20 August 2015

Costain Group PLC
('Costain' or 'the Group' or 'the Company')

Results for the half-year ended 30 June 2015

Costain, the engineering solutions provider, announces another strong performance with increases in revenue and underlying operating profit, a record order book and a 15% increase in the interim dividend for the first six months of 2015.

	HY 2015	HY 2014	FY 2014
Revenue[1]	**£621.1m**	**£529.1m**	**£1,122.5m**
Operating Profit			
- Underlying[2]	**£13.1m**	**£11.2m**	**£28.7m**
Profit before tax			
- Adjusted[2]	**£11.4m**	**£9.1m**	**£28.5m**
- Reported	**£10.0m**	**£5.8m**	**£22.6m**
Basic earnings per share			
- Adjusted[2]	**9.6p**	**9.2p**	**27.8p**
- Reported	**8.4p**	**5.8p**	**22.2p**
Net Cash balance	**£126.8m**	**£133.8m**	**£148.5m**
Dividend per share	**3.75p**	**3.25p**	**9.5p**

1. Including share of joint ventures and associates
2. Before other items; amortisation of acquired intangible assets and employment related and other deferred consideration.

Highlights

- **Another strong trading performance**
  - Revenue[1] increased to £621.1 million (2014: £529.1 million)
  - Underlying operating profit[2] up 17% to £13.1 million (2014: £11.2 million)
  - Net cash balance of £126.8 million (2014: £133.8 million)

- **Unique customer focused strategy generating record order book**
  - Record forward order book up 16% to £3.7 billion (2014: £3.2 billion)
  - Over 90% of order book comprises repeat orders and over 90% lower risk target cost, cost reimbursable forms of contract

- **Leveraging opportunity to accelerate growth both organically and by acquisition**
  - Post period-end acquisition of Rhead Group, further broadening range of capabilities
  - Banking and bonding facilities increased to £525 million and extended to 2020

- **Positive outlook for FY2015 and confidence in the future**
  - Over £1.2 billion of revenue secured for FY 2015 by 30 June, (2014: over £950 million secured for FY 2014)
  - Increase of 15% in interim dividend to 3.75 pence per share (2014: 3.25 pence)

Andrew Wyllie CBE, Chief Executive, commented:

"We have delivered another strong performance in the first half of the year. In addition to growth in revenue and profit, our order book now stands at a record £3.7 billion.

"Costain has an established reputation for delivering innovative integrated services that enables the Group to win large, long-term contracts addressing the UK's National needs in energy, water and transportation.

"Costain is accelerating its growth and following the 17% increase in underlying operating profit in the first half of the year is on course to deliver a result for the year at the upper-end of the Board's expectations. Our confidence for the future is reflected in the 15% increase in dividend."

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

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

Costain is an engineering solutions provider, delivering integrated consulting, project delivery and operations and maintenance services, with a portfolio spanning 150 years of innovation and technical excellence. The Group's core business segments are in energy, water and transportation.

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

Costain has worked on a number of high profile infrastructure projects in the UK, including the St Pancras Station redevelopment and the Channel Tunnel Rail Link. The Group's current major contracts include EVAP D at Sellafield, one of the largest decommissioning nuclear projects in the UK; the redevelopment of London Bridge Station for Network Rail; the design, installation and commissioning of railway systems for Crossrail; the Thames Water eight$_2$0 Alliance asset management programme; and the design and delivery of the water cooling systems for the proposed new nuclear power station at Hinkley for EDF.

CHIEF EXECUTIVE'S STATEMENT

Unique strategy delivering results

Through our unique and focused *"Engineering Tomorrow"* strategy we have successfully positioned the business to provide the range of innovative integrated services demanded by our major customers who are spending billions of pounds to meet critical national needs in energy, water and transportation.

Those customers are also consolidating their supply chains as they seek to derive business benefits by working in a more strategic and collaborative manner with a reduced number of preferred Tier One providers through larger longer-term contracts. To be successful in the future we must continue to grow the business, both organically and by targeted acquisition, to ensure that we have the scale and capability to satisfy the full range of their service needs for increasingly complex and large scale projects.

The year to date has seen good progress in line with our stated objective of accelerating the growth of the Group, both organically and by acquisition.

We are pleased to report another good overall trading performance in the first half of 2015. This reflects strong growth in the Infrastructure division, as major customers continued to invest in upgrading and renewing the UK's transportation networks, and is despite the impact of lower energy prices and further provisioning in the Natural Resources division. Consequently, revenue and underlying operating profit increased whilst the Group's unique customer-focussed strategy has generated a record order book of £3.7 billion.

