COSTAIN

Nuclear

Analyst / Investor Site Visit
8/9 November 2006

Stephen Wells

Group Business Development Director

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Agenda

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- Market structure
- The market opportunity
- Market size and segmentation
- Organisational structure
- Current strategy
- Targeted market
- Targeted market successes
- Types of work
- Future market opportunities
- Future strategy
- Questions

Market structure

TIER 1 **Current Site licensees:** British Nuclear Group — Intelligent nuclear clean-up; UKAEA

TIER 2 **EPC Contractors:** COSTAIN **Aker Kvaerner, AMEC, Balfour, Carillion, Foster Wheeler, Jacobs, Laing O'Rourke, Mitsui Babcock, Norwest Holst, Nukem, Nutalls, Sir Robert McAlpine,Taylor Woodrow, UKAEA**

TIER 3 **Designers/Integraters:** **Alstec, AMEC NNC, Atkins, DGP, D&Z, INBIS, INS, Kier, MDC, NESL, NIS, PSL, SERCO, Studsvik, Weir S&H, etc…**

TIER 4 **Specialist services and manufactures:**

Market structure

TIER 1 **Current Site licensees:** British Nuclear Group *Intelligent nuclear clean-up* UKAEA

Planned Competitions are:

- 2006 Drigg
- 2007 BNG sale
- 2008 Magnox Southern Bundle
- 2008 Dounreay
- 2009 Magnox Northern Bundle
- 2009 Harwell & Winfrith
- 2012 Sellafield & Windscale

Likely contenders are: Fluor, Washington Group, AMEC, Serco UKAEA, Bechtel, DML, Jacobs, BWXT, CH2MHill

TIER 2 **EPC Contractors:** COSTAIN Aker Kvaerner, AMEC, Balfour, Carillion, Foster Wheeler, Jacobs, Laing O'Rourke, Mitsui Babcock, Norwest Holst, Nukem, Nutalls, Sir Robert McAlpine,Taylor Woodrow, UKAEA

The market opportunity

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> Valued at £70bn over next 125 years

> Current spend of £2.2bn per annum

> £1.4bn provides management of the 17 nuclear sites and £600m on capital projects

This represents a target market of £30bn over the next 30 years at Tier 1 and Tier 2 levels

Market size and segmentation

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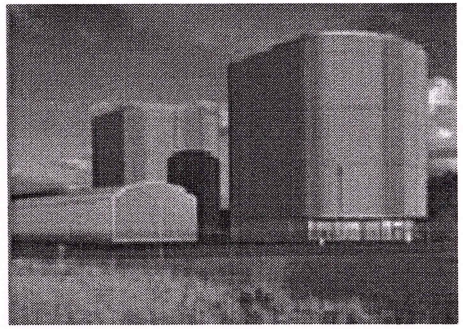
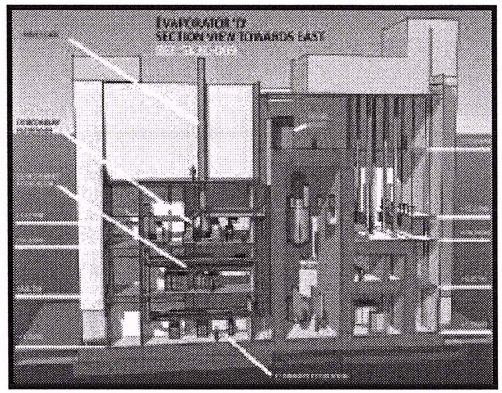
Current projected opportunities total approx. £30bn over 30 years

