23 August 2017

Costain Group PLC
(“Costain” or “the Group” or “the Company”)

Results for the half-year ended 30 June 2017

Costain, the engineering group deploying technology-based solutions to meet national needs across the UK’s energy, water and transportation infrastructures, announces continued strong performance and a 10% interim dividend increase. The Group is on course to deliver results for the year in line with the Board’s expectations.

	HY 2017	HY 2016	FY 2016
Revenue			
- including share of JVs and associates	**£874.5m**	**£791.4m**	**£1,658.0m**
- reported	**£847.8m**	**£760.1m**	**£1,573.7m**
Operating profit			
- underlying[1]	**£21.2m**	**£15.8m**	**£41.1m**
- reported	**£18.7m**	**£13.1m**	**£34.9m**
Profit before tax			
- underlying[1]	**£18.3m**	**£14.1m**	**£37.5m**
- reported	**£15.7m**	**£11.3m**	**£30.9m**
Basic earnings per share			
- underlying[1]	**14.4p**	**11.9p**	**31.5p**
- reported	**12.2p**	**9.5p**	**25.7p**
Net cash balance[2]	**£87.5m**	**£69.2m**	**£140.2m**
Dividend per share	**4.75p**	**4.3p**	**12.7p**

1. Before other items; amortisation of acquired intangible assets and employment related and other deferred consideration.
2. Net cash balance is cash and cash equivalents less interest bearing loans and borrowings.

Highlights

- **Continued strong performance**
  - revenue, including share of joint ventures and associates, increased to £874.5 million (2016: £791.4 million)
  - underlying operating profit[1] up 34% to £21.2 million (2016: £15.8 million)
  - net cash balance[2] of £87.5 million (2016: £69.2 million)

- **Transforming into the UK’s leading smart infrastructure solutions company**
  - Costain is developing further its range of integrated services to meet rapidly changing client requirements
  - we are deploying innovative technologies in the UK’s national infrastructure, which are now embedded across our contracts
  - number of people in consultancy and technology roles increased to 1,300, representing over 30% of the total head count

- **Positive outlook**
  - order book of £3.7 billion, of which over 90% continues to be repeat business (30 June 2016: £3.9 billion), and tendering levels remain high
  - over £1.5 billion of revenue secured for FY 2017 at 30 June (2016: over £1.4 billion secured for FY 2016)
  - interim dividend increased by 10% to 4.75 pence per share (2016: 4.3 pence).

Andrew Wyllie CBE, chief executive, commented:

"We delivered another strong performance in the first half of the year with 34% growth in underlying operating profit and a 10% interim dividend increase.

"We are transforming rapidly to differentiate Costain as the UK's leading smart infrastructure solutions company. We are delivering technology-based solutions demanded by our clients who are spending billions of pounds, underpinned by legislation and regulation, to meet ever more complex challenges to enhance the nation's infrastructure.

"Costain is on course to deliver results for the year in line with the Board's expectations."

Enquiries:

Costain Andrew Wyllie CBE, Chief Executive Tony Bickerstaff, Chief Financial Officer Catherine Warbrick, Investor Relations Director Sara Lipscombe, Group Communications Director	**Tel: 01628 842 444**
Instinctif Partners Mark Garraway James Gray	**Tel: 020 7457 2020**

There will be a presentation to analysts today at 09:30 at Instinctif Partners, 65 Gresham Street, EC2V 7NQ. To register your attendance please contact christine.galloway@instinctif.com

A short film showcasing Costain's activities and results is available at www.costain.com

Notes to editors (for further information please visit the company website: www.costain.com)

Costain helps to improve people's lives by deploying technology-based engineering solutions to meet urgent national needs across the UK's energy, water and transportation infrastructures. We have been shaping the world in which we live for the past 150 years.

The Group's 'Engineering Tomorrow' strategy involves focusing on blue chip clients in chosen sectors whose major spending plans are underpinned by strategic national needs, regulatory commitments or essential maintenance requirements.

Costain has over 4,000 people, who are committed to high performance and safe delivery, working on a number of high profile contracts in the UK incorporating a broad range of innovative services across the whole life-cycle of our clients' assets and does so through the delivery of integrated consultancy, asset optimisation, technology and complex delivery services.

CHIEF EXECUTIVE'S STATEMENT

I am pleased to report that Costain has continued to deliver strong performance in the first half of the year.

We also saw further progress during the period in the ongoing transformation to differentiate the business as the UK's leading smart infrastructure solutions company.

These results evidence our focus on strategic relationships with blue chip clients who require Costain to deliver a broad range of integrated services on longer-term collaborative contracts. Over 90% of our contracts are on a 'target cost, cost reimbursable' basis which, for complex investment programmes, provide clients with maximum flexibility and significantly lowers our risk profile.

Our performance reflects the rigorous implementation of the Costain Way business management system that sets out our policies and procedures which are applied consistently across the Group. This also governs our robust approach to assessing opportunities and operational performance.

Strategic update

We have delivered our strong results through the focused implementation of our unique and continually evolving '*Engineering Tomorrow'* strategy, which is successfully positioning the business in a dynamic and rapidly changing market environment.

Our purpose at Costain is to improve people's lives by delivering solutions for our clients across the UK's energy, water and transportation infrastructures. Those clients, who are spending billions of pounds, underpinned by legislation, regulation or essential capital spend, are having to meet ever more complex challenges as they increase capacity, improve customer service and ensure security of supply to their customers.

Those challenges are being met through the development of long-term strategic supply chain relationships and the deployment of innovative technologies which are embedded across our entire contract portfolio.

These dynamic market trends are having a profound impact on the competitive environment and are driving supply-side consolidation. To keep Costain at the forefront of innovation it is essential that we continue to transform and accelerate the growth of the business by investing in our skills, services and capabilities both organically and by targeted acquisition.

We have increased the number of people in the business working across consultancy and technology roles to 1,300, representing over 30% of the total head count.

