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

26 January 2026

Update on New Pension Scheme Agreement, Enhanced Shareholder Returns and FY 25 Trading

Costain Group PLC ("Costain", the "Group" or the "Company") today announces a new agreement for the Company's defined benefit pension scheme (the "Scheme") and the positive impact of this on the Group's shareholder return intentions. In addition, Costain is providing a trading update for the year ended 31 December 2025 ("FY 25") ahead of announcing its full year results on 10 March 2026.

Alex Vaughan, Chief Executive Officer of Costain, commented: "*It has been another positive year for Costain, with increased profitability, strong cash generation and further momentum in securing high-quality work across our chosen growth markets. The removal of the dividend parity arrangement and current intention to both significantly increase dividend payments and undertake a new £20m share buyback programme is supported by the strength of our balance sheet, substantial forward work position and confidence in our end markets.*"

Highlights

- Removal of dividend parity arrangement with Scheme Trustee
- Current intention to implement dividend cover of 3.0x which would almost double dividend cash payments in FY 26
- Current intention to undertake £20m share buyback programme in FY 26
- Capital structure assessed on regular basis going forward, potential for additional future returns
- FY 25 adjusted operating profit in line with market expectations[1]
- Adjusted operating margin expected to exceed run-rate target of 4.5% during FY 25
- FY 25 net cash ahead of market expectations[1], benefitting from working capital timing
- H2 25 revenue similar to H1 25 revenue of £525m, reflecting previously announced rephasing of HS2 and road project completions
- Continuing to secure strong volumes of new work

Pension Scheme Update

Costain has now completed the latest triennial review of the Scheme with the Trustee, based on the actuarial valuation of the Scheme as of 31 March 2025. Following this, the Group is pleased to announce that a new agreement has been reached with the Trustee that, reflecting both the strength of the Company's financial covenant and the Scheme's surplus, has resulted in the removal of the dividend parity arrangement that previously existed.

In addition, there will be no requirement for an annual assessment of the Scheme's funding position and no further cash contributions will be required to be made by the Company into the Scheme under the new schedule of contributions which is in place until January 2031.

Shareholder Returns Update

The Group's capital allocation framework remains as set out in the H1 25 results announcement. The removal of the dividend parity arrangement now removes a significant constraint that was on Costain in respect of returns to shareholders, as these returns will no longer trigger matching contributions to the Scheme. Recognising this new agreement and the Group's strong net cash position, the Board has undertaken a review of its options regarding both the dividend and other returns of capital, and announces the following:

- Dividend: The Board's current intention is to implement its policy of dividend cover of 3.0x adjusted earnings. If the Board confirms this, it would commence with the final dividend for FY 25 and would result in an almost doubling of dividend cash payments in FY 26 compared to FY 25.

- Share buyback programme: The Board's current intention is to undertake a capital return of £20m in FY 26, to be executed via an on-market share buyback programme. If the Board confirms this, details are expected to be given with the Group's FY 25 results announcement on 10 March 2026.

The Group's capital structure will be assessed on a regular basis going forward, taking into account the Group's net cash position and forecast free cash flow generation for the year ahead, with the potential for additional future returns of capital.

Trading Update

Trading in FY 25 has been positive:

- Adjusted operating profit is expected to be in line with market expectations[1].
- Adjusted operating margin is expected to exceed run-rate target of 4.5% during FY 25.
- Closing net cash of £190m is ahead of market expectations of £171m[1], primarily reflecting the timing of previously reported working capital benefits which are now expected to unwind in FY 26 and beyond.
- H2 25 revenue similar to H1 25 revenue of £525m, reflecting the previously announced rephasing of our HS2 schedule and road projects completions.

Since the announcement of H1 25 results in August, the Group has continued to successfully execute its strategy of broadening and growing its customer base in attractive growth markets by securing several significant contract awards, including:

- Utilities Delivery Partner for Sellafield, worth up to £1bn over 15 years
- Five-year extension of project controls services contract with EDF, worth £75m
- Decommissioning project at the Trawsfynydd nuclear power station in Wales, worth c.£70m
- A place on the Eastern Highways Alliance framework contract

Given the strong market environment, substantial contract wins, the continued expansion of existing framework contracts and high levels of bidding activity, the Group remains confident of further progress in FY 26 and a step change in performance in FY 27 and beyond.

[1] Company-compiled consensus for FY 25, FY 26 and FY 27 expectations can be found at https://www.costain.com/investors/consensus/. Current FY 25 consensus expectations are: Revenue £1.13bn, Adjusted operating profit £46.4m, Adjusted EPS 14.0p, Net cash £171.0m.

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

Enquiries:

Investors and analysts	matt.jones@costain.com
Matt Jones, Costain	+44 (0)7860 922341
Financial media - Headland	costain@headlandconsultancy.com
Andy Rivett-Carnac	+44 (0)7968 997365
Charlie Twigg	+44 (0)7946 494568

Notes to editors

Costain improves people's lives by creating connected, sustainable infrastructure that enables people and the planet to thrive. Through the delivery of predictable, best-in-class solutions across the transport, water, energy and defence markets, we are creating a sustainable future and securing a more prosperous, resilient and decarbonised UK.

TSTMZGZMRKRGVZM