Civil £300m



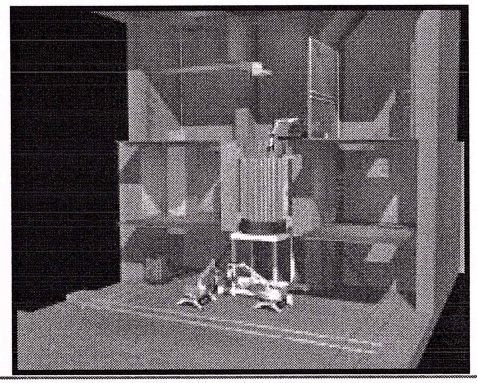
10%

Civil / Process £690m



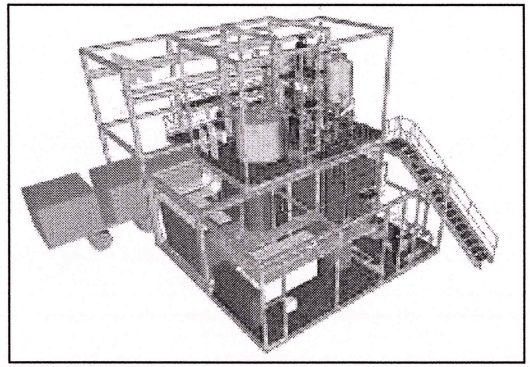
23%

Civil / Mech £1950m



65%

Process £60m



2%


Dounreay
Rosyth
Coulport
Glasgow
Hunterston A/B
Chapelcross
Hartlepool
Heysham 1/2
Springfields
Leeds
Capenhurst
Liverpool
Risley
Wylfa
Manchester
Capenhurst
Trawsfynydd
Derby
Birmingham
Sizewell A/B
Maidenhead
Bradwell
Chelmsford
Berkeley
Culham
Harwell
Cardiff
Oldbury
London
Burghfield
Hinkley Point A/B
Aldermaston
Erith
Exeter
Winfrith
Dungeness A/B
Plymouth
Nuclear Sites
Costain Sites

Organisational structure

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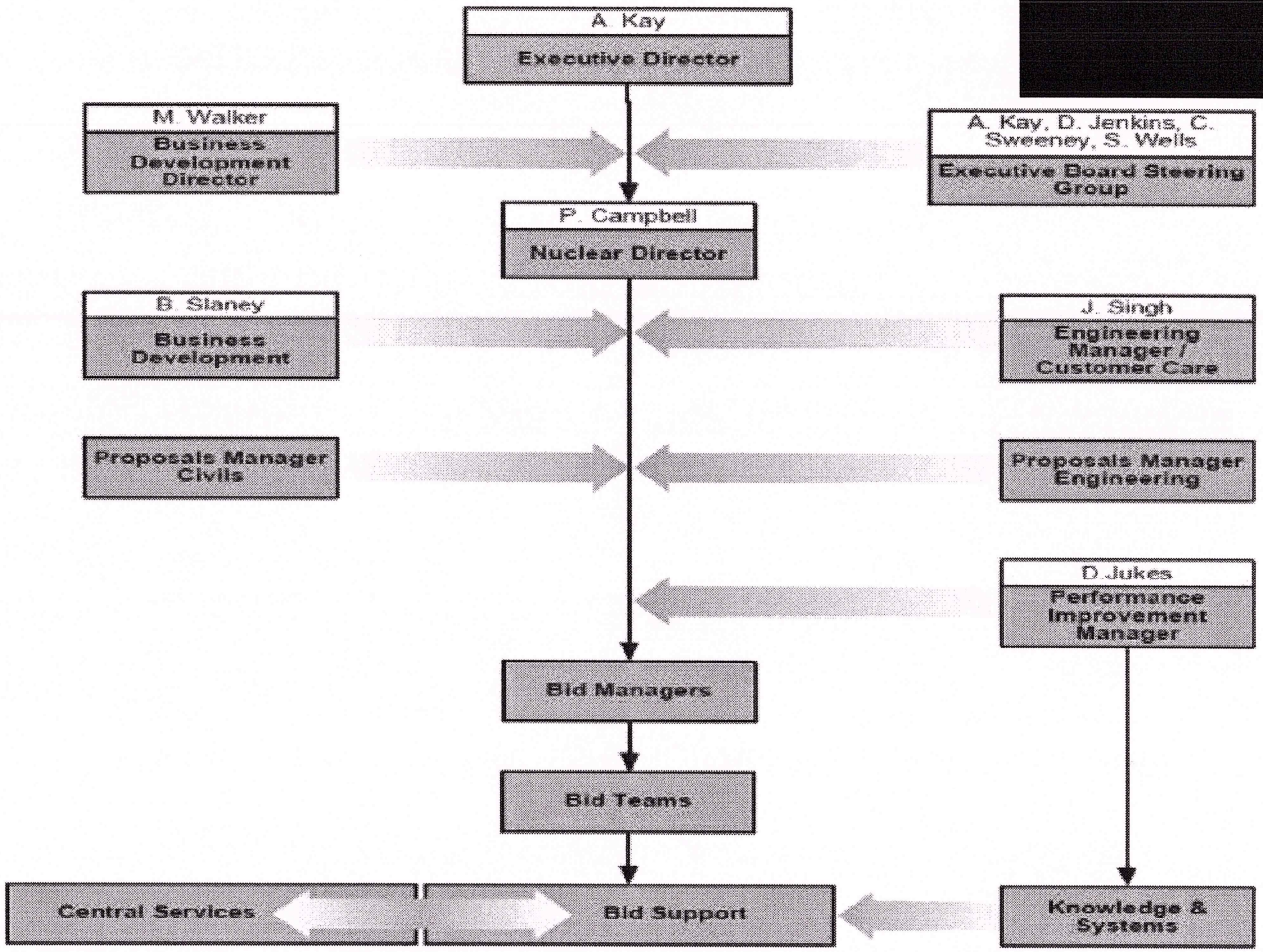
[redacted]



