Intertek

2016 HALF YEAR RESULTS ANNOUNCEMENT
1 AUGUST 2016

Double Digit Revenue and Earnings Growth

HALF YEAR HIGHLIGHTS

- Double digit revenue growth driven by organic growth and acquisitions
- Disciplined cost and margin management with margin up by 10bps[1]
- Double digit profit growth with adjusted EPS up 14.1%
- Strong cash conversion and disciplined capital allocation
- Half year dividend payment of 19.4p, up 14.1%

André Lacroix: Chief Executive Officer statement

"The Group has delivered double digit revenue and earnings growth leveraging our high margin and strongly cash generative earnings model. We have announced an interim dividend of 19.4p up 14.1% year on year, in line with our progressive dividend policy.

We are on track to deliver our full year targets. Our Products division delivered an excellent performance with an operating profit growth of 22% benefiting from a robust organic growth performance and from recent acquisitions. Our Trade related businesses delivered a solid performance while trading conditions remain challenging, as expected, in our Resources sector.

We operate in a $250bn global quality assurance industry with attractive structural growth prospects and looking forward we will continue to benefit from increased consumer demand for higher quality and more sustainable products, changing regulations, technological innovations, more complex supply chains, global trade flows and the increased focus of corporations on risk management.

We are well positioned to seize these exciting growth opportunities with our Total Quality value proposition that provides a superior service, offering global Assurance, Testing, Inspection and Certification solutions to our customers across multiple industries globally.

Our differentiated Total Quality Assurance growth strategy will move the centre of gravity of our portfolio towards the attractive growth and margin opportunities in the industry based on a disciplined approach to performance management and capital allocation to deliver sustainable growth and returns for our shareholders."

A video outlining the Half Year Results is available on the Group's website - http://www.intertek.com/

Key Adjusted Financials	2016 H1	2015 H1	Change at actual rates	Change at constant rates[1]
Revenue	**£1,203.9m**	£1,060.2m	13.6%	10.6%
Organic revenue[2]	**£1,090.8m**	£1,057.5m	3.1%	0.5%
Operating profit[3]	**£185.9m**	£164.4m	13.1%	11.3%
Operating margin[3]	**15.4%**	15.5%	(10bps)	10bps
Profit before tax[3]	**£172.5m**	£149.8m	15.1%	12.5%
Diluted earnings per share[3]	**74.5p**	65.3p	14.1%	11.4%
Interim dividend per share	**19.4p**	17.0p	14.1%	

1. Constant currency is calculated by translating H1 15 results at H1 16 exchange rates
2. Organic revenue growth excludes the impact of acquisitions and disposals in 2015 and 2016
3. Adjusted results are stated before Separately Disclosed Items ('SDIs'), see note 3 to the Condensed Consolidated Interim Financial Statements

Key Statutory Financials	2016 H1	2015 H1	Change at actual rates
Revenue	**£1,203.9m**	£1,060.2m	13.6%
Operating profit	**£162.6m**	£153.7m	5.8%
Operating margin	**13.5%**	14.5%	(100bps)
Profit before tax	**£149.2m**	£139.1m	7.3%
Diluted earnings per share	**70.0p**	60.3p	16.1%

The Directors have today approved an interim dividend of 19.4p per share (H1 15: 17.0p) to be paid on 14 October 2016 to shareholders on the register at close of business on 30 September 2016.

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Analysts' Meeting

A live audiocast for analysts and investors for the 2016 Half Year Results will be held today at 9.00am. Details can be found at http://www.intertek.com/investors/ together with presentation slides and a pdf copy of this report. A recording of the audiocast will be available later in the day.

About Intertek
Intertek is a leading Total Quality Assurance provider to industries worldwide. Our network of more than 1,000 laboratories and offices and over 40,000 people in more than 100 countries, delivers innovative and bespoke Assurance, Testing, Inspection and Certification solutions for our customers' operations and supply chains.

Visit www.intertek.com.

Bringing quality and safety to life

HALF YEAR REPORT 2016

BUSINESS REVIEW

For the six months ended 30 June 2016

To present the performance of the Group in a clear, consistent and comparable format, certain items are disclosed separately on the face of the income statement. These items, which are described in the Presentation of Results section of this report and in note 3, are excluded from the adjusted results. The figures discussed in this review (extracted from the income statement and cash flow) are presented before Separately Disclosed Items ('SDIs').