Our investment in people and technology has recently delivered a number of exciting innovations that are currently being deployed, including:

- combining data collation, via drone technology, and data analytics to monitor and enhance asset performance
- deploying sophisticated image processing systems and software to identify and monitor vehicles containing hazardous materials before entering tunnels
- using CCTV cameras and sensors to provide data for algorithm–based analysis and forecasting, ensuring timely interventions to maintain traffic flows
- working on joint proof of concept, using sensors and robotics, to optimise operation of remote pumping stations, reducing costs and asset fatigue

Having successfully integrated our two most recent acquisitions, Rhead Group and Simulation Systems Limited (SSL), we are realising the benefit of our enhanced programme management and technology capability. All activities in the Group trade under the same Costain brand as part of our 'One Costain' philosophy and focused business-to-business client relationship model. We continue to review a pipeline of potential bolt-on acquisitions which would develop further our range of services.

Trading and financial performance

Revenue, including the Group's share of joint ventures and associates, increased by 11% to £874.5 million in the first half of the year (2016: £791.4 million) and Group underlying operating profit increased by 34% to £21.2 million (2016: £15.8 million).

The increase in the Group's operating profit reflects the continued strong performance in the Infrastructure division and a significant improvement in the Natural Resources division, where there has been no additional impact from the legacy waste PFI contract compared to last year.

Net finance expense amounted to £3.1 million (2016: £1.9 million), with the increase due to the funding cost of the Group's investments and cost of the enhanced banking facilities.

Underlying profit before tax, which represents profit before acquired intangibles, amortisation and deferred consideration, increased by 30% to £18.3 million (2016: £14.1 million).

The Group's effective rate of tax was 18.3% (2016: 14.2%), which benefits from R&D tax relief, and is now at a normalised level.

Underlying basic earnings per share were 14.4 pence (2016: 11.9 pence). Statutory reported basic earnings per share were 12.2 pence (2016: 9.5 pence).

Order book

Costain's strong market position, reputation for innovation and wide range of integrated services enabled us to secure over £600 million of new contract awards and extensions to existing contracts during the first half of the year.

As a consequence, the Group's high quality order book at 30 June 2017 stood at £3.7 billion (2016: £3.9 billion), continuing to provide good visibility for the Group's future performance.

The strategic nature of Costain's long-term client relationships has once again ensured that over 90% of the order book comprises repeat business.

As at 30 June 2017, the Group had secured over £1.5 billion of revenue for 2017 (30 June 2016: over £1.4 billion secured for 2016).

The order book at 30 June also provides good long-term visibility with over £0.9 billion of revenue secured for 2018 (June 2016: over £1 billion secured for 2017), and over £2.2 billion secured for 2019 and beyond.

In addition, the Group has a preferred bidder position of over £400 million (2016: over £400 million).

Post the period end, as announced on 1 August 2017, we were appointed by High Speed Two (HS2) Limited on two further contracts, S1 and S2, with a total value of £1.8 billion to our joint venture, and worth £600 million to Costain.

Also post period end, Costain has reached mutual agreement with the client to cease its involvement on the marine works contract at Hinkley Point C as we were unable to agree final terms and conditions for the overall completion of the works. The contract was in the order book at £350 million on 30 June 2017.

Cash position

The Group has a robust net cash position, which as at 30 June 2017 was £87.5 million (2016: £69.2 million).

The increase in the net cash position compared with the equivalent point last year reflects good cash flow from operations; less acquisition investment in the second half of 2016, dividend payments and associated pension deficit contributions. As expected, the net cash position has reduced from the high level reported at the end of 2016, following the reversal of the positive timing of receipts at the year end.

The average month-end net cash was £97.3 million for the period (2016: £79.4 million) with the expected average month-end net cash balance for the full year expected to be similar to the prior year.

In addition to its net cash balance, the Group has flexible financing in place to support its future growth with total banking facilities of £155 million, which mature in June 2021, and £400 million of bonding facilities.

Dividend

The Group has a progressive dividend policy, targeting an ongoing dividend cover of around two times underlying earnings, and the Board has declared an increased interim dividend of 4.75 pence per share (2016: 4.3 pence per share).

The dividend will be paid on 20 October 2017 to shareholders on the register as at the close of business on 15 September 2017.

Pension scheme

As at 30 June 2017, the deficit on the Group's legacy Costain Pension Scheme in accordance with IAS 19 was £43.5 million (June 2016: £57.4 million). The deficit has reduced significantly from the IAS 19 position reported at the end of 2016 due to returns on assets greater than assumed, a fall in liabilities arising from favourable experience over the period since the last triennial actuarial valuation and company contributions.

As previously reported, the Company has in place an agreed deficit recovery plan with the pension scheme trustees following the completion of the triennial actuarial review carried out as at 31 March 2016. Cash contributions are £9.6 million per annum (increasing annually with inflation) until the deficit is cleared, which would be 2031 on the basis of the assumptions made in the recovery plan. In addition, the Group will continue to make an additional contribution so that the total deficit contributions match the value of the total dividends distributed by the Company each year.

Operational review

Under our 'One Costain' operating model the Group has two core operating and reporting divisions: Infrastructure and Natural Resources.

Infrastructure

The division, which operates in the highways, rail and nuclear markets, delivered another good performance in the first half of the year with revenue (including share of joint ventures and associations) increased to £694.1 million (2016: £613.2 million) and operating profit (before other items) of £24.8 million (2016: £27.4 million). The margin achieved reflects the timing of returns across a range of contracts, together with the high level of bid costs in the period. As previously advised, we continue to target an underlying blended operating margin of 4%- 5%.

The level of tendering activity has been high and the forward order book for the division on 30 June was £2.8 billion (2016: £2.9 billion). Post the period end, as announced on 1 August 2017, we were appointed by HS2 Limited on two further contracts, S1 and S2, with a total value of £1.8 billion to our joint venture, and worth £600 million to Costain.

Highways

Significant progress has been achieved on programmes of work which will increase capacity, reduce delays and enhance safety across the UK's strategic road network.

As a leading integrated services provider to Highways England, we undertake a wide portfolio of activities. We saw the completion of a number of capital projects including the A556 Knutsford to Bowden Link, the A5-M1 Link and the A160/A180 Port of Immingham.

Technology is increasingly being used to enhance network capacity and we have made good progress on smart motorway schemes for Highways England, notably along stretches of the M1 where we are active across a number of projects at different stages of progress.