Nuclear
Work Winning Team

Current strategy

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> Tier 2 strategy currently being deployed has the following three components:

- Target the large capital projects at Sellafield e.g. Evap D, SDP, Sludge Conditioning etc.
- Target projects which offer repeatability across a number of sites, Magnox sites, eg waste retrieval, waste encapsulation, waste storage, demolition etc.
- Develop a strong position on current sites eg Hunterston, or strategically important sites eg Chapelcross and Aldermaston by offering a wider capability akin to a Framework approach.

Success here will strengthen Costain's capabilities and lead to preferred status for supporting Lead Tier 1 contenders

Targeted market

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Civil | **Defence**

Chairman Sir Anthony Cleaver

CEO Dr Ian Roxburgh

NDA

British Nuclear Group
Intelligent nuclear clean-up

UKAEA

British Energy

AWE

Sellafield
Drigg
Hunterston
Chapelcross
Trawsfynydd
Wylfa
Oldbury
Hinkley Point
Berkeley
Bradwell
Sizewell
Dungeness
Springfields

Winfrith
Harwell
Dounreay
Windscale
Culham

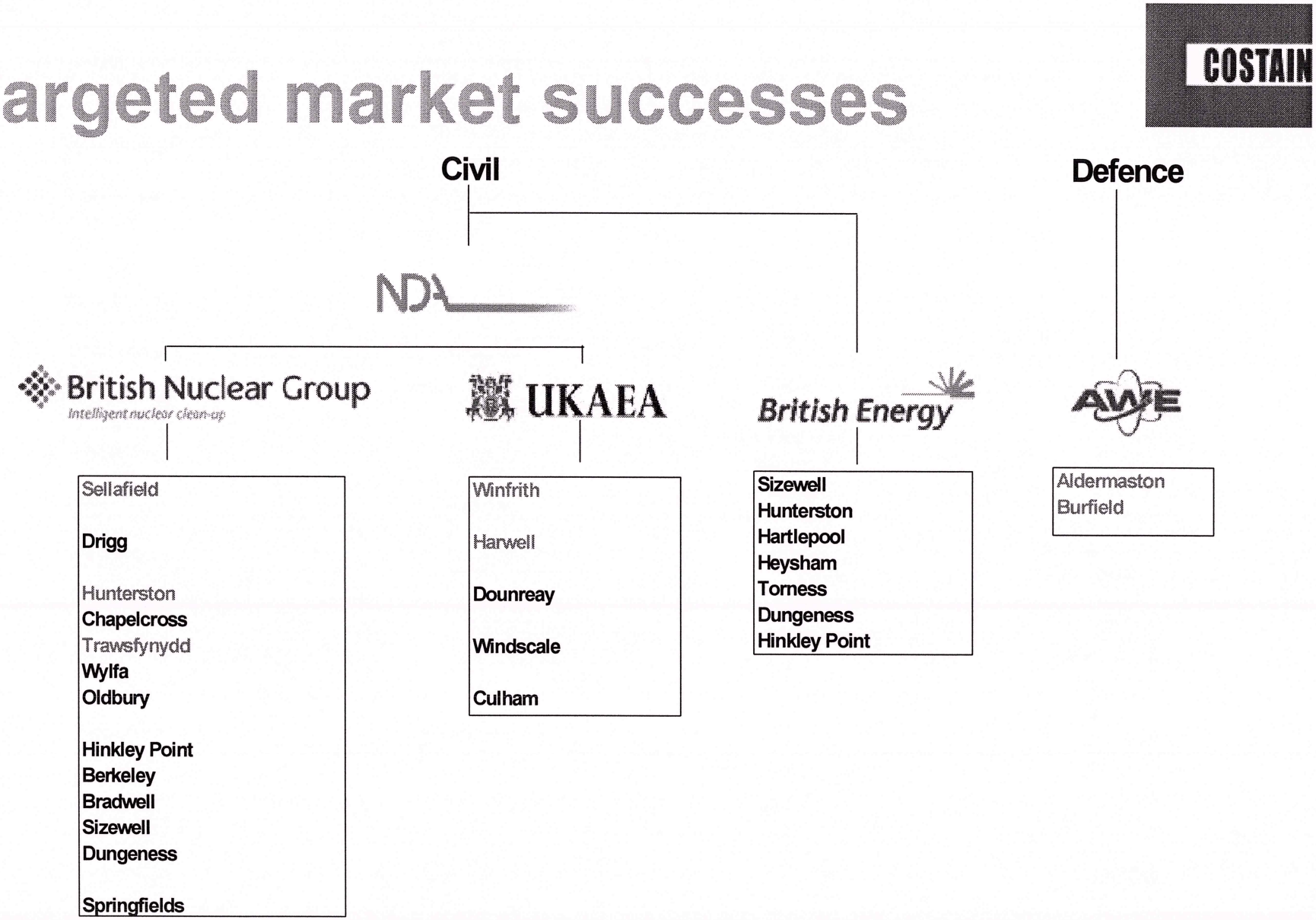
Sizewell
Hunterston
Hartlepool
Heysham
Torness
Dungeness
Hinkley Point

