



# Engineering solutions to meet national needs

## 5th Year

Increasing dividend for 5th successive year

## £465 Million

Increased banking and bonding facilities £465 million

## £140 Million

£140 million net cash

## 25% and Growing

Support service activities now represent 25% of work secured for 2012...and growing

## Double Profits

On course to deliver medium-term ambition to double profits



## 2 Acquisitions

Two successful acquisitions completed in 2011

## 38% Increase

38% increase in operating profit

## £ Billions Spend

Costain's target customers spending £ billions per annum across our markets

## Winning

Winning nationally strategic projects

## £2.5 Billion

Growing order book: £2.5 billion... with over 90% repeat orders

# 2011: strategy delivering results

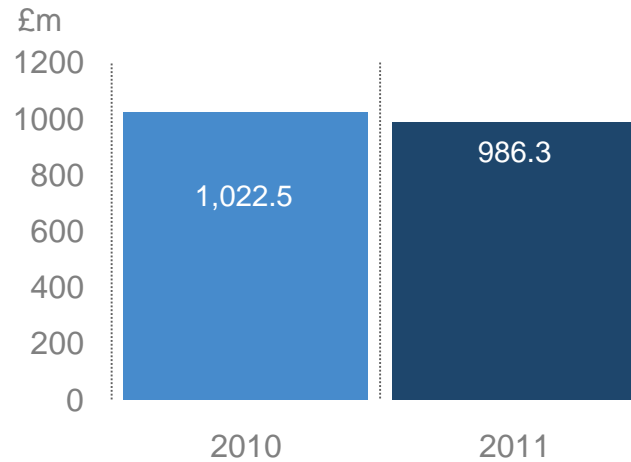
- > Revenue<sup>1</sup> of £986.3m (2010: £1,022.5m) following previous strategic decision to focus on new / higher margin activities
- > Adjusted operating profit up 38% to £24.1m (2010: £17.4m)
- > Profit before tax and other items £25.5m (2010: £27.9m including £11.2m profit arising from PFI transfer into Group pension scheme)
- > Basic earnings per share before other items 31.1p (2010: 36.4p)
- > Order book increased to £2.5bn (2010: £2.4bn)
  - > More than 90% is repeat orders
- > Strong net cash position of £140m , no significant debt
- > Total banking and bonding facilities increased to £465m and extended to September 2015
- > Increased final dividend of 6.75p, up 8% on previous year

<sup>1</sup> Including share of joint ventures and associates

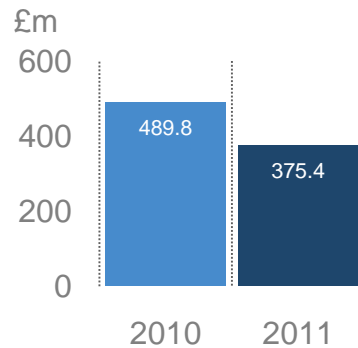
# Changing revenue profile – reflecting focus on higher margin work