We successfully mobilised the Area 14 Maintenance and Response Contract, which supplements our existing long-term programmes to provide 24/7 operational capability in Areas 4 and 12 for Highways England.

Our first local authority integrated services contract for East Sussex County Council, where they consolidated a number of individual services into a single, larger contract, is performing well. We are working closely with our client to develop a range of technology solutions that drive efficiency and service levels for the travelling public. We have also completed the Heysham to M6 Link Road for Lancashire County Council.

The acquisition of SSL in July 2016 enhanced our technology capability across the Group, positioning us well for the revolution that is taking place in the deployment of technology in smart infrastructure. A number of awards have been made under the TMT2 framework for Highways England and the refurbishment of the critical M4 Brynglas Tunnels for the Welsh Government continues as anticipated.

Also for the Welsh Government, we are continuing to progress with the technically-complex A465 Heads of the Valleys road upgrade where we are working with the client to resolve the impact from additional scope on the cost and programme. For the same client, we continue to make good progress on the All-Wales technology framework and the early contractor involvement phase of the M4 Newport corridor contract.

Reflecting our ability to provide the range of integrated services demanded by clients, we have been appointed by Transport for London on a long-term framework to provide advisory services, which includes the early study on the upgrade to the A40 Westway.

Rail

Costain also has a number of leading long-term, strategic client relationships in the rail sector, as Network Rail and others urgently modernise ageing infrastructure and deliver new assets to ensure that the rail network has future-proofed capacity, is reliable and delivers enhanced levels of service.

The London Bridge station redevelopment for Network Rail is now two thirds complete and on target to open the remainder of the new concourse to passengers early next year. This successful and technically complex programme is being delivered while keeping the station operational for the nearly one million passengers per week that use one of London’s busiest transport hubs.

Our Kent multi-functional framework now includes a project at Charing Cross station to renew six platforms while minimising disruption to the operational station.

Capacity constraints on the national rail network are being alleviated by our rail electrification joint venture, ABC Electrification Limited, which is delivering significant sections of the National Electrification Programme in the Midlands and Scotland.

Crossrail, Europe’s largest infrastructure programme, will improve journey times across London and will ease congestion while offering significantly enhanced connectivity. We are one of the leading suppliers on Crossrail with a variety of contracts including the system-wide contract to provide the track and power systems on the central section of the programme, and delivery of the new stations at Paddington and Bond Street.

As part of our long-standing relationship with London Underground, the Bond Street station upgrade will open to the public by the end of the year and the Bakerloo Line link at Paddington will complete in the same timeframe.

HS2 will significantly enhance capacity and reduce journey times. Our southern section enabling works contract awarded last year is now mobilised and delivering a variety of early activities in preparation for the main works contracts. We have also won two main work civil construction packages (S1 and S2) since the period end.

We are also delivering a number of consultancy commissions for rail clients including supporting Network Rail's digital railway initiative in the south east and London Underground's step free access programme.

Nuclear

Costain continues to play an important role in nuclear new-build and decommissioning, ensuring security of supply of new nuclear power, a vital component of the UK's commitment to reducing carbon gas emissions.

As part of the upgrade programme of the country's existing nuclear power station fleet, Costain successfully secured and has mobilised a framework to deliver project controls services for investment delivery at all EDF nuclear stations in the UK.

Costain continues to undertake a number of enabling works contracts at Hinkley Point C. However, the Group will cease its involvement in the marine works contract at Hinkley Point C following completion of a further circa £20 million of existing obligations, anticipated to be concluded by the end of December 2017. Since Costain announced its initial appointment in October 2013, there was a significant delay in the approval for Hinkley Point C. While Costain has worked closely with EDF through the £40 million of early contractor involvement phase to date, it was not possible to reach agreement on the final terms and conditions for the overall completion of the works.

Costain remains involved in the planned UK new nuclear power plants and has started to develop opportunities in the Small Modular Reactors market.

At Sellafield the Evaporator D contract is near completion and we have fully mobilised our team in support of the Decommissioning Delivery Partnership Framework.

We have recently been awarded a major construction and programme management contract for AWE in the development of one of its nuclear facilities.

Natural Resources

The Natural Resources division, which operates in the water, power and oil & gas markets, made significant progress during the period. Revenue (including share of joint ventures and associations) was £177.7 million (2016: £175.7 million) with a small profit from operations (before other items) of £0.2 million (2016: £8.4 million loss).

The significant improvement in the performance reflects expected growth in water sector activities and no additional impact from the legacy waste PFI contract as compared to last year. This was offset by lower contributions from the Oil & Gas operations, where we have retained skills and capabilities in anticipation of an expected improvement in market conditions, and the timing of returns across a range of contracts. The medium-term blended underlying target margin remains at 4%-5% for the division.

The division had a forward order book at 30 June of £0.9 billion (2016: £1.0 billion).

Water

Costain is at the forefront of improving and maintaining water quality standards, supply resilience and meeting anticipated demographic shifts.

Our joint venture for the east section of the Thames Tideway project is progressing well. This major project will form an integral part of the modernisation of London's Victorian sewerage system and significantly improve water quality in the River Thames, providing capacity to cope with the demands of the city well in to the 22nd century.

In Glasgow, Costain is improving water quality and resilience of supply through the delivery of the Shieldhall Tunnel for Scottish Water, reducing flooding issues in the city's wastewater network. Tunnelling is nearing completion and we are working with the client to manage some programme, scope and cost changes on the contract.

The Group is now in the third year of the AMP6 five-year programmes for Thames Water, Severn Trent and Southern Water. These programmes are performing well and are using our full range of integrated capabilities to deliver improved customer service, innovative solutions and significant total expenditure efficiency savings.

Bid activity for AMP7 has commenced with a number of clients seeking contracts with early engagement to develop business plans ahead of the five-year programme period commencing in 2020.

Power

We are designing and managing the delivery of National Grid's largest current capital project to upgrade the Peterborough and Huntingdon compressor stations to comply with the Industrial Emissions Directive and Pollution Prevention and Control regulations. The project will increase system resilience and reduce overall risk on the National Transmission System by replacing ageing assets.