Aldermaston
Burfield

The **NDA** Nuclear Decommissioning Authority is a non-departmental public body, set up in April 2005 under the Energy Act 2004 to take strategic responsibility for the UK's nuclear legacy.

Mission: To deliver a world class, accelerated and environmentally responsible decommissioning of the UK's civil nuclear legacy in an open and transparent manner and with due regard to the socio-economic impacts on our communities.

Targeted market successes



Targeted market successes

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Civil

NDA

British Nuclear Group
Intelligent nuclear clean-up

- Sellafield
- **Drigg**
- Hunterston
- **Chapelcross**
- Trawsfynydd
- **Wylfa**
- **Oldbury**
- **Hinkley Point**
- **Berkeley**
- **Bradwell**
- **Sizewell**
- **Dungeness**
- **Springfields**

UKAEA

- Winfrith
- Harwell
- **Dounreay**
- **Windscale**
- **Culham**

British Energy

- **Sizewell**
- **Hunterston**
- **Hartlepool**
- **Heysham**
- **Torness**
- **Dungeness**
- **Hinkley Point**

Defence

AWE

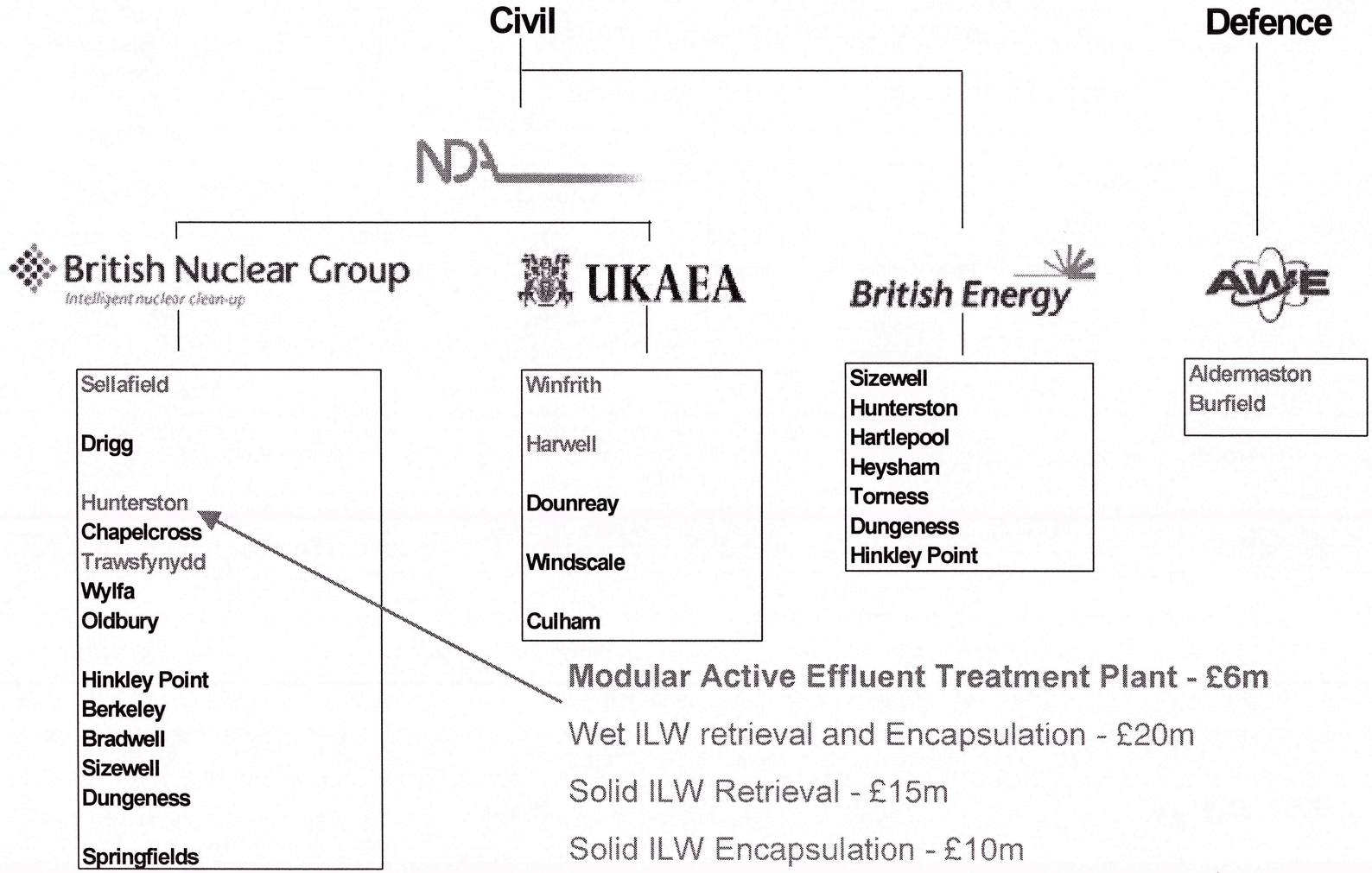
- Aldermaston
- Burfield