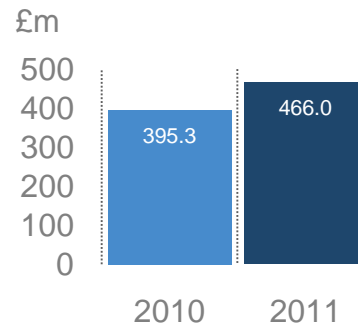
## Total Group Revenue



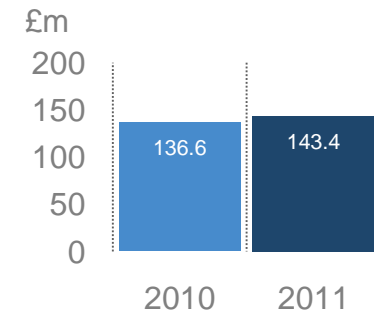
## Environment



## Infrastructure



## Energy & Process



Figures include share of joint ventures and associates

# Segmental income statement

## Year ended 31 December 2011



	2011					2010				
	Operating Profit	JVs/Investment Sales	Profit/(Loss) (Before Other Items)	Margin	Other Items*	Profit/(Loss) Reported	Operating Profit	JVs/Investment Sales	Profit/(Loss) Reported	Margin
	£m	£m	£m		£m	£m	£m	£m	£m	
Environment	16.1	1.4	17.5	4.7%		17.5	3.6	2.4	6.0	1.2%
<i>Profit from 2010 PFI Transfer</i>								11.2	11.2	
Infrastructure	10.2		10.2	2.2%	(1.0)	9.2	12.2	-	12.2	3.1%
Energy & Process	4.6	0.1	4.7	3.3%	(0.6)	4.1	8.0	0.2	8.2	6.0%
Land Development	-	(2.0)	(2.0)			(2.0)	-	(1.8)	(1.8)	
Central Costs	(6.8)		(6.8)			(6.8)	(6.4)	-	(6.4)	
<b>Profit from Operations</b>	<b>24.1</b>	<b>(0.5)</b>	<b>23.6</b>		<b>(1.6)</b>	<b>22.0</b>	<b>17.4</b>	<b>12.0</b>	<b>29.4</b>	
Net interest income/(expense)			1.9			1.9			(1.5)	
<b>Profit before tax</b>			<b>25.5</b>			<b>23.9</b>			<b>27.9</b>	
Basic Earnings per share			<b>31.1p</b>			<b>29.2p</b>			<b>36.4p</b>	

\*Other items - Amortisation of acquired intangibles & employment related deferred consideration

# Interest- net finance income/(expense)

	2011	2010
	£m	£m
<b>Net Bank Deposit/Loan Interest</b>	<b>0.1</b>	0.1
<b>IAS19 Pension Scheme Interest:</b>		
Expected return on scheme assets	32.3	29.7
Interest Cost on present value of obligations	<u>(30.5)</u>	<u>(31.3)</u>
<b>IAS19 Pension Scheme net interest</b>	<b>1.8</b>	(1.6)
<b>Net finance income/(expense)</b>	<b>1.9</b>	(1.5)

## Net Deficit increase to £39.7m (December 2010: £28.9m) primarily due to a reduction in the discount rate, based on corporate bond yields, used to calculate the liabilities

- > Scheme closed to future accrual from 30th September 2009 and transferred to defined contribution scheme option
- > £22m PFI Transfer to scheme completed in November 2010
- > Actuarial valuation as at 31 March 2010 and recovery plan agreed
- > Ongoing commitment to match dividend with equivalent additional contribution to pension scheme
- > Dividend matching represents only annual contributions to March 2014