We continue to provide programme management for the replacement of the Humber Estuary Crossing for National Grid. The River Humber pipeline is a strategically important asset, connecting the gas import facility at Easington on the Yorkshire coast and which provides 70–100 million cubic metres of natural gas per day to the national network.

Oil & Gas

In the period we secured new contracts for our gas process technology service offering and a number of strategic development consultancy services. The market remains subdued but there was a noticeable increase in new business opportunities as clients restructure their operations and investment projects to accommodate prevailing market conditions.

Work progressed well on both the Hydrochloric Acid Dosing Plant and Condensate Mercury Removal System for Total's Edradour-Glenlivet facility and the Stella field development programme for Ithaca. We also provided ongoing support services to Total and Phillips 66 at their Immingham refineries.

Manchester Waste

Further to our announcement on 2 May 2017, discussions are ongoing with the various parties in respect of the Manchester Waste PFI contract and progress is being made. Further announcements will be made as appropriate.

Alcaidesa

Alcaidesa is a non-core activity in Spain in which Costain owns operating assets of two golf courses with an associated parcel of land, and a 624-berth marina concession adjacent to Gibraltar. Revenue in the year was £2.7 million (2016: £2.5 million) and the loss from operations was £0.5 million (2016: £0.2 million loss).

Risks and uncertainties

The Board continually assesses and monitors the key risks of the business. The key risks that could affect the Group's medium term performance, and the factors that mitigate these risks, are set out on pages 30-33 of the Group's Annual Report for 2016, a copy of which is available from our website www.costain.com.

Summary and outlook

We delivered another strong performance in the first half of the year with 34% growth in underlying operating profit and a 10% interim dividend increase.

We are transforming rapidly to differentiate Costain as the UK's leading smart infrastructure solutions company. We are delivering technology-based solutions demanded by our clients who are spending billions of pounds, underpinned by legislation and regulation, to meet ever more complex challenges to enhance the nation's infrastructure.

Costain is on course to deliver results for the year in line with the Board's expectations.

Andrew Wyllie CBE
Chief Executive
22 August 2017

Condensed consolidated income statement

Half-year ended 30 June, year ended 31 December	Notes	**Underlying £m**	**2017 Half-year Other items £m**	**Total £m**	Underlying £m	2016 Half-year Other items £m	Total £m	Underlying £m	2016 Year Other items £m	Total £m
Revenue including share of joint ventures and associates	3	**874.5**	**-**	**874.5**	791.4	-	791.4	1,658.0	-	1,658.0
Less: Share of revenue of joint ventures and associates		**(26.7)**	**-**	**(26.7)**	(31.3)	-	(31.3)	(84.3)	-	(84.3)
Group revenue		**847.8**	**-**	**847.8**	760.1	-	760.1	1,573.7	-	1,573.7
Cost of sales		**(806.8)**	**-**	**(806.8)**	(727.3)	-	(727.3)	(1,497.7)	-	(1.497.7)
Gross profit		**41.0**	**-**	**41.0**	32.8	-	32.8	76.0	-	76.0
Administrative expenses before other items		**(19.8)**	**-**	**(19.8)**	(17.0)	-	(17.0)	(34.9)	-	(34.9)
Amortisation of acquired intangible assets		**-**	**(1.6)**	**(1.6)**	-	(2.0)	(2.0)	-	(4.6)	(4.6)
Employment related and other deferred consideration		**-**	**(0.9)**	**(0.9)**	-	(0.7)	(0.7)	-	(1.6)	(1.6)
Group operating profit		**21.2**	**(2.5)**	**18.7**	15.8	(2.7)	13.1	41.1	(6.2)	34.9
Share of results of joint ventures and associates		**0.1**	**-**	**0.1**	0.1	-	0.1	0.2	-	0.2
Profit from operations	3	**21.3**	**(2.5)**	**18.8**	15.9	(2.7)	13.2	41.3	(6.2)	35.1
Finance income		**0.3**	**-**	**0.3**	0.2	-	0.2	0.6	-	0.6
Finance expense		**(3.3)**	**(0.1)**	**(3.4)**	(2.0)	(0.1)	(2.1)	(4.4)	(0.4)	(4.8)
Net finance expense	4	**(3.0)**	**(0.1)**	**(3.1)**	(1.8)	(0.1)	(1.9)	(3.8)	(0.4)	(4.2)
Profit before tax		**18.3**	**(2.6)**	**15.7**	14.1	(2.8)	11.3	37.5	(6.6)	30.9
Taxation	5	**(3.2)**	**0.3**	**(2.9)**	(2.0)	0.4	(1.6)	(5.1)	0.6	(4.5)
Profit for the period attributable to equity holders of the parent		**15.1**	**(2.3)**	**12.8**	12.1	(2.4)	9.7	32.4	(6.0)	26.4
Earnings per share										
Basic	6	**14.4p**	**(2.2)p**	**12.2p**	11.9p	(2.4)p	9.5p	31.5p	(5.8)p	25.7p
Diluted	6	**14.0p**	**(2.1)p**	**11.9p**	11.5p	(2.3)p	9.2p	30.7p	(5.7)p	25.0p

During the period, previous period and previous year the impact of business disposals was not material and, therefore all results are classified as arising from continuing operations.

Condensed consolidated statement of comprehensive income and expense

Half-year ended 30 June, year ended 31 December	**2017 Half-year £m**	2016 Half-year £m	2016 Year £m
Profit for the period	**12.8**	9.7	26.4
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**0.7**	2.5	4.2
Net investment hedge	**(0.5)**	(2.2)	(3.7)
Group cash flow hedges:			
Effective portion of changes in fair value during period	**0.5**	1.8	1.9
Net changes in fair value transferred to the income statement	**(0.8)**	0.1	-
Total items that may be reclassified subsequently to profit or loss	**(0.1)**	2.2	2.4
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit obligations	**23.7**	(27.8)	(49.8)
Tax recognised on remeasurement of defined benefit obligations	**(4.6)**	3.5	7.6
Total items that will not be reclassified to profit or loss	**19.1**	(24.3)	(42.2)
Other comprehensive income/(expense) for the period	**19.0**	(22.1)	(39.8)
Total comprehensive income and expense for the period attributable to equity holders of the parent	**31.8**	(12.4)	(13.4)