Evaporator D Contract valued at £90m

Sludge Conditioning feasibility study for Plasma Technology – Potential £120m

Bidding SDP contract valued at £120m

Targeted market successes



Modular Active Effluent Treatment Plant - £6m

Wet ILW retrieval and Encapsulation - £20m

Solid ILW Retrieval - £15m

Solid ILW Encapsulation - £10m

Customer interested in combining into one delivery package

Targeted market successes

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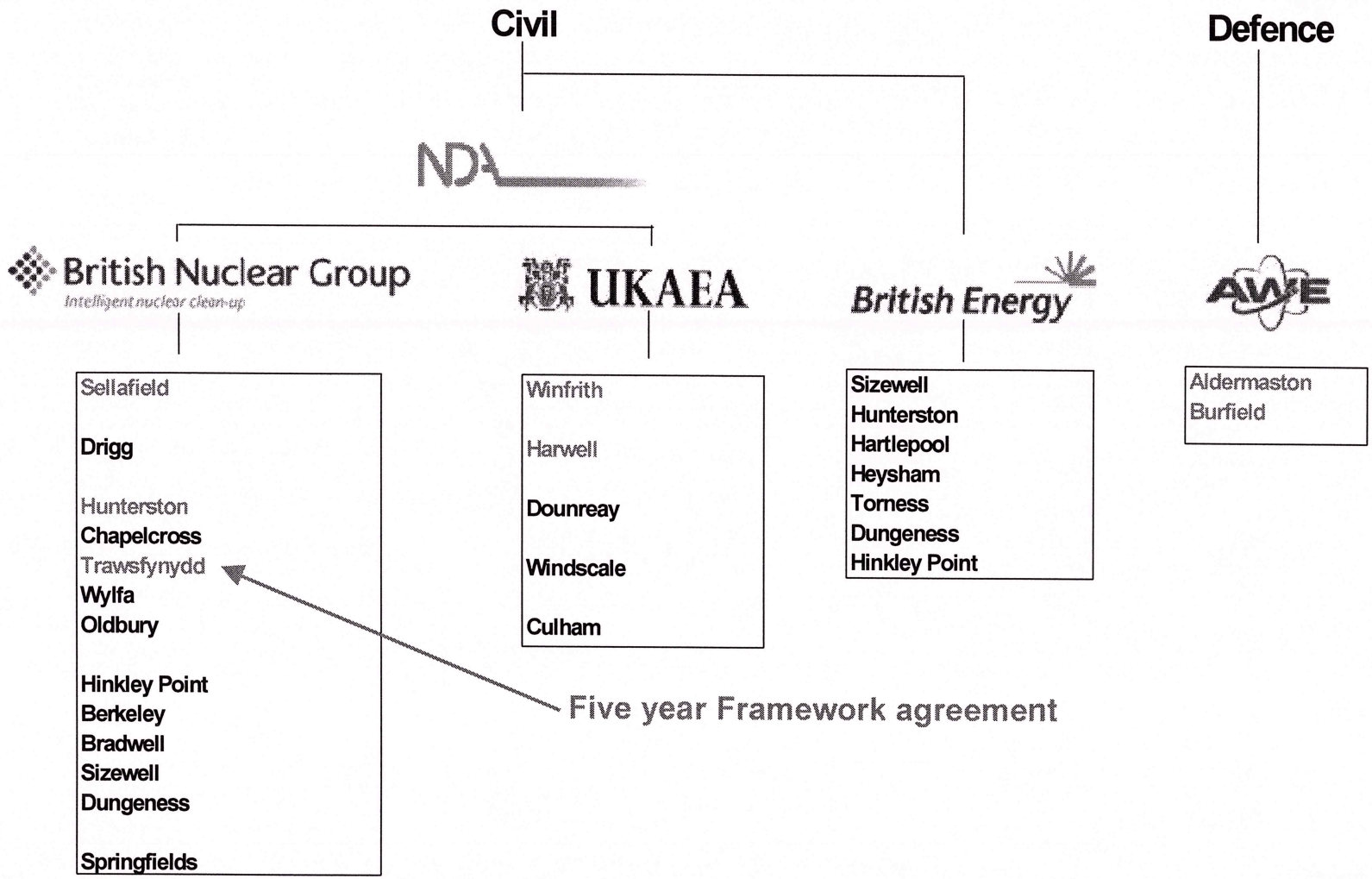
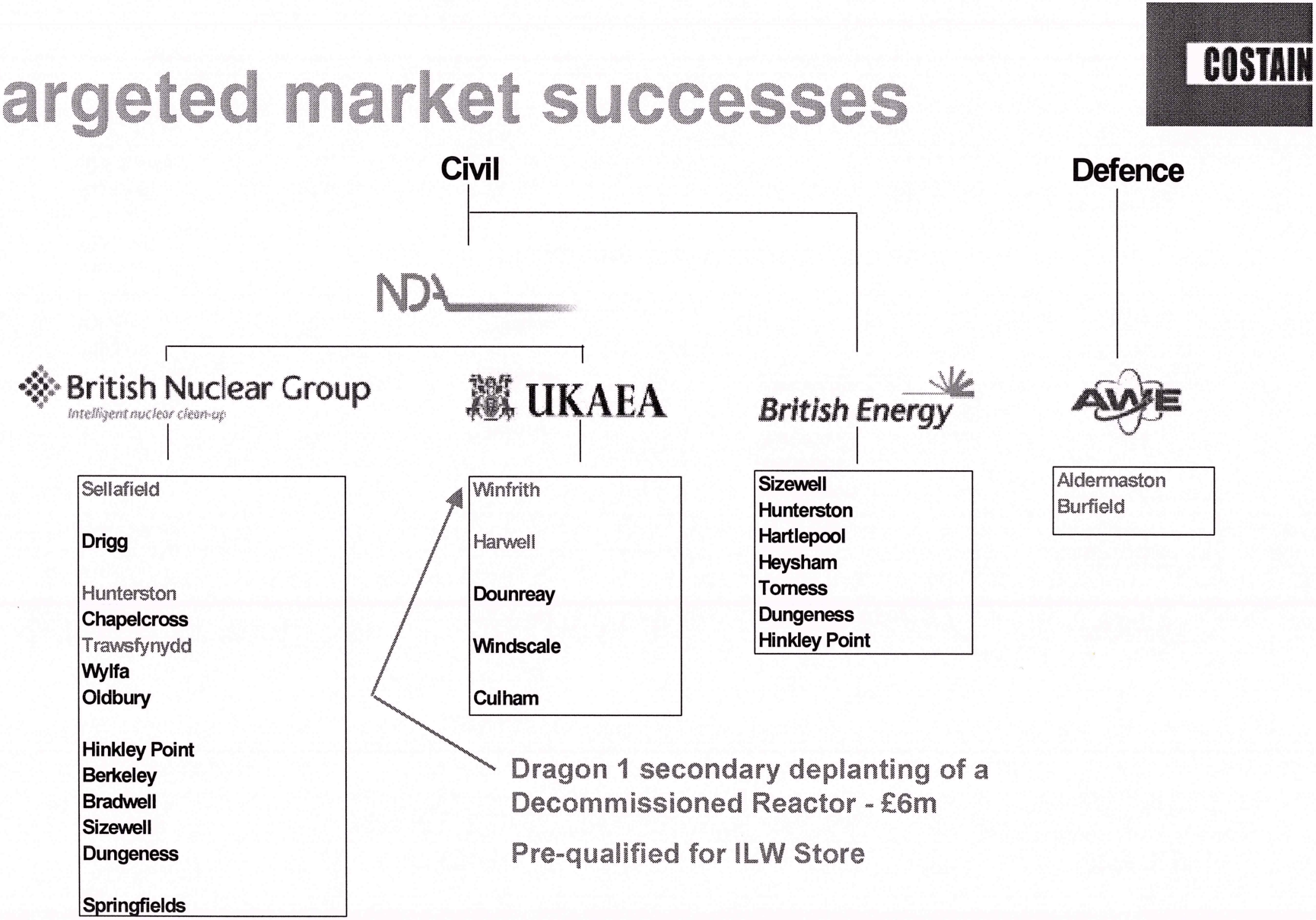