Post the period-end we have completed the acquisition of Rhead Group which further enhances the range of integrated services we provide to our customers. We also announced in the period the reorganisation of the non-core Alcaidesa joint venture in Spain.

Following the strong start to the year, the Group is on course to deliver a result for the full year at the upper end of the Board's expectations. Reflecting the Board's confidence for the future, the interim dividend has been increased by 15%.

Robust trading performance

Revenue, including the Group's share of joint ventures and associates, for the half-year ended 30 June 2015 increased by 17% to £621.1 million (2014: £529.1 million), and Group underlying operating profit was also up 17% to £13.1 million (2014: £11.2 million).

Net finance expense amounted to £1.5 million in the period (2014: £2.0 million), benefiting from a lower interest cost in the period on the net liabilities of the pension scheme.

The adjusted profit before tax increased by 25% to £11.4 million (2014: £9.1 million).

The Group's effective rate of tax was 15% owing to the timing benefit of deferred tax assets not previously recognised.

Adjusted basic earnings per share were 9.6 pence (2014: 9.2 pence).

Record order book

During the first half we were successful in securing a number of major new contract awards and extensions to existing contracts. Consequently, the order book was up 16% to a record £3.7 billion at 30 June 2015 (30 June 2014: £3.2 billion).

Our collaborative approach and reputation for excellent delivery continue to be key factors behind our success in securing an order book which includes over 90% repeat business. Further new contract awards in the first six months include:

- Development of the M4 corridor around Newport for the Welsh Government
- Underground link between the Crossrail and Bakerloo Line platforms at Paddington station
- Two sections of the A14 improvement scheme for Highways England

As at 30 June 2015, the Group had secured revenue for 2015 of over £1.2 billion (2014: over £950 million secured for 2014).

The order book provides good long-term visibility with over £950 million of revenue secured for 2016 (2014: over £800 million secured for 2015), and £2.2 billion of revenue secured for 2017 and beyond.

In addition, the Group has a strong preferred bidder position, increased to over £500 million (2014: over £400 million).

Robust cash position

The Group's net cash position at 30 June 2015 was £126.8 million (2014: £133.8 million), with no significant debt.

The decrease in the net cash position reflects the continued growth in lower-risk target cost, cost reimbursable contracts, the payment of acquisition related deferred consideration in the period and the payment of the final dividend and associated pension contribution. The average month-end net cash increased to £131.7 million for the period (2014: £82.0 million).

The Group has flexible financing in place to support its future growth and has recently increased its total banking and bonding facilities to £525 million with an extended maturity date of 30 June 2020.

Increased dividend

In line with its progressive dividend policy, targeting an ongoing dividend cover of around two times underlying earnings, the Board has declared an interim dividend of 3.75 pence per share (2014: 3.25 pence per share).

The dividend will be paid on 23 October 2015 to shareholders on the register as at the close of business on 18 September 2015.

Group Pension Scheme

The deficit on the Group's legacy Costain Pension Scheme ('CPS') at 30 June 2015 in accordance with IAS 19, net of deferred tax, was £29.6 million (June 2014: £40.7 million). The decrease is a result of company contributions and asset value gains offsetting an increase in liabilities due to changes in the market based assumptions used.

Deficit contributions continue in line with the plan agreed with the Trustee of the CPS with annual contributions being £7.0 million per annum (increasing annually with inflation) plus an additional contribution to match the total contribution to the total annual dividend amount paid by the company. In accordance with this agreement, total contributions in the period were £5.9 million with further contributions of £3.7 million planned for the second half of the year.

Accelerating growth

The Group announced on 17 August 2015 that it had completed the acquisition of Rhead Group, a professional services consultancy with a focus on programme and commercial management.

Rhead Group, established in 1985 and operating with over 550 people, provides a range of solutions for the lifecycle of infrastructure, construction and asset management programmes, primarily in the UK, for a number of blue-chip customers including National Grid, Wales & West Utilities and BAE Systems.

Rhead Group's senior management team, including Nigel Curry, Rhead Group CEO, will remain with the business.

Costain's strategy is to focus on major customers spending billions of pounds addressing national needs in energy, water and transportation. Those customers are consolidating their supply chains and are seeking an increasingly integrated service offering from their Tier One service providers through larger, longer-term collaborative contracts. Rhead Group will further enhance Costain's programme management and advisory capability across all of the Group's operations as part of that integrated service offering.

Rhead Group has been acquired for a total cash consideration of £36.0 million on a debt free / cash free and normalised working capital basis and the consideration has been funded from Costain's existing cash and debt facilities.

In the year ended 31 July 2014, Rhead Group generated revenues of £63.5 million and EBITDA of £5.2 million (before exceptional administrative expenses of £0.7 million).