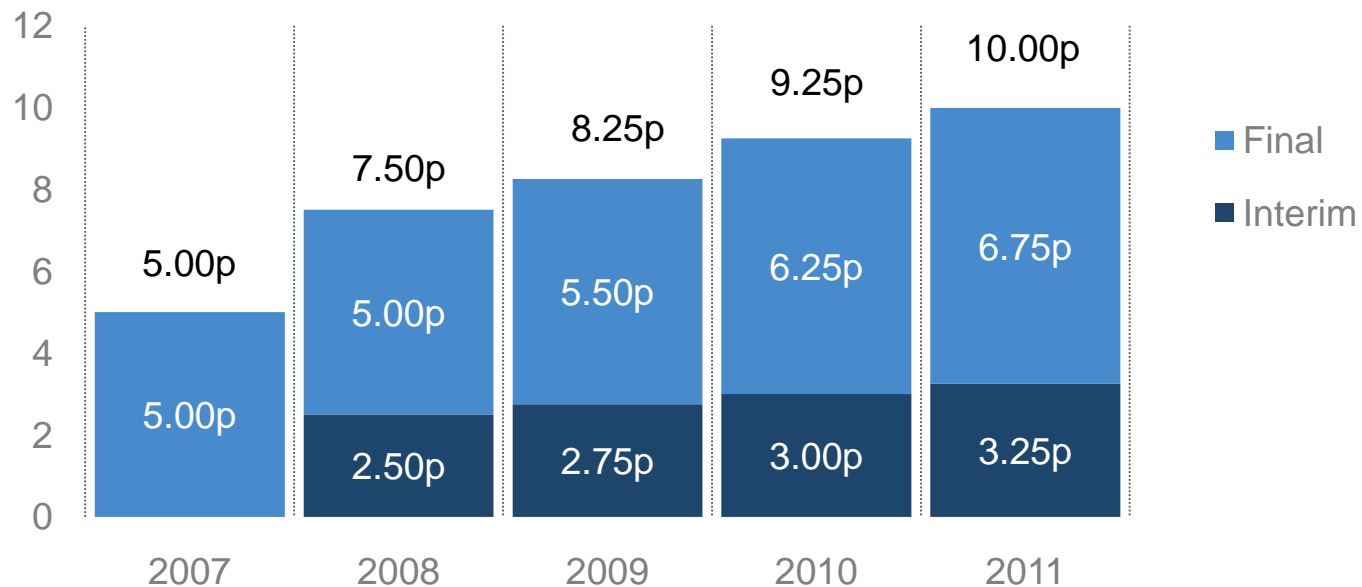
## 2012

- > £20.3m PFI Transfer to scheme completed in February 2012
  - > £10.2m profit on transfer in 2012
- > Risk Management Measures: ETV and PIE
  - > Estimated £6m cost in 2012
- > Combined to reduce deficit by an estimated £16m

	<b>31 December 2011</b>	<b>31 December 2010</b>
	£m	£m
Fair value of scheme assets	<b>547.9</b>	537.1
Present value of defined benefit obligations	<b>(600.8)</b>	(576.7)
Recognised liability for defined benefit obligations	<b>(52.9)</b>	(39.6)
Deferred tax	<b>13.2</b>	10.7
Net pension deficit	<b>(39.7)</b>	(28.9)

# Increased dividend

- > Recommended final dividend increased by 8% to 6.75p (2010: 6.25p)
- > Payment on 25 May 2012 to shareholders on the register as at 20 April 2012
- > Option to take shares in lieu