Condensed consolidated statement of changes in equity

	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total equity £m
At 1 January 2016	51.1	6.2	1.8	-	61.5	120.6
Profit for the period	-	-	-	-	9.7	9.7
Other comprehensive income/(expense)	-	-	0.3	1.9	(24.3)	(22.1)
Issue of ordinary shares under employee share option plans	0.3	-	-	-	(0.3)	-
Shares purchased to satisfy employee share schemes	-	-	-	-	(1.4)	(1.4)
Equity-settled share-based payments	-	-	-	-	1.2	1.2
Dividend paid (note 7)	-	0.3	-	-	(7.4)	(7.1)
At 30 June 2016	51.4	6.5	2.1	1.9	39.0	100.9
Profit for the period	-	-	-	-	16.7	16.7
Other comprehensive income/(expense)	-	-	0.2	-	(17.9)	(17.7)
Issue of ordinary shares under employee share option plans	0.6	1.9	-	-	-	2.5
Equity-settled share-based payments	-	-	-	-	1.1	1.1
Dividend paid (note 7)	0.1	0.4	-	-	(4.4)	(3.9)
At 31 December 2016	52.1	8.8	2.3	1.9	34.5	99.6
Profit for the period	**-**	**-**	**-**	**-**	**12.8**	**12.8**
Other comprehensive income/(expense)	**-**	**-**	**0.2**	**(0.3)**	**19.1**	**19.0**
Issue of ordinary shares under employee share option plans	**0.1**	**0.2**	**-**	**-**	**-**	**0.3**
Shares purchased to satisfy employee share schemes	**-**	**-**	**-**	**-**	**(1.2)**	**(1.2)**
Equity-settled share-based payments	**-**	**-**	**-**	**-**	**1.2**	**1.2**
Dividend paid (note 7)	**0.2**	**1.6**	**-**	**-**	**(8.8)**	**(7.0)**
At 30 June 2017	**52.4**	**10.6**	**2.5**	**1.6**	**57.6**	**124.7**

Condensed consolidated statement of financial position

Half-year as at 30 June, year as at 31 December		2017 Half-year £m	2016 Half-year £m	2016 Year £m
Assets				
Non-current assets				
Intangible assets	8	**64.2**	50.2	65.9
Property, plant and equipment	8	**41.2**	39.6	42.2
Investments in equity accounted joint ventures		**0.3**	0.4	0.3
Investments in equity accounted associates		**0.6**	0.4	0.6
Loans to equity accounted associates		**1.7**	1.7	1.7
Other		**4.1**	10.3	7.7
Deferred tax		**9.2**	12.9	14.9
Total non-current assets		**121.3**	115.5	133.3
Current assets				
Inventories		**3.9**	3.5	3.6
Trade and other receivables		**343.6**	347.0	299.1
Cash and cash equivalents		**167.8**	128.8	210.2
Total current assets		**515.3**	479.3	512.9
Total assets		**636.6**	594.8	646.2
Equity				
Share capital	11	**52.4**	51.4	52.1
Share premium		**10.6**	6.5	8.8
Foreign currency translation reserve		**2.5**	2.1	2.3
Hedging reserve		**1.6**	1.9	1.9
Retained earnings		**57.6**	39.0	34.5
Total equity attributable to equity holders of the parent		**124.7**	100.9	99.6
Liabilities				
Non-current liabilities				
Retirement benefit obligations	9	**43.5**	57.4	73.5
Other payables		**0.7**	2.1	1.0
Interest bearing loans and borrowings		**30.1**	30.0	30.1
Provisions for other liabilities and charges		**0.4**	0.2	0.4
Total non-current liabilities		**74.7**	89.7	105.0
Current liabilities				
Trade and other payables		**382.0**	369.9	397.2
Taxation		**3.9**	2.7	3.4
Interest bearing loans and borrowings		**50.2**	29.6	39.9
Provisions for other liabilities and charges		**1.1**	2.0	1.1
Total current liabilities		**437.2**	404.2	441.6
Total liabilities		**511.9**	493.9	546.6
Total equity and liabilities		**636.6**	594.8	646.2

Condensed consolidated cash flow statement

Half-year ended 30 June, year ended 31 December	2017 Half-year £m	2016 Half-year £m	2016 Year £m
Cash flows from operating activities			
Profit for the period	**12.8**	9.7	26.4
Adjustments for:			
Share of results of joint ventures and associates	**(0.1)**	(0.1)	(0.2)
Finance income	**(0.3)**	(0.2)	(0.6)
Finance expense	**3.4**	2.1	4.8
Taxation	**2.9**	1.6	4.5
Depreciation of property, plant and equipment	**2.2**	2.0	6.4
Amortisation of intangible assets	**1.9**	2.2	5.2
Employment related and other deferred consideration	**0.9**	0.7	1.6
Shares purchased to satisfy employee share schemes	**(1.2)**	(1.4)	(1.4)
Share-based payments expense	**1.2**	1.2	2.9
Cash from operations before changes in working capital and provisions	**23.7**	17.8	49.6

Increase in inventories	**(0.3)**	(0.6)	(0.7)
Increase in receivables	**(41.0)**	(77.4)	(24.0)
(Decrease)/increase in payables	**(17.0)**	39.8	61.1
Movement in provisions and employee benefits	**(6.8)**	(7.6)	(14.7)
Cash (used by)/from operations	**(41.4)**	(28.0)	71.3
Interest received	**0.4**	0.3	0.4
Interest paid	**(1.2)**	(1.0)	(2.4)
Taxation paid	**(1.8)**	(0.8)	(2.2)
Net cash (used by)/from operating activities	**(44.0)**	(29.5)	67.1
Cash flows from investing activities			
Dividends received from joint ventures and associates	**0.1**	0.2	0.2
Additions to property, plant and equipment	**(0.5)**	(1.0)	(7.0)
Additions to intangible assets	**(0.1)**	(0.1)	(0.1)
Proceeds of disposals of property, plant and equipment	**-**	0.1	0.1
Acquisition related deferred consideration	**(0.9)**	(0.3)	(2.0)
Acquisition of subsidiaries (net of acquired cash and cash equivalents)	**-**	-	(16.3)
Net cash used by investing activities	**(1.4)**	(1.1)	(25.1)
Cash flows from financing activities			
Issue of ordinary share capital	**0.3**	-	2.5
Ordinary dividends paid	**(7.0)**	(7.1)	(11.0)
Drawdown of loans	**10.0**	50.0	90.1
Repayment of loans	**-**	(30.0)	(60.0)
Net cash from financing activities	**3.3**	12.9	21.6
Net (decrease)/increase in cash, cash equivalents and overdrafts	**(42.1)**	(17.7)	63.6
Cash, cash equivalents and overdrafts at beginning of the period	**210.2**	146.7	146.7
Effect of foreign exchange rate changes	**(0.3)**	(0.2)	(0.1)
Cash, cash equivalents and overdrafts at end of the period	**167.8**	128.8	210.2