Rhead Group will be fully integrated into Costain's power sector in the current financial year, which following the acquisition, now reports into the Natural Resources division. The acquisition is expected to be earnings enhancing from 2016.

Separately, post the period-end, Costain took the opportunity to combine all of its nuclear activities across the Group into one unit which will report into the Infrastructure division. This action will enable a more concentrated focus on the opportunities in the nuclear sector, driven by investment in new energy solutions and the pressing need to deal with the UK's legacy nuclear infrastructure.

The UK market is defined by significant and long-term planned expenditure programmes underpinned by committed regulated spend and essential capital investment. At the same time, and as we anticipated, the changing nature and increasing complexity of the requirements of the major customers in these markets continues to change fundamentally the way in which they procure services and work with their supplier partners.

These trends have created a rapidly changing and dynamic market environment in which further consolidation has taken place and is expected to continue. All potential opportunities to accelerate growth by acquisition are considered against a strict set of strategic and financial criteria

Focusing and prioritising resources

We have two core operating and reporting divisions within our business; Infrastructure and Natural Resources.

We continue to focus and prioritise our resources on a group-wide basis and through our customer-aligned divisional structure, on identifying the most attractive new opportunities for the Company as a whole.

Infrastructure Division

The division, which in the first half incorporated the Group's activities in the highways, rail and power markets, has had a strong first half with an increase in revenue, operating profit and order book.

Revenue increased to £475.2 million (2014: £358.7 million) whilst operating profit rose to £23.6 million (2014: £16.9 million) as we delivered an excellent performance across the division including the award of gain-share on a number of contracts which enhanced margins in the period to the upper-end of expectations.

The forward order book for the division has grown to £2.7 billion (2014: £2.2 billion) and the level of tendering activity remains high with a significant pipeline of opportunities.

In Highways, Costain secured new work and extended existing contracts with Highways England including winning two out of three lots of the major A14 programme and securing extensions on the Areas 12 and 14 maintenance contracts. The Group, in joint venture, was also awarded the M4 corridor development contract around Newport for the Welsh Government.

In Rail, the year started well with the delivery, ahead of schedule, of all major blockade work for Network Rail at London Bridge and Crossrail Anglia. Meanwhile, the Kent Multidiscipline Engineering Framework, West Coast Main Line Power Upgrade and Edinburgh to Glasgow Improvement Electrification contracts are all operating as planned. The ABC Electrification joint venture, under Network Rail's National Electrification Programme, has commenced works to electrify the railway line between Swindon and Cardiff. For Crossrail, good progress was made on the Paddington New Yard, Paddington and Bond Street stations. The first of the new Crossrail tracks were laid at Connaught tunnel as part of the C610 System Wide contract. For London Underground, good progress has been made on the complex Bond Street station upgrade and we have mobilised the Bakerloo Line Link contract.

In Power, work continued on the operations and maintenance contracts for Scottish and Southern Electric, Scottish Power and E.ON on the fossil fuel fleet of power stations. For National Grid, Costain successfully completed the tunnelling on the 33km London Power tunnel contract.

Natural Resources Division

The Natural Resources division in the first half incorporated the Group's activities in the oil & gas, nuclear process and water markets.

Revenue (including share of joint ventures and associations) in the division for the year was £145.0 million (2014: £169.4 million), with a loss from operations of £7.4 million (2014: £2.6 million loss).

The loss in the period reflects further costs in relation to the completion of the legacy Greater Manchester Waste Disposal Authority PFI contract awarded in 2007. It was reported in the Group's full-year results, for the year ending 31 December 2014, that all 46 facilities on the contract were either fully completed or in the warranty period under the terms of the contract during which further work and plant modifications will be completed. During the course of that further work a number of issues have been identified and are being addressed. The Group has taken an additional provision in respect of the costs to reach Final Acceptance on the project, which is expected in the second half of 2016.

The division's performance was also impacted by the decline in energy prices which resulted in a number of projects in the North Sea being delayed.

The division has a forward order book of £1.0 billion (2014: £1.0 billion) and the level of estimating and tendering is high across all three of the division's sectors.

In Water, the Group has continued to deliver successfully and to close out AMP-5 frameworks for United Utilities, Southern Water, Severn Trent Water, Welsh Water and Northumbrian Water. A number of contracts within AMP-5 will continue throughout 2015 into 2016, including delivery of the large waste water treatment plants at Liverpool and Woolston. The new AMP-6 five year programmes have been successfully mobilised for Thames Water, Severn Trent Water and Southern Water, and as a result we anticipate an increase in revenue in the second half of the year. In addition, work has commenced on the Shieldhall contract with Scottish Water.