Overview of performance

	H1 16 £m	H1 15 £m	Change at actual rates	Change at constant rates[1]
Revenue	**1,203.9**	1,060.2	13.6%	10.6%
Organic revenue[2]	**1,090.8**	1,057.5	3.1%	0.5%
Operating profit[3]	**185.9**	164.4	13.1%	11.3%
Margin[1]	**15.4%**	15.5%	(10bps)	10bps
Net financing costs	**(13.4)**	(14.6)	(8.2%)	
Income tax expense[3]	**(43.6)**	(37.0)	17.8%	
Earnings for the period[3]	**121.0**	105.6	14.6%	11.8%
Diluted earnings per share[3]	**74.5p**	65.3p	14.1%	11.4%

1. Constant currency is calculated by translating H1 15 results at H1 16 exchange rates
2. Organic revenue growth excludes the impact of acquisitions and disposals in 2015 and 2016
3. Adjusted results are stated before Separately Disclosed Items

Total reported Group revenue growth was 13.6%, comprising 10.1% growth contributed by acquisitions, organic revenue of 0.5% and an increase of 3.0% from foreign exchange where sterling depreciated against most of the Group's trading currencies.

The Group's organic revenue reflected robust growth in the Products division and solid growth in the Trade division, while challenging conditions in the oil and gas infrastructure market impacted the Resources division.

Operating profit at constant exchange rates increased 11.3%, driven by double digit growth in the Products division.

The adjusted operating margin was 15.4%, an increase of 10bps from the prior year at constant exchange rates. Organic margin at constant rates increased by 60bps as we benefited from positive operating leverage, margin accretive divisional mix and the restructuring activities in prior years.

Moving forward the Group will remain very focused on cost and margin management and today has announced a £15.3m restructuring programme that will remove a further 400 positions across the business, with annualised savings of £7.0m.

The Group's statutory operating profit for the period was £162.6m (H1 15: £153.7m) after SDIs before interest and tax of £23.3m (H1 15: £10.7m).

Net financing costs were £13.4m, a decrease of £1.2m on H1 15. This comprised £0.3m (H1 15: £0.6m) of finance income and £13.7m (H1 15: £15.2m) of finance expense.

The adjusted effective tax rate was 25.3%, broadly stable with the prior year (H1 15: 24.7%).

The Group completed one acquisition in the period and also invested £48.7m (4.0% of revenue, H1 15: £42.6m) in capital investment to support the Group's growth.

The Group ended the period in a strong financial position. Adjusted cash flow from operations was £155.9m (H1 15: £169.5m). Statutory cash flow from operations was £145.8m (H1 15: £163.6m). Net debt was £887.2m, an increase of £268.1m on prior year, reflecting acquisitions made in the second half of 2015 and the translation impact of our foreign currency denominated debt at the end of June 2016.

Adjusted diluted earnings per share at actual exchange rates was 14.1% higher at 74.5p. Statutory diluted earnings per share was 70.0p (H1 15: 60.3p) per share and statutory basic earnings per share was 70.7p (H1 15: 60.6p).

The Board has approved a 14.1% increase in the interim dividend to 19.4p per share (H1 15: 17.0p). The dividend will be paid on 14 October 2016 to shareholders on the register at 30 September 2016.

GROUP STRATEGY

Changing industry dynamics

When we outlined our strategy in March we reported that we had analysed the trends we see in our businesses and had conducted extensive research to gather the views of our customers. The main conclusion of our research was that the industry is evolving from Testing, Inspection and Certification (TIC) to Total Quality Assurance or ATIC.

At its core, TIC is the quality control of end product formulations, raw materials, components and assets. The TIC growth prospects remain attractive and we will continue to benefit from customer investment in quality and innovation, higher regulatory standards, global and regional trade flow, and the increased demand for energy to support population and GDP growth.

However, the operating world of our customers has become much more complex such that they need to look beyond TIC when looking at Quality Assurance. When companies outsource their supply chain around the world, it makes them more complicated and complex to manage. As a result, ensuring quality, traceability, ethical supply and sustainability in the supply chain has become the number one issue for many businesses. Our customers now increasingly need assurance solutions in addition to TIC services to fully address the systemic risk in their global businesses.

Intertek Total Quality Assurance proposition

The Quality Assurance market is an attractive industry worth circa $250 billion and we see four growth opportunities for Intertek moving forward.