Notes to the interim financial statements

1. General information

Costain Group PLC (the Company) is a public limited company incorporated in the United Kingdom. The address of its registered office and principal place of business is Costain House, Vanwall Business Park, Maidenhead, Berkshire SL6 4UB.

The condensed consolidated interim financial statements are presented in pounds sterling, rounded to the nearest hundred thousand.

The comparative figures for the financial year ended 31 December 2016 are not the Company's full statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

2. Statement of compliance

This interim financial information for the half-year ended 30 June 2017 has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union and with the Disclosure and Transparency Rules of the Financial Conduct Authority.

The accounting policies, presentation and methods of computation adopted in the preparation of these condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's Annual Financial Statements for the year ended 31 December 2016, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. They do not include all the information required for full annual financial statements and should be read in conjunction with the Consolidated Financial Statements of the Group as at and for the year ended 31 December 2016. No material new standards, amendments to standards or interpretations are effective for the half-year ended 30 June 2017.

IFRS 15 'Revenue from Contracts with Customers' was issued in May 2015 and will be effective for Costain Group PLC for accounting periods beginning on or before 1 January 2018.

IFRS 15 replaces existing revenue recognition standards: IAS 11 'Construction Contracts' and IAS 18 'Revenue', and moves away from the 'risks and rewards' concept of revenue recognition used by IAS 18 to a concept of 'transfer of control'. Its core principle is that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer. The standard is intended to bring greater transparency and comparability to financial reporting.

We are reviewing in detail all significant contracts taking into consideration all types of contracts undertaken by the Group. The results of our review to date indicates that individual contracts will not generally result in the recognition of additional performance obligations, as defined in the standard, and IFRS 15 is not expected to result in any significant change to the timing of revenue or profit recognition on these contracts. The review also indicates that we expect revenue from construction and long-term service delivery contracts will continue to be recognised over time. We are continuing to review the position regarding the aggregation of works orders within framework contracts.

We will continue to progress our assessment of the impact of this standard, which will be subject to audit by the Group's external auditors. It is likely that the Group will adopt a modified retrospective transition approach to the standard.

The Group is also considering the impact on the group financial statements of adopting other standards, amendments or interpretations in issue but not yet effective, including IFRS 9, 'Financial instruments'. The Group is also considering the impact of IFRS 16, 'Leases' which is not yet endorsed by the EU.

Going concern

After making enquiries and reviewing the latest forecasts, the directors believe that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the interim financial statements.

Income statement presentation - Other items

In order to aid understanding of the underlying and overall performance of the Group, certain amounts are shown in the consolidated income statement in a separate column headed "Other items". Items are included under this heading where the Board considers them to be of a one-off and unusual nature or related to the accounting treatment of acquisitions.

The Board approved the unaudited interim financial statements on 22 August 2017.

The Group's principal risks and uncertainties are consistent with those noted in the Annual Report for the year ended 31 December 2016. The Directors consider that the significant areas of judgment made by management that have significant effect on the Group's performance and estimates with a significant risk of material adjustment in the second half of the year are unchanged from those identified on pages 101 and 102 of the Annual Report for the year ended 31 December 2016.

3. Business segment information

The Group has two core business segments: Natural Resources and Infrastructure plus Alcaidesa in Spain. The core segments are strategic business units with separate management and have different core customers or offer different services. This information is provided to the Chief Executive who is the chief operating decision maker.

Half-year ended 30 June 2017	**Natural Resources £m**	**Infrastructure £m**	**Alcaidesa £m**	**Central costs £m**	**Total £m**
External revenue	**172.8**	**672.3**	**2.7**	**-**	**847.8**
Share of revenue of JVs and associates	**4.9**	**21.8**	**-**	**-**	**26.7**
Total segment revenue	**177.7**	**694.1**	**2.7**	**-**	**874.5**
Group operating profit/(loss)	**0.2**	**24.8**	**(0.5)**	**(3.3)**	**21.2**
Share of results of JVs and associates	**0.1**	**-**	**-**	**-**	**0.1**
Profit/(loss) from operations before other items	**0.3**	**24.8**	**(0.5)**	**(3.3)**	**21.3**
Other items:					
Amortisation of acquired intangible assets	**(0.5)**	**(1.1)**	**-**	**-**	**(1.6)**
Employment related and other deferred consideration	**(0.9)**	**-**	**-**	**-**	**(0.9)**
Profit/(loss) from operations	**(1.1)**	**23.7**	**(0.5)**	**(3.3)**	**18.8**
Net finance expense					**(3.1)**
Profit before tax					**15.7**

Half-year ended 30 June 2016	Natural Resources £m	Infrastructure £m	Alcaidesa £m	Central costs £m	Total £m
External revenue	172.1	585.5	2.5	-	760.1
Share of revenue of JVs and associates	3.6	27.7	-	-	31.3
Total segment revenue	175.7	613.2	2.5	-	791.4

Group operating profit/(loss)	(8.5)	27.4	(0.2)	(2.9)	15.8
Share of results of JVs and associates	0.1	-	-	-	0.1
Profit/(loss) from operations before other items	(8.4)	27.4	(0.2)	(2.9)	15.9
Other items:					
Amortisation of acquired intangible assets	(1.2)	(0.8)	-	-	(2.0)
Employment related and other deferred consideration	(0.7)	-	-	-	(0.7)
Profit/(loss) from operations	(10.3)	26.6	(0.2)	(2.9)	13.2
Net finance expense					(1.9)
Profit before tax					11.3