Costain continues to broaden and develop its specialist capabilities in the Oil & Gas market across its upstream, midstream and downstream activities. In upstream, which delivers asset development and asset improvement consulting services from its base in Aberdeen, Costain has continued to secure new work despite challenging market conditions and was recently appointed by ETI to deliver a new CCS storage appraisal project funded by DECC.

In Nuclear Process, the delivery of Evaporator-D construction at the Sellafield Nuclear Reprocessing Facility continues on plan.

Land Development

Our non-core Land Development activity in Spain, undertaken in joint venture with Santander Bank in the period, continued to be subject to challenging market conditions although the Spanish economy continued to show signs of improvement.

Revenue was £0.9 million (2014: £1.0 million) and the loss after tax was £0.5 million (2014: £0.5 million loss) reflecting the Group's share of the running and financing costs of the joint venture. Our activities in the period focused on our leisure businesses of golf courses and a 600 berth marina, with a continued moratorium on development activity on the land-bank.

We announced on 1 July 2015 that, by mutual agreement with our joint venture partner, Santander, the assets held by the non-core joint venture would, subject to the fulfilment of certain conditions, be reorganised and split equally between the parties. Following the reorganisation, which was completed on 21 July 2015, Santander took ownership of the two largest pieces of development land held by the joint venture and assumed a portion of the outstanding debt. Costain now owns the operating assets of the golf courses, the associated parcel of land and the marina concession, and has retained the balance of the outstanding debt.

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 which mitigate these risks, are set out on pages 28-30 of the Group's Annual Report for 2014, a copy of which is available from our website www.costain.com.

The Chief Executive's Statement and the notes to these interim financial statements include consideration of uncertainties affecting the Group in the remaining six months of the year.

Costain 150 Challenge

In 2015, Costain is celebrating its 150th anniversary and, to help mark this special occasion, we are undertaking the Costain 150 Challenge, which will change many people's lives by raising £1 million for the Costain Charitable Foundation's four chosen charities: British Heart Foundation, Macmillan Cancer Support, Prince's Trust and Samaritans. A number of fundraising events have been taking place across the business and to date over £750,000 has been raised, including a £ for £ matching pledged by the Group.

Positive outlook

We have delivered another strong performance in the first half of the year. In addition to growth in revenue and profit, our order book now stands at a record £3.7 billion.

Costain has an established reputation for delivering innovative integrated services that enables the Group to win large, long-term contracts addressing the UK's National needs in energy, water and transportation.

Costain is accelerating its growth and following the 17% increase in underlying operating profit in the first half of the year is on course to deliver a result for the year at the upper-end of the Board's expectations. Our confidence for the future is reflected in the 15% increase in dividend.

Andrew Wyllie CBE, Chief Executive
20 August 2015

Interim results for the half-year ended 30 June 2015

Condensed consolidated income statement

Half-year ended 30 June, year ended 31 December		**2015 Half-year**			2014 Half-year			2014 Year		
	Notes	**Before other items £m**	**Other items £m**	**Total £m**	Before other items £m	Other items £m	Total £m	Before other items £m	Other items £m	Total £m
Revenue	3	**621.1**	-	**621.1**	529.1	-	529.1	1,122.5	-	1,122.5
Less: Share of revenue of joint ventures and associates		**(19.6)**	-	**(19.6)**	(25.1)	-	(25.1)	(50.7)	-	(50.7)
Group revenue		**601.5**	**-**	**601.5**	504.0	-	504.0	1,071.8	-	1,071.8
Cost of sales		**(572.6)**	**-**	**(572.6)**	(478.4)	-	(478.4)	(1,011.6)	-	(1,011.6)
Gross profit		**28.9**	**-**	**28.9**	25.6	-	25.6	60.2	-	60.2
Administrative expenses		**(15.8)**	-	**(15.8)**	(14.4)	-	(14.4)	(31.5)	-	(31.5)
Amortisation of acquired intangible assets		**-**	**(1.2)**	**(1.2)**	-	(1.6)	(1.6)	-	(3.0)	(3.0)
Employment related and other deferred consideration		**-**	-	**-**	-	(1.3)	(1.3)	-	(2.2)	(2.2)
Group operating profit		**13.1**	**(1.2)**	**11.9**	11.2	(2.9)	8.3	28.7	(5.2)	23.5
Profit on sale of interests in joint ventures and associates		**-**	**-**	**-**	-	-	-	4.0	-	4.0
Share of results of joint ventures and associates		**(0.4)**	**-**	**(0.4)**	(0.5)	-	(0.5)	(1.3)	-	(1.3)
Profit from operations	3	**12.7**	**(1.2)**	**11.5**	10.7	(2.9)	7.8	31.4	(5.2)	26.2
Finance income		**0.4**	-	**0.4**	0.3	-	0.3	0.7	-	0.7
Finance expense		**(1.7)**	**(0.2)**	**(1.9)**	(1.9)	(0.4)	(2.3)	(3.6)	(0.7)	(4.3)
Net finance expense	4	**(1.3)**	**(0.2)**	**(1.5)**	(1.6)	(0.4)	(2.0)	(2.9)	(0.7)	(3.6)
Profit before tax		**11.4**	**(1.4)**	**10.0**	9.1	(3.3)	5.8	28.5	(5.9)	22.6
Taxation	5	**(1.7)**	**0.2**	**(1.5)**	(1.0)	0.3	(0.7)	(2.2)	0.6	(1.6)
Profit for the period attributable to equity holders of the parent		**9.7**	**(1.2)**	**8.5**	8.1	(3.0)	5.1	26.3	(5.3)	21.0
Earnings per share										
Basic	6	9.6p	(1.2)p	8.4p	9.2p	(3.4)p	5.8p	27.8p	(5.6)p	22.2p
Diluted	6	9.2p	(1.1)p	8.1p	8.8p	(3.2)p	5.6p	27.2p	(5.5)p	21.7p