- First, the **structural factors that drive growth in quality control** such as global trade, changing regulation, increasing quality standards, consumer or customer focus on sustainability, innovation, e-commerce, new brands, and technology as well as the increased focus of corporations on risk in their supply chain and operations.
- Second, we see **strong growth opportunities with existing customers** by increasing account penetration with the type of services currently offered and by driving **ATIC cross-selling**.
- Third, gaining **new customer contracts** or by convincing those businesses performing in-house testing that they should outsource. We estimate that around four-fifths of the ATIC market equivalent to $200 billion is in-house.
- The fourth opportunity is **industry consolidation** as the industry is still very fragmented. M&A enables us to expand our geographic coverage where needed, or to get access to a new type of offering. Our highly cash generative earnings model and strong balance sheet provides the flexibility to accelerate organic growth with value enhancing acquisitions.

Overall, in the medium to long term, the increased focus of all businesses, large, medium and small in Total Quality Assurance will deliver GDP+ organic growth in the ATIC market.

In order to reflect the changing dynamics in the industry and to seize the growth opportunities our value proposition has been adapted to offer Total Quality Assurance to our customers:

- Our **purpose** is to bring quality and safety to life.
- Our **vision** is to become the world's most trusted partner for quality assurance.
- Our **mission** is to exceed our Customers' expectations with innovative and bespoke Assurance, Testing, Inspection and Certification services for their operations and supply chain globally 24/7.

Our Total Quality Assurance proposition is to provide Assurance, Testing, Inspection and Certification solutions with superior customer service in Products, Trade and Resource related businesses in 100+ countries.

Intertek 5x5 Strategy for sustainable growth

The Quality Assurance industry is changing and we are evolving with the industry. We are moving the centre of gravity of Intertek towards the areas with the most attractive growth and margin prospects.

Our strategic focus will be in the Products/Trade sectors as well as in the Americas/Asia Pacific areas offering a differentiated Total Quality Assurance value proposition that will drive cross selling and develop the high margin Assurance business.

We have identified five medium to long term corporate goals to track the progress of our strategy:

- Fully engaged employees working in a safe environment
- Superior customer service in Assurance, Testing, Inspection and Certification
- Margin accretive revenue growth based on GDP+ organic growth
- Strong cash conversion from operations
- Accretive disciplined capital allocation policy

To achieve these five goals, we have developed a strategy based on five strategic priorities and five enablers. We call our strategy for sustainable growth 5x5.

The five strategic priorities are:

- A **strong brand proposition** that positions Intertek as the market leading quality assurance provider.
- Delivering our Total Quality Assurance proposition with **superior service**. This is essential to build customer loyalty and win new customers.
- An **effective sales strategy** that develops our business with existing customers and wins new clients. We will increase our focus on the systematic cross selling of our **ATIC** solutions.
- A **growth and margin accretive portfolio** strategy that delivers focused growth in the business lines, countries and services with good growth and margin prospects.
- **Operational excellence** to drive productivity.

To execute our strategy we will focus on five enablers, which are:

- **'Living our customer centric culture'**. We have a strong entrepreneurial spirit and a decentralised organisation which means our businesses are very close to their markets.
- **Disciplined performance management** to deliver margin accretive revenue growth with strong cash conversion and strong returns on capital.

- **Superior technology** to increase our productivity and add value to our customers.
- **Energising our people**. We plan to invest in capability to support our growth agenda and ensure that we have the appropriate reward strategy.
- **Delivering sustainable results everywhere** to create sustainable growth for our customers, employees, shareholders, suppliers and the community by making sure that we have the right balance between performance and sustainability.

Focussed portfolio strategy

Pursuing a growth and margin accretive portfolio is one of our five strategic priorities. When managing our day to day performance and allocating our capital and people resources, we will pursue a 3 Tier Portfolio strategy:

First, we will focus on our large businesses with good growth and margin prospects. These areas of focus are:
- at the Business Line level: Softlines, Hardlines, Electrical & Wireless, Cargo/AA and GTS
- at the Geographic level: North America and Greater China

Second, we will invest in the fast growing businesses with good margin prospects where the focus areas are:
- at the Business Line level: Business Assurance, Agriculture, Building & Construction, Transportation Technologies and Food
- at the Geographic level: South Asia, South East Asia, South America, Middle East and Africa

Third, we will focus on improving the performance:
- at the Business Line level: Industry Services and Minerals
- at the Geographic level: Europe and Australasia

Disciplined capital allocation

In our view, to deliver shareholder returns on a consistent basis, the right formula is sustainable earnings growth with accretive disciplined allocation of capital.