Targeted market successes



Targeted market successes

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Defence

AWE

- Aldermaston
- Burfield

Refurbishment of Hangar 10 Nuclear Facility £0.5m

Demolition of Sewage Treatment works £1.0m

Diamond Synchrotron £60m

Targeted market successes

COSTAIN

Civil

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Intelligent nuclear clean-up

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Defence

AWE

- Aldermaston
- Burfield

AWE Framework agreement £4m in 2006

Forecast £8m in 2007

Positioned for contracting on AWE's investment programme £12bn over next 12 years

Types of work – Sellafield legacy waste

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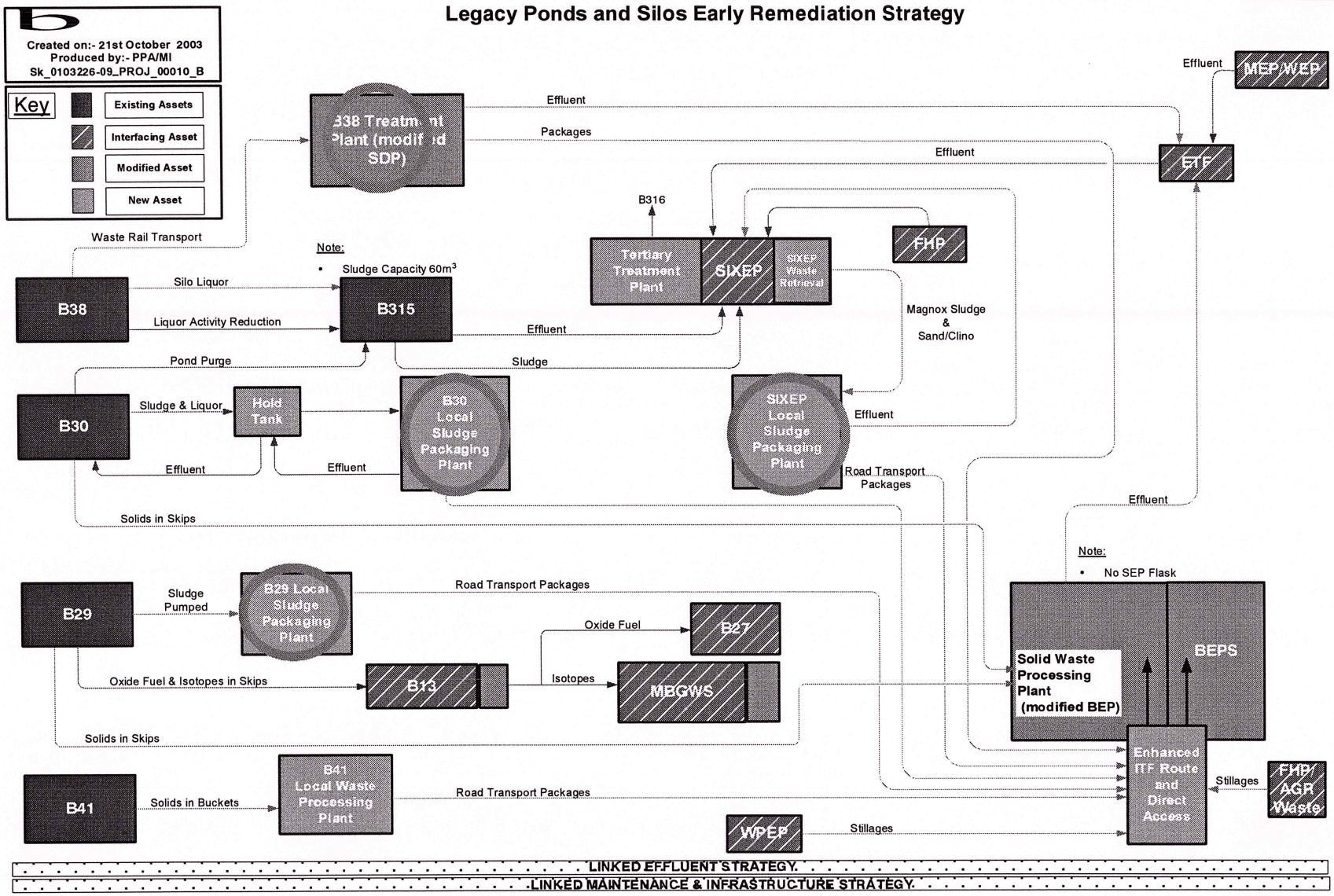
Legacy Ponds and Silos Early Remediation Strategy



Types of work

Sellafield revenue stream improvements

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> The NDA's budget to execute its remit is part funded by the DTI and part funded from revenue streams within the assets it inherited e.g. Fuel Reprocessing.

> Opportunities therefore exist to improve the assets' performance. Examples are:
  - Evaporator D - contract placed at £90m
  - Evaporator E - possibility is being discussed
  - Thorp Evaporator - enquiry issued

Types of work – Magnox Stations
(9 off Stations plus 7 BE Stations in the future)

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Effluent treatment – MAETP Hunterston Contract

Wet ILW Retrieval and Encapsulation – Hunterston Bid

Solid Waste retrieval and packaging – Hunterston Bidding

Solid Waste Encapsulation – Hunterston Bidding

IL and LL Waste Store – Winfrith Prequalified

Demonstration of capability here will provide essential credentials for Primary De-planting

Market opportunities

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Opportunities going forward are:

> 0 to 5 years
Recovery and reconditioning of stored Waste
Provision of temporary storage facilities
De-planting of Secondary systems
Process Plants for AWE

> 5 to 10 Years
Primary de-planting of nuclear facilities
New Nuclear build programme, 5 PWR Units

> 10 to 20 years
Decommissioning of AGR (BE) Power Stations
Long term deep geological Waste Repository

Future strategy

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> 1 – 5 years: **OBJECTIVE:** grow market share
TACTICS:
- Acquisition to broaden capability
- Tier 1 equity share
- Establish 'Team Costain'
- Deliver value through innovation

> 5 – 20 years: build on the experience and capability developed in first five years together with alliances already formed to target the future capital schemes