# Developing tier one capabilities to meet our customers' needs



Support service activities represent 25% of revenues secured to date for 2012

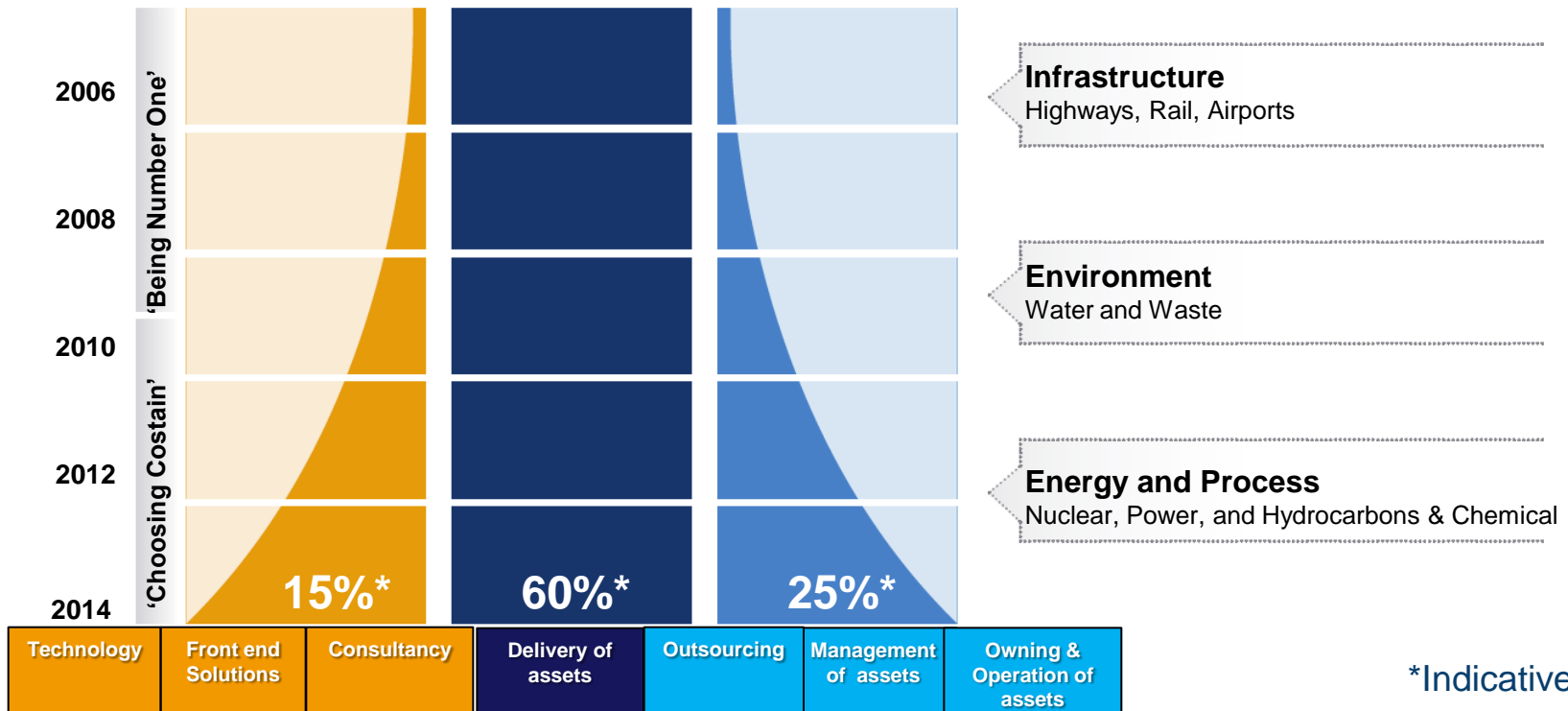
Changing Revenue Profile\*



Consulting

Construction

Care



\*Indicative

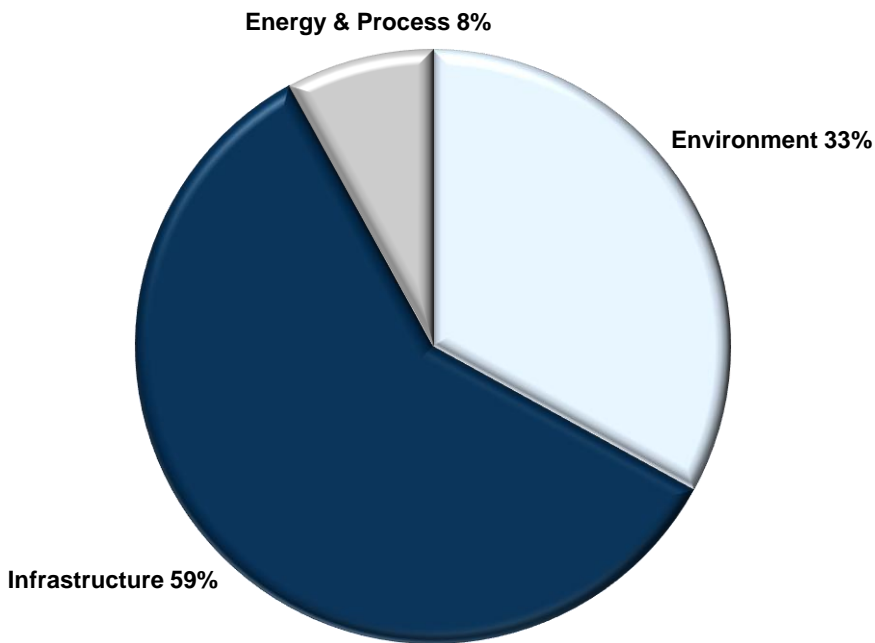
# Our blue chip customers investing £billions

COSTAIN



# £2.5bn order book

31 December 2011:  
£2.5 billion



- > Increased order book of £2.5bn (2010: £2.4bn)
  - > More than £650m for 2012
  - > More than £1.8bn for 2013+
- > Repeat business at over 90%
- > Preferred bidder positions in excess of £400 million
- > Since 31 December 2011, work secured for 2012 increased to over £750m
- > Support services represent 25% of work secured to date for 2012
- > Bidding activity remains high

- > Another strong performance in 2011
- > Blue chip customers spending £billions on strategic national needs
- > Transforming into leading engineering solutions provider
- > Support service activities represent 25% of revenues secured to date for 2012
- > Strength and resources to grow the business
- > On track to double profit in medium-term

# Full Year results for the year ended 31 December 2011

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## Engineering Solutions to Meet National Needs

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Engineering Solutions to Meet National Needs

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## Other Items

- > **Amortisation of acquired intangible assets - £0.9m (2010: Nil)**
  - > Amortised from date of acquisitions (ClerkMaxwell - April 2011 & Promanex - August 2011)
- > **Employment related deferred consideration - £0.7m (2010: Nil)**
  - > Accounting standard requires any consideration related to employment to be expensed over the required service period.
  - > Promanex - 2 Years from acquisition date
  - > ClerkMaxwell - Annual earn out basis for 2012/2013/2014