The first priority when it comes to capital allocation is investment to support organic growth. In the medium to long-term, we will invest circa 5% of revenue in capital expenditure.

The second priority is to deliver sustainable returns for our shareholders through the payment of progressive dividends with a dividend payout ratio of circa 40% of earnings.

The third priority for capital is M&A activity to strengthen our portfolio in the right growth areas, provided we can deliver good returns. This means focusing on those existing business lines or countries with good growth and margin prospects, where we have leading market positions, or entering new exciting growth areas, be that geography or services.

The fourth priority is to maintain an efficient balance sheet that gives us the flexibility to invest in growth with a net debt to EBITDA ratio of 1.5 to 2 times.

UK REFERENDUM ON MEMBERSHIP OF THE EUROPEAN UNION

We had been considering the potential exit of the UK from the European Union for some time and we do not believe that the outcome of the referendum will impact the future growth opportunities of Intertek.

Corporations will continue to carry out Assurance, Testing, Inspection and Certification on their products, assets and processes and therefore the fundamental strengths of our business model remain unchanged in a world that demands greater quality assurance.

The foreign exchange impact for Intertek relates to translation. In 2015, 92% of Group revenues were generated outside the UK.

OUTLOOK

The Group is on track to deliver robust full year revenue growth at constant currency. We will continue to benefit from the acquisitions made recently and from solid organic growth at constant currency, with Group margins broadly stable year on year.

We expect our Product related businesses to deliver robust organic growth, our Trade related businesses to report solid organic growth performance, while the market conditions will remain challenging in our Resource related businesses. Intertek will continue to benefit from the five acquisitions made since January 2015.

Looking further ahead, the global Assurance, Testing, Inspection and Certification industry will continue to benefit from exciting growth prospects driven by an increased focus of corporations on risk management, global trade flows, global demand for energy, expanding regulations, more complex supply chains, technological innovations and increased demand for higher quality and more sustainable products.

We are well positioned to benefit from the GDP+ organic growth prospects of the Total Quality Assurance industry in the medium to long term. We offer a high quality Assurance, Testing, Inspection and Certification service to our clients based on the depth and breadth of our technical expertise, our global network of state of the art facilities and our customer centric culture.

OPERATING REVIEW BY DIVISION

	Revenue				Adjusted operating profit			
	H1 16 £m	Restated H1 15 £m	Change at actual rates	Change at constant rates	H1 16 £m	Restated H1 15 £m	Change at actual rates	Change at constant rates
Products	**677.9**	531.7	27.5%	22.3%	**133.6**	109.9	21.6%	18.0%
Trade	**272.5**	267.3	1.9%	1.1%	**37.0**	36.9	0.3%	0.8%
Resources	**253.5**	261.2	(2.9%)	(4.2%)	**15.3**	17.6	(13.1%)	(10.5%)
	1,203.9	1,060.2	13.6%	10.6%	**185.9**	164.4	13.1%	11.3%

Since 1 January 2016 following the change in Group strategy, the approach to reporting and performance management that the Chief Executive Officer[1] uses to make decisions about operating matters has changed from the previous five divisions to the three divisions set out above. The segment information for earlier periods has been restated to conform to these changes. The changes have been made as the business lines within the new divisions demonstrate similar mid to long-term structural growth drivers.

As part of this change the former Consumer Goods, Commercial & Electrical and Chemicals & Pharmaceuticals divisions have been mostly aggregated into the Products division; the former Commodities division has primarily moved to the Trade division and the former Industry & Assurance division has primarily moved to Resources. Certain business lines within those former segments have also been reallocated to better align to the structural growth drivers of each division. Full details of which business lines are part of which division are set out in the 2015 Annual report.

A review of the adjusted results of each division in the six months ended 30 June 2016 compared to the six months ended 30 June 2015 is set out below. Revenue, operating profit and growth rates are presented at actual exchange rates. In addition, both total and organic growth at constant exchange rates is presented. Organic growth figures are calculated by excluding the results of acquisitions and disposals made since 1 January 2015. Operating profit and operating margin are stated before Separately Disclosed Items.

All comments below reflect adjusted results and growth rates at constant currency, unless otherwise stated.