Year ended 31 December 2016	Natural Resources £m	Infrastructure £m	Alcaidesa £m	Central costs £m	Total £m
External revenue	361.9	1,207.2	4.6	-	1,573.7
Share of revenue of JVs and associates	15.4	68.9	-	-	84.3
Total segment revenue	377.3	1,276.1	4.6	-	1,658.0
Group operating profit/(loss)	(8.6)	56.6	(0.7)	(6.2)	41.1
Share of results of JVs and associates	0.2	-	-	-	0.2
Profit/(loss) from operations before other items	(8.4)	56.6	(0.7)	(6.2)	41.3
Other items:					
Amortisation of acquired intangible assets	(2.8)	(1.8)	-	-	(4.6)
Employment related and other deferred consideration	(1.4)	(0.2)	-	-	(1.6)
Profit/(loss) from operations	(12.6)	54.6	(0.7)	(6.2)	35.1
Net finance expense					(4.2)
Profit before tax					30.9

4. Net finance expense

Finance expense includes the interest cost on the net liabilities of the pension scheme of £0.9 million (2016 half-year £0.6 million, 2016 year £1.1 million).

5. Taxation

Half-year ended 30 June, year ended 31 December	**2017 Half-year £m**	2016 Half-year £m	2016 Year £m
UK corporation tax	**(2.3)**	(0.7)	(2.8)
Deferred tax	**(0.6)**	(0.9)	(1.7)
Tax expense in the condensed consolidated income statement	**(2.9)**	(1.6)	(4.5)
Effective tax rate	**18.3%**	**14.2%**	14.6%

The tax charge is based on the estimated effective tax rate for the full year.

6. Earnings per share

The calculation of earnings per share is based on profit for the period of £12.8 million (2016 half-year £9.7 million, 2016 year £26.4 million) and the number of shares set out below:

	2017 Half-year m	2016 Half-year m	2016 Year m
Weighted average number of shares in issue for basic earnings per share calculation	**104.4**	102.3	102.8
Dilutive potential ordinary shares arising from employee share schemes	**3.1**	3.2	2.6
Weighted average number of ordinary shares in issue for fully diluted earnings per share calculation	**107.5**	105.5	105.4

7. Dividends

	Dividend per share pence	**Half-year ended 30 June 2017 £m**	Half-year ended 30 June 2016 £m	Year ended 31 December 2016 £m
Final dividend for the year ended 31 December 2015	7.25	**-**	7.4	7.4
Interim dividend for the year ended 31 December 2016	4.30	**-**	-	4.4
Final dividend for the year ended 31 December 2016	8.40	**8.8**	-	-
Amount recognised as distributions to equity holders in the period		**8.8**	7.4	11.8
Dividends settled in shares		**(1.8)**	(0.3)	(0.8)
Dividends settled in cash		**7.0**	7.1	11.0

The proposed interim dividend of 4.75 pence (2016: 4.3 pence) has not been included as a liability in these interim financial statements because it had not been approved at the period end date. The dividend totalling £5.0 million will be paid on 20 October 2017 to shareholders on the register at the close of business on 15 September 2017. A scrip dividend alternative will be offered.

8. Non-current assets

As stated in the annual report for the year ended 31 December 2016, impairment reviews were carried out on the value of goodwill of £54.1 million (2016 half-year £40.8 million, 2016 year £54.1 million). Consideration has been given as to whether any events have occurred since the year ended 30 December 2016 which would give rise to an impairment and none have been identified.

During the interim period, the Group spent £0.5 million on plant and equipment and £0.1 million on software and development (2016 half-year £1.0 million on plant and equipment and £0.1 million on software and development, 2016 year £6.8 million on plant and equipment, £0.2 million on land and buildings and £0.1 million on software and development).

9. Retirement benefit obligations

	2017 Half-year £m	2016 Half-year £m	2016 Year £m
Present value of defined benefit obligations	**(805.9)**	(762.3)	(827.5)
Fair value of scheme assets	**762.4**	704.9	754.0
Recognised liability for defined benefit obligations	**(43.5)**	(57.4)	(73.5)

Movement in present value of defined benefit obligations:	**2017 Half-year £m**	2016 Half-year £m	2016 Year £m
Opening balance	**827.5**	687.4	687.4
Interest cost	**10.9**	12.8	25.5
Remeasurements – demographic assumptions	**15.0**	-	-
Remeasurements – financial assumptions	**4.1**	77.3	153.0
Remeasurements – experience assumptions	**(34.2)**	-	(6.8)
Benefits paid	**(17.4)**	(15.2)	(31.6)
Closing balance	**805.9**	762.3	827.5

Movement in fair value of scheme assets:	**2017 Half-year £m**	2016 Half-year £m	2016 Year £m
Opening balance	**754.0**	650.7	650.7
Interest income	**10.0**	12.2	24.4
Remeasurements – return on assets	**8.6**	49.6	96.4
Contributions by employer	**7.2**	7.6	14.3
Administrative expenses	**-**	-	(0.2)
Benefits paid	**(17.4)**	(15.2)	(31.6)
Closing balance	**762.4**	**704.9**	754.0

The following actuarial assumptions have been used in the IAS 19 valuations of the Group's defined benefit pension scheme, which was closed to new members in May 2005 and to future accrual in September 2009 (expressed as weighted averages):

	2017 Half-year %	2016 Half-year %	2016 Year %
Discount rate	**2.60**	2.90	2.70
Future pension increases	**3.05**	2.70	3.10
Inflation assumption	**3.10**	2.70	3.20

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

	Pension liability £m
Increase discount rate by 0.25%, decreases pension liability by	33.7
Decrease inflation (and pension increases) by 0.25%, decreases pension liability by	29.1
Increase life expectancy by one year, increases pension liability by	30.2

10. Financial instruments

The Group's centralised function manages financial risk, principally arising from liquidity and funding risks and movements in foreign currency rates, in accordance with policies agreed by the Directors. At 30 June 2017, the Group had foreign currency contracts designated as cash flow hedges of future transactions over a period of up to 3 years as summarised below. The carrying value represents the fair value of the contract; the cash flows represent the pounds sterling commitments. There were no ineffective hedges at the reporting date.