## Tax

- > **2011 tax rate at 21.8% (2010: 17.2%)**
- > **Includes benefit of R&D Tax credit, 2010 pension contributions & timing differences**
- > **Normalised rate expected to be 24% - 26% on non JV profit**

# Strong cash position

	2011 £m	2010 £m
<b>Net Cash at beginning of period</b>	<b>144.3</b>	120.5
<b>Cash from operating activities</b>	<b>34.8</b>	31.7
Cash /used by/ investing activities	<b>(34.8)</b>	(2.6)
Dividends / financing	<b>(4.3)</b>	(5.4)
<b>Effect of foreign exchange rate changes</b>	<b>0.1</b>	0.1
<b>Reported Net Cash</b>	<b>140.1</b>	<u>144.3</u>
<b>Net Cash Reconciliation:</b>		
<b>Cash and cash equivalents at end of period</b>	<b>141.7</b>	146.0
<b>Less: Bank Overdrafts</b>	<b>(1.6)</b>	<u>(1.7)</u>
<b>Reported Net Cash</b>	<b>140.1</b>	<u>144.3</u>

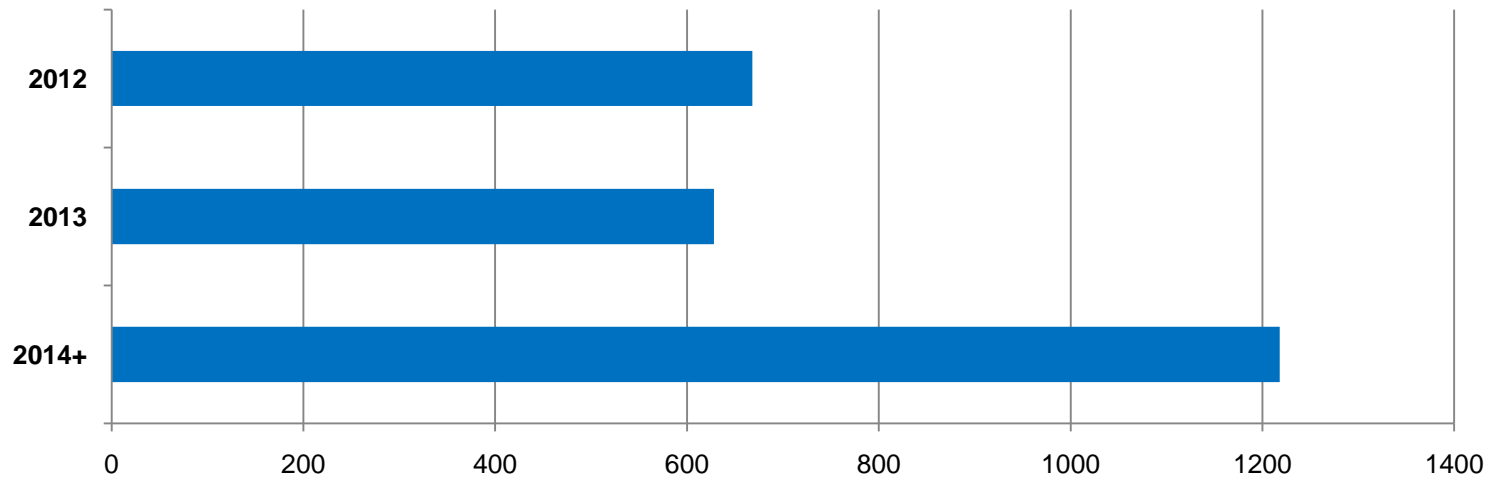
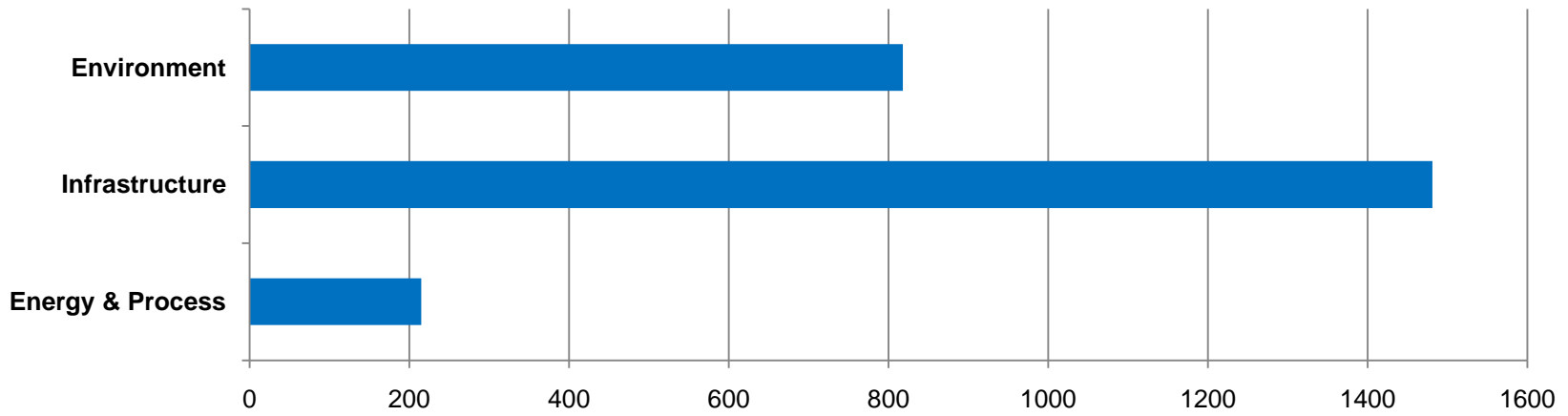
Average month-end cash balance - £130.4m (2010: £116.0m)