Products

	H1 16 £m	Restated H1 15 £m	Change at actual rates	Change at constant rates
Revenue	**677.9**	531.7	27.5%	22.3%
Organic revenue	**585.2**	531.7	10.1%	5.6%
Operating profit	**133.6**	109.9	21.6%	18.0%
Operating margin	**19.7%**	20.7%	(100bps)	(70bps)

Services & Customers – Our Product related businesses consist of business lines that are focussed on ensuring the quality and safety of physical components and products, as well as minimising risk through assessing the operating processes and quality management systems of our customers.

As a trusted partner to the world's leading retailers, manufacturers and distributors, the division supports a wide range of industries including textiles, footwear, toys, hardlines, home appliances, consumer electronics, information and communication technology, automotive, aerospace, lighting, building products, industrial and renewable energy products, food and hospitality, healthcare and beauty, and pharmaceuticals.

Across these industries we provide a wide range of ATIC services including, laboratory safety, quality and performance testing, second-party supplier auditing, sustainability analysis, product assurance, vendor compliance, process performance analysis, facility plant & equipment verification and 3rd party certification.

[1] The chief operating decision maker is the Chief Executive Officer

Strategy – Our Total Quality Assurance proposition provides a systemic approach to support the Quality Assurance efforts of our Product related customers in each of the areas of their operations. To do this we leverage our global network of accredited facilities and world leading technical experts to help our clients meet high quality safety, regulatory and brand standards, develop new products, materials and technologies and ultimately assist them in getting their products to market quicker, in order to continually meet evolving consumer demands.

Innovation – We continue to invest in innovation within our Product related businesses:

- Our Building & Construction business has implemented an innovative **remote vibration monitoring** solution for clients in New York City. Using specialist sensory equipment, vibration levels caused by construction activity are recorded and documented during the course of the working day. Our experts apply data analysis techniques to interpret the stresses being placed on the building, and if an event occurs that exceeds a certain trigger level, an email or text message alert is automatically sent to the client allowing them to mitigate their level of current activity.

- Our Electrical & Wireless business has developed new services to help manufacturers of **medical electrical equipment** assure that their products are environmentally conscious. The services are an expansion of Intertek's existing IEC 60601-1 services and consist of an engineering review of product design and development processes in line with the IEC 60601-1-9 standard on environmentally conscious design. The growth opportunities for these services are significant as more than 80 percent of hospitals around the world are expected to incorporate sustainability into their purchasing decisions, according to a Harris Poll commissioned in 2014.

- In China, the Food Services business is launching a differentiated **Food Traceability Programme**. Our total ATIC solution covers the producer's entire supply chain, with the final products bearing our proprietary ITS Traceable Mark. Our clients and their customers also have access to an online platform providing traceability from farm to table, pinpointing key information throughout the entire supply chain from manufacture, processing, distribution to consumption.

H1 performance – Our Product related businesses delivered an excellent revenue performance with double digit growth rates.

We benefited from a robust organic revenue growth performance that delivered organic margin accretion. In addition, we benefited from the contribution from the recent four acquisitions.

- Our **Softlines** business delivered a robust organic growth performance across our markets. We continue to benefit from strong demand from our customers for chemical testing. We are also leveraging the investments we have made to support the expansion of our customers in new markets and to seize the exciting growth opportunities in the footwear sector.

- Our **Hardlines** and toy business continues to take advantage of our strong global account relationships, the expansion of our customers' supply chain into new markets and our innovative technology for factory inspections. We delivered a robust organic growth performance across our main markets of China, Hong Kong, India and Vietnam.

- Our **Transportation Technology** business delivered double digit organic growth across our main markets in the USA, UK, Germany and China. We continue to capitalise on our clients' investments in new powertrains as they strive to adopt more stringent emissions and fuel economy standards.

- Our **Business Assurance** business delivered double digit organic growth in our three regions of North America, Europe and Asia. We continue to benefit from the increased focus of corporations on risk management resulting in strong growth in Supply Chain Audits.

- We delivered solid organic growth in **Electrical & Wireless** driven by higher regulatory standards in energy efficiency and by the increased demand for wireless devices.

- We continue to benefit from the increased focus of corporations on food safety and delivered good organic growth in our **Food** business.

- We saw a solid organic growth in our **Chemicals and Pharma** business as we continue to leverage the structural growth opportunities in the healthcare markets in both developed and emerging economies.