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	**2015 Half-year £m**	2014 Half-year £m	2014 Year £m
Profit for the period	**8.5**	5.1	21.0
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**(2.3)**	(1.3)	(2.0)
Cash flow hedges			
Group:			
Effective portion of changes in fair value during period	**(0.1)**	-	-
Net changes in fair value transferred to retained earnings	**-**	0.1	0.1
Total items that may be reclassified subsequently to profit or loss	**(2.4)**	(1.2)	(1.9)
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations	**(0.5)**	(14.8)	(15.7)
Tax recognised on remeasurement of defined benefit obligations	**0.1**	1.3	1.5
Total items that will not be reclassified to profit or loss	**(0.4)**	(13.5)	(14.2)
Other comprehensive expense for the period	**(2.8)**	(14.7)	(16.1)
Total comprehensive income and expense for the period attributable to equity holders of the parent	**5.7**	**(9.6)**	4.9

Condensed consolidated statement of changes in equity

	Share capital	Share premium	Translation reserve	Hedging reserve	Merger reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m
At 1 January 2014	33.4	4.7	4.8	(0.1)	-	0.5	43.3
Profit for the period	-	-	-	-	-	5.1	5.1
Other comprehensive (expense)/income	-	-	(1.3)	0.1	-	(13.5)	(14.7)
Issue of ordinary shares under capital raise	16.7	-	-	-	53.6	-	70.3
Transfer	-	-	-	-	(53.6)	53.6	-
Issue of ordinary shares under employee share plans	0.3	-	-	-	-	(0.3)	-
Shares purchased to satisfy employee share schemes	-	-	-	-	-	(1.9)	(1.9)
Equity-settled share-based payments	-	-	-	-	-	0.9	0.9
Dividend paid (note 7)	0.1	0.5	-	-	-	(5.2)	(4.6)
At 30 June 2014	50.5	5.2	3.5	-	-	39.2	98.4
Profit for the period	-	-	-	-	-	15.9	15.9
Other comprehensive expense	-	-	(0.7)	-	-	(0.7)	(1.4)
Issue of ordinary shares under employee share plans	0.1	0.2	-	-	-	-	0.3
Shares purchased to satisfy employee share schemes	-	-	-	-	-	(0.1)	(0.1)
Equity-settled share-based payments	-	-	-	-	-	0.8	0.8
Dividend paid (note 7)	-	0.1	-	-	-	(3.2)	(3.1)
At 31 December 2014	50.6	5.5	2.8	-	-	51.9	110.8
Profit for the period	**-**	**-**	**-**	**-**	**-**	**8.5**	**8.5**
Other comprehensive expense	**-**	**-**	**(2.3)**	**(0.1)**	**-**	**(0.4)**	**(2.8)**
Issue of ordinary shares under employee share plans	**0.3**	**-**	**-**	**-**	**-**	**(0.3)**	**-**
Shares purchased to satisfy employee share schemes	**-**	**-**	**-**	**-**	**-**	**(0.9)**	**(0.9)**
Equity-settled share-based payments	**-**	**-**	**-**	**-**	**-**	**0.9**	**0.9**
Dividend paid (note 7)	**0.1**	**0.3**	**-**	**-**	**-**	**(6.3)**	**(5.9)**
At 30 June 2015	**51.0**	**5.8**	**0.5**	**(0.1)**	**-**	**53.4**	**110.6**