# Balance sheet

31 December	2011	2010
	£m	£m
Assets		
Non current assets (excluding pension deficit deferred tax)	95.2	76.3
Trade and other receivables	190.3	163.3
Cash	141.7	146.0
Current assets	<u>323.0</u>	<u>309.3</u>
<b>Total assets</b>	<b>427.2</b>	<b>385.6</b>
Current liabilities	<u>(348.3)</u>	<u>(311.4)</u>
<b>Total Assets less current liabilities</b>	<b>78.9</b>	<b>74.2</b>
Non Current liabilities (excluding net pension liability)	(8.4)	(7.7)
Pension liability net of deferred tax	(39.7)	(28.9)
<b>Total Equity</b>	<b><u>30.8</u></b>	<b><u>37.6</u></b>

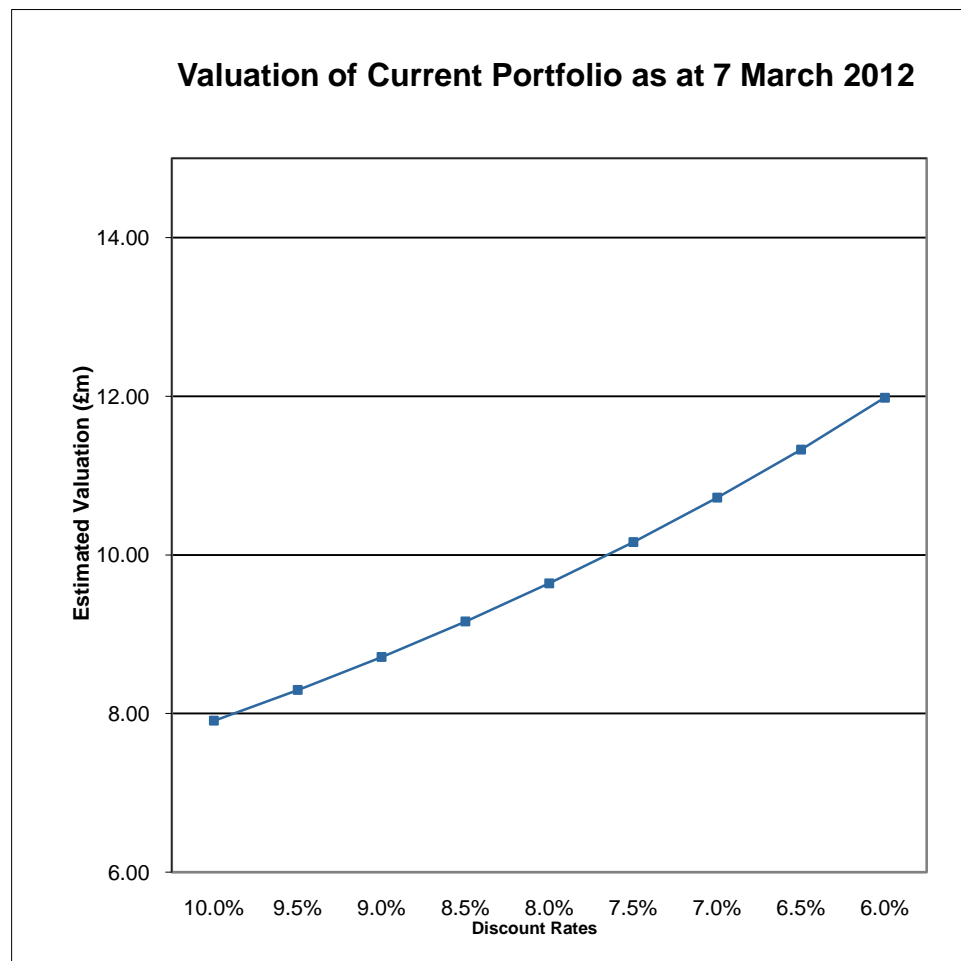
# £2.5 billion order book: enhanced long-term earnings visibility