- Our **Building & Construction** business delivered a robust organic growth performance driven by the growing demand for greener and higher quality buildings and infrastructure in the US Market. PSI benefited from a good revenue momentum and the integration plan is on track.

H2 growth outlook – We expect our Products division to benefit from robust organic growth and from the contribution from acquisitions.

Mid to long term growth outlook – Our Products division will benefit from mid to long-term structural growth drivers including product variety, brand and supply chain expansion, product innovation and regulation, and the increasing quality and sustainability demand of developed and emerging economies, the acceleration of e-commerce as a sales channel, and the increased corporate focus on risk.

Trade

	H1 16 £m	Restated H1 15 £m	Change at actual rates	Change at constant rates
Revenue	**272.5**	267.3	1.9%	1.1%
Organic revenue	**272.5**	267.3	1.9%	1.1%
Operating profit	**37.0**	36.9	0.3%	0.8%
Operating margin	**13.6%**	13.8%	(20bps)	0bps

Services & Customers – Our Trade division consists of three Global Business Lines with differing services and customers, but similar mid to long-term structural growth drivers:

Our **Cargo & Analytical Assessment** ('Cargo/AA') business provides cargo inspection, analytical assessment, calibration and related research and technical services to the world's petroleum and biofuels industries.

Our **Government & Trade Services** ('GTS') business provides inspection services to governments and regulatory bodies to support trade activities that help the flow of goods across borders, predominantly in the Middle East, Africa and South America.

Our **Agriculture** business provides analytical and testing services to global agricultural trading companies and growers.

Strategy – Our Total Quality Assurance proposition assists our Trade related customers in protecting the value and quality of their products during their custody-transfer, storage and transportation, globally, 24/7. Our expertise, service innovations and advanced analytical capabilities allow us to optimise the return on our customers' cargoes and help them resolve difficult technical challenges. Our independent product assessments provide peace-of-mind to our government clients that the quality of products imported into the country meet their standards and import processes.

Innovation – Providing innovative solutions is a key point of differentiation for our Trade related businesses:

- Our Agricultural Services business has recently developed **iPort**, a powerful new cloud-based tool to manage trade certification. Improving on traditional forms of communication and data storage, iPort provides a new level of transparency by giving Intertek customers access to trade execution communication and data on a variety of devices. Customers are able to monitor contracts, test results and workloads in real time, significantly improving the customer experience. The service is currently available in Australia and will be progressively rolled out to other markets.

- In June, our GTS business opened a dedicated **customer service centre in Vietnam**, strengthening our global network supporting Conformity Assessment Programmes (CAPs). The new office in Ho Chi Minh City offers exporters and manufacturers support in meeting the requirements of the CAPs in Africa and the Middle East, aiding smooth customs clearance and supporting international trade. The office will also offer verification services, such as quantity and quality inspection, for the Asia market.

- Our Cargo/AA business is providing innovative solutions to our clients to solve their issues with **mercury contamination**. Mercury contamination is not only an increasing health, safety and environmental risk, but also puts physical infrastructure such as refineries and pipelines at increased corrosion risk. Our leading-edge technology is helping to detect the presence of mercury at very low levels in oil and gas samples, enabling our clients to minimise the impact on their infrastructure and to work safely.

H1 performance – Our Trade related businesses delivered solid organic growth overall with stable margin.

- Our **Cargo/AA** business reported a solid organic growth performance benefiting from the structural growth drivers in the Crude Oil and Refined Product global trading market. As expected we are seeing a normalisation of the supply situation following the build-up of the high level of inventory we saw in 2015.

- The demand for **GTS** continued to weaken following the slowdown seen in the second half of 2015 and was below last year. The volume of regional trade in the Middle/East and Africa has reduced given the economic challenges and uncertainties in these regions.

- Our **Agriculture** business continues to benefit from the expansion of the supply chain of our clients in markets such as Brazil and Turkey, and delivered a robust organic growth performance.

H2 growth outlook – we expect our Trade related businesses to deliver a solid organic growth performance.

Mid to long term growth outlook – Our Trade division will continue to benefit from regional and global trade-flow growth, as well as the increased customer focus on quality, quantity controls and supply chain risk management.