Condensed consolidated statement of financial position

Half-year as at 30 June, year as at 31 December	Notes	**2015 Half-year £m**	2014 Half-year £m	2014 Year £m
Assets				
Non-current assets				
Intangible assets	8	**29.6**	32.1	31.0
Property, plant and equipment	8	**9.6**	8.1	10.0
Investments in equity accounted joint ventures		**23.8**	25.3	25.5
Investments in equity accounted associates		**0.4**	0.3	0.3
Loans to equity accounted joint ventures		**-**	1.3	-
Loans to equity accounted associates		**1.7**	4.7	1.7
Other receivables		**31.9**	26.5	31.8
Deferred tax		**7.5**	10.2	9.2
Total non-current assets		**104.5**	108.5	109.5
Current assets				
Inventories		**1.2**	1.4	1.3
Trade and other receivables		**229.3**	212.6	197.1
Cash and cash equivalents		**126.8**	134.9	148.5
Total current assets		**357.3**	348.9	346.9
Total assets		**461.8**	457.4	456.4
Equity				
Share capital	10	**51.0**	50.5	50.6
Share premium		**5.8**	5.2	5.5
Foreign currency translation reserve		**0.5**	3.5	2.8
Hedging reserve		**(0.1)**	-	-
Retained earnings		**53.4**	39.2	51.9
Total equity attributable to equity holders of the parent		**110.6**	98.4	110.8
Liabilities				
Non-current liabilities				
Retirement benefit obligations	9	**37.0**	50.9	41.7
Other payables		**2.9**	5.5	4.5
Provisions for other liabilities and charges		**0.1**	0.2	0.1
Total non-current liabilities		**40.0**	56.6	46.3
Current liabilities				
Trade and other payables		**307.9**	297.9	296.3
Current tax payable		**1.5**	1.5	1.5
Bank overdrafts		**-**	1.1	-
Provisions for other liabilities and charges		**1.8**	1.9	1.5
Total current liabilities		**311.2**	302.4	299.3
Total liabilities		**351.2**	359.0	345.6
Total equity and liabilities		**461.8**	457.4	456.4

Condensed consolidated cash flow statement

Half-year ended 30 June, year ended 31 December	**2015** **Half-year** **£m**	2014 Half-year £m	2014 Year £m
Cash flows from operating activities			
Profit for the period	**8.5**	5.1	21.0
Adjustments for:			
Share of results of joint ventures and associates	**0.4**	0.5	1.3
Finance income	**(0.4)**	(0.3)	(0.7)
Finance expense	**1.9**	2.3	4.3
Taxation	**1.5**	0.7	1.6
Profit on sales of interests in joint ventures and associates	**-**	-	(4.0)
Depreciation of property, plant and equipment	**0.8**	0.8	2.0
Amortisation of intangible assets	**1.8**	1.8	3.4
Employment related and other deferred consideration	**-**	1.3	2.2
Shares purchased to satisfy employee share schemes	**(0.9)**	(1.9)	(2.0)
Share-based payments expense	**1.1**	1.1	2.2
Cash from operations before changes in working capital and provisions	**14.7**	11.4	31.3
Decrease in inventories	**0.1**	0.2	0.3
Increase in receivables	**(32.4)**	(26.6)	(16.3)
Increase in payables	**14.6**	37.1	33.1
Movement in provisions and employee benefits	**(5.5)**	(2.0)	(4.8)
Cash (used by)/from operations	**(8.5)**	20.1	43.6
Interest received	**0.4**	0.3	0.7
Interest paid	**(0.7)**	(1.0)	(3.6)
Current tax paid	**-**	(0.1)	(0.1)
Net cash (used by)/from operating activities	**(8.8)**	19.3	40.6
Cash flows from investing activities			
Dividends received from joint ventures and associates	**-**	0.1	0.1
Additions to property, plant and equipment	**(0.4)**	(1.0)	(5.3)
Additions to intangible assets	**(0.4)**	(0.9)	(0.8)
Proceeds of disposals of property, plant and equipment	**-**	-	0.6
Additions to cost of investments	**(1.0)**	-	(1.7)
Additions to loans to joint ventures and associates	**-**	(1.3)	-
Repayment of loans to joint ventures and associates	**-**	-	0.1
Acquisition of interest in joint operation	**-**	(2.4)	(2.4)
Acquisition related deferred consideration	**(5.2)**	(3.4)	(3.3)
Net cash used by investing activities	**(7.0)**	(8.9)	(12.7)
Cash flows from financing activities			
Issue of ordinary share capital	**-**	70.3	70.6
Ordinary dividends paid	**(5.9)**	(4.6)	(7.7)
Repayment of borrowings	**-**	(25.0)	(25.0)
Cash (used by)/from financing activities	**(5.9)**	40.7	37.9
Net (decrease)/increase in cash, cash equivalents and overdrafts	**(21.7)**	51.1	65.8
Cash, cash equivalents and overdrafts at beginning of the period	**148.5**	82.7	82.7

Cash, cash equivalents and overdrafts at end of the period	**126.8**	133.8	148.5

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 2014 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.