# PFI equity portfolio – estimated valuation



	Status	Invested Capital	Committed Capital	Estimated Valuation
Bridgend	Sold			
Kings	Sold			
Sirhowy	Sold			
Kent Schools	Sold			
Ealing Schools	Sold			
Shropshire	Sold			
Kent Elderly	Sold			
Kingston				
3 Shires - Lincolnshire	Transferred to Pension Fund 2010			
3 Shires - Leicester				
3 Shires - Derby				
Bradford BSF I				
Lewisham BSF I				
Bradford BSF II	Transferred 2012*			
Lewisham BSF II				
Aquatrine	Operations	1.1	-	5.1
Lewisham BSF III	Construction	-	1.3	1.9
Lewisham BSF IV	Construction	-	2.2	3.2
<b>TOTALS</b>		<b>1.1</b>	<b>3.5</b>	<b>10.2</b>



\*Transferred to The Costain Pension Scheme on 22 February 2012 at a valuation of £20.3m

- > A business entirely focussed on meeting the needs of major blue chip customers
- > Major customers are:
  - > Working with fewer Tier One suppliers
  - > Placing longer-term, larger contracts...
  - > ...incorporating a wider range of complex services
  - > continuing to seek cost savings and innovation
- > Scale and capability essential to secure Tier One contracts
- > Strong balance sheet a pre-requisite
- > Driving consolidation on supply side

***Targeting customers whose capex and opex plans are underpinned by legislation, regulation or addressing a national need***

# £ billions being spent

- > The UK faces unprecedented challenges that are being addressed
- > “Choosing Costain”: focussing on blue chip customers with committed long-term capital whose spending is driven by:
  - > Strategic national needs
  - > Regulatory commitments
  - > Essential maintenance requirements
- > Our target customers will continue to spend £billions per annum across our core business segments
  - > Infrastructure – Highways, Rail and Airports
  - > Environment – Water and Waste
  - > Energy & Process – Hydrocarbons & Chemicals, Nuclear process and Power
- > Majority of this spend comes from the private sector