Resources

	H1 16 £m	Restated H1 15 £m	Change at actual rates	Change at constant rates
Revenue	**253.5**	261.2	(2.9%)	(4.2%)
Organic revenue	**233.1**	258.5	(9.8%)	(11.0%)
Operating profit	**15.3**	17.6	(13.1%)	(10.5%)
Operating margin	**6.0%**	6.7%	(70bps)	(50bps)

Services & Customers – Our Resources division consists of two Business Lines with differing services and customers, but both demonstrating similar cyclical growth characteristics:

Our **Industry Services** business uses in-depth knowledge of the oil, gas, nuclear and power industries to provide a diverse range of Total Quality Assurance solutions to optimise the use of customers' assets and minimise the risk in their supply chains. Some of our key services include technical inspection, asset integrity management, analytical testing and ongoing training services.

Our **Minerals** business provides a broad range of ATIC service solutions to the mining and minerals exploration industries, covering the resource supply chain from exploration and resource development, through to production, shipping and commercial settlement.

Strategy – Our Total Quality Assurance proposition allows us to help customers gain peace of mind that their projects will proceed on time and their assets will continue to operate with a lower risk of technical failure or delay. Our broad range of services allow us to assist clients in protecting the quantity and quality of their mined and drilled products, improve safety and reduce commercial risk in the trading environment.

Innovation – We continue to invest in innovation within our Resources businesses, with key examples from Industry Services below:

- In April we launched a **pipeline in-line inspection** service to support gas transmission and distribution operators in China. The service safely and accurately assesses pipelines for external and internal defects, potentially caused by corrosion, as well as ensuring regulatory compliance using advanced in-line inspection tools. The results help operators determine anomalies and identify areas that may require further examination, repair or replacement.

- In May we announced a new mobile **remote operated vehicle** ('ROV') service to help customers optimise the inspection of large-capacity portable water tanks. Deployment of an ROV removes the need to drain, manually inspect and refill the tank, thereby mitigating risks to personnel and ensuring the customer's tank is out of service for a minimal time period.

- Our Industry Services business delivers global inspection programmes for clients across multiple geographies and asset types, where success demands close coordination between our teams, the client and suppliers. Our capex customers have benefited from '**Evolution**', Intertek's proprietary global job coordination system for many years, bringing a greater-level of central control and visibility of these complex tasks. In the first half of this year, we have developed enhancements to Evolution so that its use can be extended to NDT opex projects, allowing us to introduce a broader range of clients to this differentiated service offering.

H1 performance – Our Resource related businesses saw an organic revenue decline of 11% and slight margin erosion.

- The revenue from **Capex Inspection Services** was lower than last year driven by a lower volume of investments and exploration activities by our clients and from price pressure in the industry.

- The demand for **Opex Maintenance Services** remained stable overall and we are benefiting from the investments made in NDT services.

- Given the challenging trading conditions in our **Industry Services** operations we continue to be very focused on cost and capacity management in our Capex Inspection business.

- Continuing the trend seen in the second half of 2015, we are seeing a stable level of demand for testing activities in the **Minerals** business.

***H2 growth outlook* –** We do not believe that we have reached the trough in the Resources division and we expect the trading conditions to remain challenging for the second half.

Mid to long term growth outlook – Our Resources division will grow in the medium to long term as we benefit from investments in Exploration and Production of Oil and Minerals, to meet the demand of the growing population around the world.

PRESENTATION OF RESULTS

Adjusted results

In order to present the performance of the Group in a clear, consistent and comparable format, certain items are disclosed separately on the face of the income statement. These Separately Disclosed Items which are described below are excluded from the adjusted results.

Organic growth

Organic growth figures are calculated by excluding the results of acquisitions and disposals made since 1 January 2015.

Constant exchange rates

In order to remove the impact of currency translation from our growth figures we present revenue and profit growth at constant exchange rates. This is calculated by translating H1 15 results at H1 16 exchange rates.

Separately Disclosed Items

SDIs are items which by their nature or size, in the opinion of the Directors, should be excluded from the adjusted results to provide readers with a clear and consistent view of the business performance of the Group and its operating divisions. When applicable, these items include amortisation of acquisition intangibles; impairment of goodwill and other assets; the profit or loss on disposals of businesses or other significant fixed assets; costs of acquiring and integrating acquisitions; the cost of any fundamental restructuring; material claims and settlements; significant recycling of amounts from equity to the income statement and unrealised gains/losses on financial assets/liabilities.