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.

2. Statement of compliance

This interim financial information for the half-year ended 30 June 2015 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 2014 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 2014. No material new standards, amendments to standards or interpretations are effective for the half-year ended 30 June 2015.

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 20 August 2015.

The Group’s principal risks and uncertainties are consistent with those noted in the Annual Report for the year ended 31 December 2014. 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 99 and 100 of the Annual Report for the year ended 31 December 2014.

3. Business segment information

The Group has two core business segments: Natural Resources and Infrastructure plus the Land Development operations 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 2015	**Natural Resources**	**Infrastructure**	**Land Develop-ment**	**Central costs**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
External revenue	**137.5**	**464.0**	**-**	**-**	**601.5**
Share of revenue of JVs and associates	**7.5**	**11.2**	**0.9**	**-**	**19.6**
Total segment revenue	**145.0**	**475.2**	**0.9**	**-**	**621.1**
Group operating profit/(loss)	**(7.5)**	**23.6**	**-**	**(3.0)**	**13.1**
Share of results of JVs and associates	**0.1**	**-**	**(0.5)**	**-**	**(0.4)**
Profit/(loss) from operations before other items	**(7.4)**	**23.6**	**(0.5)**	**(3.0)**	**12.7**
Other items:					
Amortisation of acquired intangible assets	**(0.4)**	**(0.8)**	**-**	**-**	**(1.2)**
Profit/(loss) from operations	**(7.8)**	**22.8**	**(0.5)**	**(3.0)**	**11.5**
Net finance expense					**(1.5)**
Profit before tax					**10.0**

Business segment information (continued)

Half-year ended 30 June 2014

	Natural Resources	Infrastructure	Land Develop-ment	Central costs	Total
	£m	£m	£m	£m	£m
External revenue	152.3	351.7	-	-	504.0
Share of revenue of JVs and associates	17.1	7.0	1.0	-	25.1
Total segment revenue	169.4	358.7	1.0	-	529.1
Group operating profit/(loss)	(2.6)	16.9	-	(3.1)	11.2
Share of results of JVs and associates	-	-	(0.5)	-	(0.5)
Profit/(loss) from operations before other items	(2.6)	16.9	(0.5)	(3.1)	10.7
Other items:					
Amortisation of acquired intangible assets	(0.8)	(0.8)	-	-	(1.6)
Employment related and other deferred consideration	(1.3)	-	-	-	(1.3)
Profit/(loss) from operations	(4.7)	16.1	(0.5)	(3.1)	7.8
Net finance expense					(2.0)
Profit before tax					5.8

Year ended 31 December 2014

	Natural Resources	Infrastructure	Land Develop-ment	Central costs	Total
	£m	£m	£m	£m	£m
External revenue	301.5	770.3	-	-	1,071.8
Share of revenue of JVs and associates	33.5	14.9	2.3	-	50.7
Total segment revenue	335.0	785.2	2.3	-	1,122.5
Group operating profit/(loss)	(3.5)	38.3	-	(6.1)	28.7
Profit on sales of JVs and associates	4.0	-	-	-	4.0
Share of results of JVs and associates	-	-	(1.3)	-	(1.3)
Profit/(loss) from operations before other items	0.5	38.3	(1.3)	(6.1)	31.4
Other items:					
Amortisation of acquired intangible assets	(1.5)	(1.5)	-	-	(3.0)
Employment related and other deferred consideration	(2.2)	-	-	-	(2.2)
Profit/(loss) from operations	(3.2)	36.8	(1.3)	(6.1)	26.2
Net finance expense					(3.6)
Profit before tax					22.6

4. Net finance expense

Finance expense includes the interest cost on the net liabilities of the pension scheme of £0.6 million (2014 half-year £0.8 million, 2014 year £1.4 million).

5. Income tax

	2015 Half-year £m	2014 Half-year £m	2014 Year £m
UK taxation	**-**	-	-
Deferred tax	**(1.5)**	(0.7)	(1.6)
Income tax expense in the condensed consolidated income statement	**(1.5)**	(0.7)	(1.6)
Effective tax rate	**15.0%**	12.1%	7.1%

The tax charge is represented by the estimate of the effective tax rate for the period.

6. Earnings per share

The calculation of earnings per share is based on the profit for the period of £8.5 million (2014 half-year £5.1 million, 2014 year £21.0 million) and the number of shares set out below.