Foreign exchange contracts	**2017 Half-year**		2016 Half-year		2016 Year	
	Carrying amount £m	**Cash flows £m**	Carrying amount £m	Cash flows £m	Carrying amount £m	Cash flows £m
Purchases	**2.1**	**(26.3)**	-	-	2.8	(29.6)
Sales	**(0.2)**	**6.3**	2.7	(21.2)	(0.1)	11.8
	1.9	**(20.0)**	2.7	(21.2)	2.7	(17.8)

The Group's investment in Alcaidesa Holding SA is hedged by euro currency contracts which mitigate the foreign currency risk arising from the subsidiary's net assets. The value of the forward sale contracts at 30 June 2017 was €30.0 million (2016 half-year €32.0 million, 2016 year €30.5 million). No ineffectiveness was recognised from the net investment hedge.

11. Share capital

Issued capital as at 30 June 2017 amounted to £52.4 million (2016 half-year £51.4 million, 2016 year-end £52.1 million) and comprised 104,787,233 ordinary shares of 50 pence each.

The Company announced on 19 May 2017 that shareholders had, pursuant to the Scrip Dividend Scheme, elected to receive 382,406 ordinary shares of 50 pence each in the Company in lieu of cash in respect of all or part of their final dividend for the year ended 31 December 2016.

The Company operates a Long-Term Incentive Plan and a Share Deferral Plan, together with a legacy Deferred Share Bonus Plan, under which directors and senior employees can receive awards of shares subject to defined performance targets being achieved by the Group. No ordinary shares were issued under these plans during the period. Full details of these plans are disclosed in the annual financial statements.

During the period, the Company issued 170,636 ordinary shares of 50 pence each following the exercise of share options granted to employees under the Company's Savings Related Share Option Scheme (relating to the 2011 five-year grant) and the Company's Sharesave Plan (relating the 2013 three-year grant).

12. Related party transactions

Details of transactions between the Group and The Costain Pension Scheme are included in Note 9. There have been no other changes in the nature of related party transactions since the last annual financial statements as at and for the year ended 31 December 2016.

13. Contingent liabilities

Group banking facilities and surety bond facilities are supported by cross guarantees given by the Company and participating companies in the Group. At 30 June 2017, amounts drawn under the bonding facilities amounted to £87.6 million (2016 half-year £161.5 million, 2016 year £78.7 million).

There are contingent liabilities in respect of performance bonds and other undertakings, including joint arrangements and legal claims arising, all in the ordinary course of business. None are anticipated to result in material liabilities except as already provided.

14. Cautionary forward-looking statements

These results contain forward-looking statements based on current expectations and assumptions. Various known and unknown risks, uncertainties and other factors may cause actual results to differ from any future results or developments expressed or implied from the forward-looking statements. Each forward-looking statement speaks only as of the date of this document. The Group accepts no obligation to publicly revise or update these forward-looking statements or adjust them to future events or developments, whether as a result of new information, future events or otherwise, except to the extent legally required.

Responsibility Statement of the Directors in respect of the interim financial report

Each of the directors of Costain Group PLC confirms, to the best of his or her knowledge, that:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the interim management report includes a fair review of the information required by:
  - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year 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 year; and
  - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period; and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board

Paul Golby CBE – Chairman

Andrew Wyllie CBE – Chief Executive

22 August 2017

Independent review report to Costain Group PLC

Report on the Interim results for the half-year

Our conclusion

We have reviewed Costain Group PLC's interim financial statements (the "interim financial statements") in the Results for the half-year ("interim results") of Costain Group PLC for the 6 month period ended 30 June 2017. 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 International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:
- the condensed consolidated statement of financial position as at 30 June 2017;
- the condensed consolidated income statement and condensed consolidated statement of comprehensive income and expense for the period then ended;
- the condensed consolidated cash flow statement for the period then ended;
- the condensed consolidated 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 interim results have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The interim results, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the interim results based on our review. 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.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. 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 Ireland) 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 half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants

London

22 August 2017

Unsolicited mail

The Company is legally obliged to make its share register available to the general public. Consequently, some shareholders may receive unsolicited mail, including correspondence from unauthorised investment firms. Shareholders who wish to limit the amount of unsolicited mail they receive can contact:

The Mailing Preference Service

Freepost 29 (LON20771)

London W1E 0ZT

Company's Registrar

The Company's Registrar is Equiniti, who are located at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. For enquiries regarding your shareholding, please telephone 0371 384 2250. If you are calling from outside the UK, please telephone +44(0) 121 415 7047. Lines are open 08.30am to 05.30pm, Monday to Friday. You can also view up to date information about your shareholdings by visiting the shareholder website at www.shareview.co.uk. Please ensure that you advise Equiniti promptly of any change of name or address.

Scrip dividend scheme

A scrip dividend alternative will be offered in respect of the interim dividend, enabling shareholders to receive new ordinary shares instead of cash if they so wish. Those shareholders who have already elected to join the scrip dividend scheme will automatically have their interim dividend sent to them in this form. Shareholders wishing to join the scheme for the interim dividend (and all future dividends) should return their completed mandate form to the Registrar, Equiniti, by 30 September 2017. Copies of the mandate form and the scrip dividend brochure can be downloaded from the Company's website www.costain.com or obtained from Equiniti by telephoning 0371 384 2268.

Dividend payments

If your dividend is not currently paid directly into your bank or building society account and you would like to benefit from this service, please contact Equiniti on 0371 384 2250 who will be pleased to assist. By receiving your dividends in this way, you can avoid the risk of cheques getting lost in the post.

ShareGIFT

The Orr Mackintosh Foundation (ShareGift) operates a charity share donation scheme for shareholders with small parcels of shares whose value makes it uneconomic to sell them. Details of the scheme are available on the ShareGift website www.sharegift.org and Equiniti can provide stock transfer forms on request. Donating shares to charity in this way gives rise neither to a gain nor a loss for Capital Gains Tax purposes. This service is completely free of charge.