# Delivering nationally strategic contracts

Manchester Waste Scheme,  
Europe's largest PFI project

Nuclear: Evaporator D project  
at Sellafield

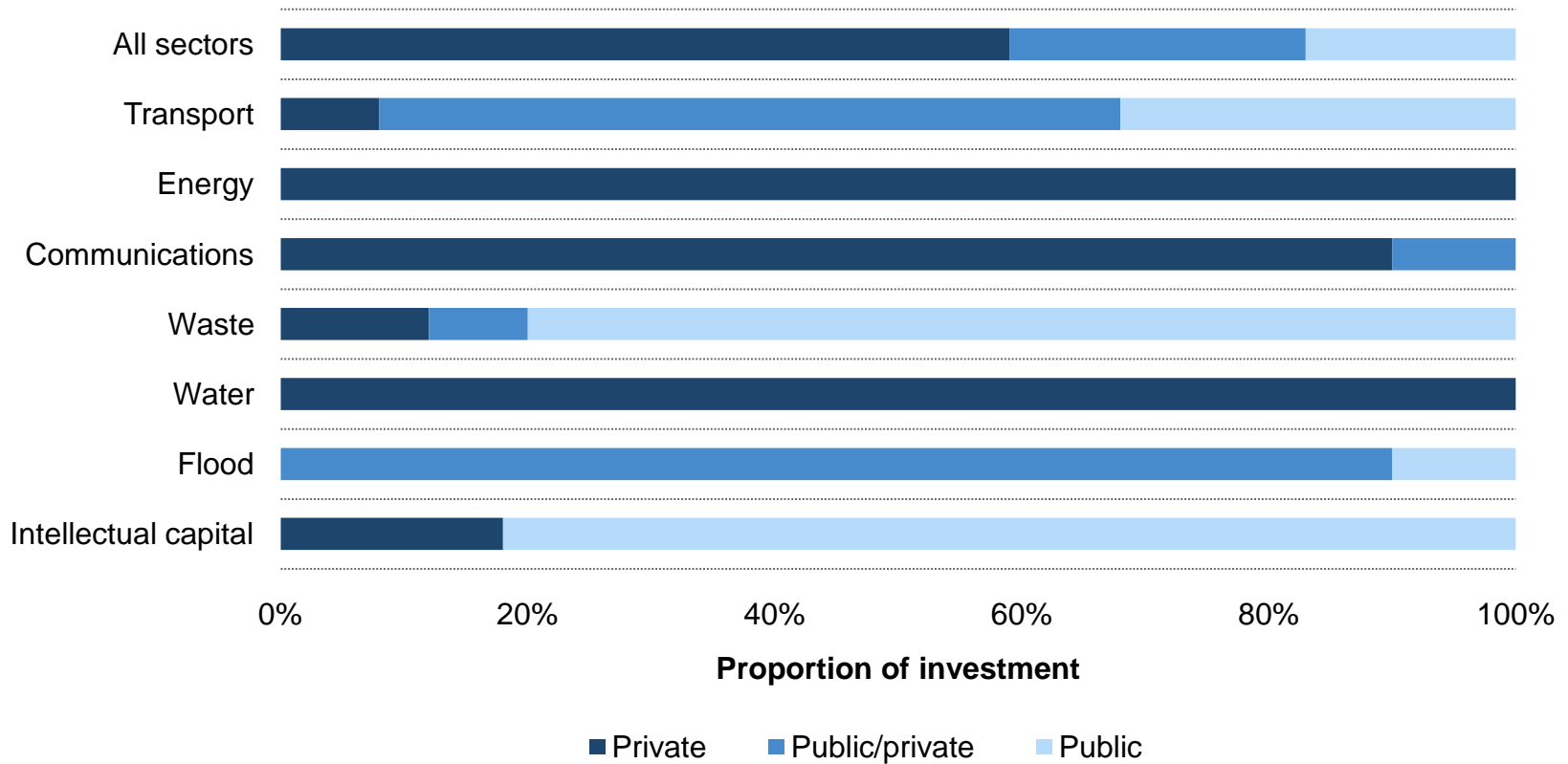
MAC service to Highways  
Agency

£400m Network Rail London  
Bridge redevelopment contract

AMP5 projects for Severn Trent,  
Northumbrian, United Utilities...

# National Infrastructure Plan

c. 75% of investment from private sector



Source: HM Treasury estimates, based on investment to 2015 and beyond.

# Two acquisitions completed



- > ClerkMaxwell: acquired April 2011
  - > Front-end engineering and operations support services provider in the upstream oil and gas sector
  - > Blue chip customers e.g. Chevron, BG, TAQA, GDF Suez, Talisman Energy, Conoco Phillips
  - > Provides us with full hydrocarbons value chain capability
  - > Access to larger and broader customer base
- > Promanex: acquired August 2011
  - > Industrial support services business providing facilities management, installation, repair and maintenance and general asset management
  - > Operates in high growth areas of national need: power, petrochemical, nuclear
  - > Blue chip customer base e.g. Conoco Phillips, EDF, E.On, Magnox, RWE, Scottish & Southern Energy, Siemens, Total
  - > We will be able to offer full life cycle proposition to customers in these key markets
- > Further acquisitions must meet strict criteria including strategic rationale and shareholder value enhancement



# Increased banking and bonding facilities

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- > £140m net cash and no significant debt
- > Banking and bonding facilities increased by £30m to £465m
  - > Extended to a maturity date of 30 September 2015
- > Resources available to deliver our strategy

# Full Year results for the year ended 31 December 2011

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## Engineering Solutions to Meet National Needs

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