	2015 Half-year Number (m)	2014 Half-year Number (m)	2014 Year Number (m)
Weighted average number of shares for basic earnings per share calculation	**101.4**	88.3	94.6
Dilutive potential ordinary shares arising from employee share scheme	**3.3**	3.4	2.1
Weighted average number of shares for fully diluted earnings per share calculation	**104.7**	91.7	96.7

7. Dividends

	Dividend Per share pence	**Half-year ended 30 June 2015 £m**	Half-year ended 30 June 2014 £m	Year ended 31 December 2014 £m
Final dividend for the year ended 31 December 2013	7.75	-	5.2	5.2
Interim dividend for the year ended 31 December 2014	3.25	**-**	-	3.2
Final dividend for the year ended 31 December 2014	6.25	**6.3**	-	-
Amount recognised as distributions to equity holders in the period		**6.3**	5.2	8.4
Dividends settled in shares		**(0.4)**	(0.6)	(0.7)
Dividends settled in cash		**5.9**	4.6	7.7

The proposed interim dividend of 3.75 pence (2014: 3.25 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 £3.8 million will be paid on 23 October 2015 to shareholders on the register at the close of business on 18 September 2015. A scrip dividend alternative will be offered.

8. Non-current assets

During the interim period, the Group spent £0.4 million on plant and equipment and £0.4 million on software and development (2014 half-year £1.0 million on plant and equipment and £0.9 million on software and development, 2014 year £5.3 million on plant and equipment and £0.8 million on software and development).

9. Retirement benefit obligations

	2015 Half-year £m	2014 Half-year £m	2014 Year £m
Present value of defined benefit obligations	**(704.5)**	(650.7)	(701.0)
Fair value of scheme assets	**667.5**	599.8	659.3
Recognised liability for defined benefit obligations	**(37.0)**	(50.9)	(41.7)

Movements in present value of defined benefit obligations:	2015 Half-year £m	2014 Half-year £m	2014 Year £m
Opening balance	**701.0**	629.7	629.7
Interest cost	**12.3**	14.3	28.3
Remeasurements	**6.9**	21.0	71.2
Benefits paid	**(15.7)**	(14.3)	(28.2)
Closing balance	**704.5**	650.7	701.0

Movements in fair value of scheme assets:	2015 Half-year £m	2014 Half-year £m	2014 Year £m
Opening balance	**659.3**	592.5	592.5
Interest income	**11.7**	13.5	26.9
Remeasurements	**6.3**	6.2	55.5
Contributions by employer	**5.9**	1.9	12.6
Benefits paid	**(15.7)**	(14.3)	(28.2)
Closing balance	**667.5**	599.8	659.3

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):

	2015 Half-year %	2014 Half-year %	2014 Year %
Discount rate	**3.70**	4.30	3.60
Future pension increases	**3.05**	3.10	2.85
Inflation assumption	**3.10**	3.20	2.90

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	27.5
Decrease inflation (and pension increases) by 0.25%, decreases pension liability by	24.1
Increase life expectancy by one year, increases pension liability by	21.5

10. Share capital

Issued capital as at 30 June 2015 amounted to £51.0 million (2014 half-year £50.5 million, 2014 year £50.6 million) and comprised 102,028,118 ordinary shares of 50 pence each.

The Company announced on 22 May 2015 that shareholders had, pursuant to the Scrip Dividend Scheme, elected to receive 129,149 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 2014.

The Company operates a Long-Term Incentive Plan (LTIP), a Deferred Share Bonus Plan and a Share Deferral Plan under which directors and senior employees can receive awards of shares subject to defined performance targets being achieved by the Group. Full details of these plans are disclosed in the annual financial statements.

The 2012 LTIP award vested in May 2015 resulting in the issue of 689,042 ordinary shares. During the period, the Company also issued 7,234 ordinary shares of 50 pence each on exercise of options granted under the 2011 3 year Save As You Earn scheme. Full details will be disclosed in the annual financial statements.

11. 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 2014.

12. 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

David Allvey - Chairman

Andrew Wyllie CBE – Chief Executive

20 August 2015

Independent review report to Costain Group PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 which comprises The Condensed consolidated income statement, the Condensed consolidated statement of comprehensive income and expense, the Condensed consolidated statement of changes in equity, the Condensed consolidated statement of financial position, the Condensed consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

The annual financial statements of the Company are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

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 UK. 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Andrew Marshall
for and on behalf of KPMG LLP
Chartered Accountants
London
20 August 2015

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 (LON 20771)
London WE1 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 0871 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 2 October 2015. 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 0871 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 0871 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.

* Calls to this number cost 8p per minute plus network extras. Lines are open 08.30am to 05.30pm, Monday to Friday. If you are calling from outside the UK please telephone +44(0)121 415 7047.