain Pension Scheme, should the total of the interim and final dividends for a financial year paid to the shareholders of Costain be greater than the contributions paid into the Scheme in the previous Scheme financial year, which runs from 1 April to 31 March.

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 additional contributions arising from this agreement in future financial statements.

Defined contribution schemes

Two defined contribution pensions are operated. The total expense relating to these plans was £6.1m (H1 23: £6.1m).

13. SHARE CAPITAL

	H1 24		H1 23	
	Number (millions)	**Nominal value £m**	**Number (millions)**	**Nominal value £m**
Issued share capital				
Shares in issue at beginning of period - ordinary shares of 50p each, fully paid	**276.7**	**138.3**	275.1	137.5
Issued in year	**1.8**	**0.9**	1.6	0.8
Reduction in nominal value (transfer to capital redemption reserve)	**-**	**(136.4)**	-	-
Shares in issue at end of period - ordinary shares of 1p each, fully paid	**278.5**	**2.8**	276.7	138.3

The 2021 LTIP vested in the half year and 1,630,000 shares were issued in April 2024.

A total of 117,144 shares were issued under the Scrip Dividend Scheme during H1 2024.

On 17 May 2024, the Company reduced the nominal value of its 278,348,885 ordinary shares in issue at that date from £0.50 to £0.01. The reduction was completed by subdividing each £0.50 ordinary share in issue into one ordinary share of £0.01 and one deferred share of £0.49. All deferred shares were then bought back for total aggregate consideration of £0.01 and cancelled on 20 May 2024. The Company's issued ordinary share capital remained unchanged immediately after the transaction and each shareholder's proportionate interest in the share capital of the Company remained unchanged. Aside from the change in nominal value, the rights attaching to the ordinary shares (including voting and dividend rights and rights on a return of capital) remained unchanged.

The Company's issued share capital comprised 278,466,029 ordinary shares of £0.01 each as at 30 June 2024.

All shares rank pari passu regarding entitlement to capital and dividends.

14. EVENTS AFTER THE REPORTING DATE

Dividend
As reported above, an interim dividend of 0.4p per share has been declared for the six months ended 30 June 2024.

Share buyback
As reported above, a £10m share buyback has been announced on 21 August 2024.

Independent review report to Costain Group PLC
Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Costain Group PLC's condensed consolidated interim financial statements (the "interim financial statements") in the Results for the six months ended 30 June 2024 ("H1 24") of Costain Group PLC for the 6 month period ended 30 June 2024 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the Group Balance Sheet as at 30 June 2024;
- the Group Income Statement and the Group Statement of Comprehensive Income and Expense for the period then ended;
- the Group Cash Flow Statement for the period then ended;
- the Group Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Results for the six months ended 30 June 2024 ("H1 24") of Costain Group PLC have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Results for the six months ended 30 June 2024 ("H1 24") and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Results for the six months ended 30 June 2024 ("H1 24"), including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Results for the six months ended 30 June 2024 ("H1 24") in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Results for the six months ended 30 June 2024 ("H1 24"), including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Results for the six months ended 30 June 2024 ("H1 24") based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London
20 August 2024