Adjusted operating profit excludes the amortisation of acquired intangible assets, primarily customer relationships, as we do not believe that the amortisation charge in the Income Statement provides useful information about the cash costs of running our business as these assets will be supported and maintained by the ongoing marketing and promotional expenditure, which is already reflected in operating costs. Amortisation of software, however, is included in adjusted operating profit as it is similar in nature to other capital expenditure. The costs of any restructuring are excluded from adjusted operating profit where they represent fundamental changes in individual operations around the Group, and are not expected to recur in those operations.

Details of the SDIs for the six months ended 30 June 2016 and the comparative period are given in note 3 to the Condensed Consolidated Interim Financial Statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has an established, structured approach to risk management, which includes continuously assessing and monitoring the key risks and uncertainties of the business.

Based on this review, the Board identified the risks outlined on pages 39 to 45 of the Group's Annual report for 2015, which is available from our website at www.intertek.com:

- Reputation
- Accreditation
- People Retention
- Operational Health & Safety
- Business Continuity and Corporate Social Responsibility
- Industry and Competitive Landscape
- Macro-Economic Risk
- Cyber and Data Security, IT Systems Integrity
- Litigation
- Business Ethics
- Financial Risk

The Strategy review above considers the impacts on the Group of the UK referendum on membership of the European Union.

The Business Review and Operating Review by Division include consideration of key uncertainties affecting the Group in the remaining six months of the year.

MANAGEMENT REPORTS & TRADING UPDATE

Intertek will issue a trading update in the fourth quarter of 2016. The 2016 Full Year Results will be announced on 7 March 2017.

HALF YEAR REPORT

If you require a printed copy of this statement please contact the Group Company Secretary. This statement is available on www.intertek.com.

LEGAL NOTICE

This Half Year Report and announcement contain certain forward-looking statements with respect to the financial condition, results, operations and business of Intertek Group plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this announcement should be construed as a profit forecast. Past performance cannot be relied upon as a guide to future performance.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE HALF YEAR REPORT

We confirm that to the best of our knowledge:

- 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 entity during that period; and any changes in the related party transactions described in the last Annual report that could do so.

By order of the Board of Intertek Group plc

André Lacroix	**Edward Leigh**
Chief Executive Officer	Chief Financial Officer
1 August 2016	1 August 2016

Independent review report to Intertek Group plc

REPORT ON THE INTERIM CONDENSED SET OF FINANCIAL STATEMENTS

Our conclusion

We have reviewed Intertek Group plc's interim condensed set of financial statements (the "interim financial statements") in the Half Year Report of Intertek Group plc for the six month period ended 30 June 2016. 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 Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Condensed Consolidated Interim Statement of Financial Position as at 30 June 2016;
- the Condensed Consolidated Interim Income Statement and Condensed Consolidated Interim Statement of Comprehensive Income for the period then ended;
- the Condensed Consolidated Interim Statement of Cash Flows for the period then ended;
- the Condensed Consolidated Interim 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 Half Year Report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Rules and Transparency Rules 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 Half Year Report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Half Year Report in accordance with the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Half Year Report 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 Rules and Transparency Rules 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 Year Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
1 Embankment Place,
London, WC2N 6RH
1 August 2016

Condensed Consolidated Interim Income Statement

For the six months ended 30 June 2016

		Six months to 30 June 2016 (Unaudited)			Six months to 30 June 2015 (Unaudited)		
	Notes	Adjusted Results £m	Separately Disclosed Items* £m	Total 2016 £m	Adjusted results £m	Separately Disclosed Items* £m	Total 2015 £m
Revenue	2	**1,203.9**	–	**1,203.9**	1,060.2	–	1,060.2
Operating costs		**(1,018.0)**	**(23.3)**	**(1,041.3)**	(895.8)	(10.7)	(906.5)
Group operating profit	2	**185.9**	**(23.3)**	**162.6**	164.4	(10.7)	153.7
Finance income		**0.3**	–	**0.3**	0.6	–	0.6
Finance expense		**(13.7)**	–	**(13.7)**	(15.2)	–	(15.2)
Net financing costs		**(13.4)**	–	**(13.4)**	(14.6)	–	(14.6)
Profit before income tax		**172.5**	**(23.3)**	**149.2**	149.8	(10.7)	139.1
Income tax expense	4	**(43.6)**	**16.1**	**(27.5)**	(37.0)	2.7	(34.3)
Profit for the period	2	**128.9**	**(7.2)**	**121.7**	112.8	(8.0)	104.8
Attributable to:							
Equity holders of the Company		**121.0**	**(7.2)**	**113.8**	105.6	(8.0)	97.6
Non-controlling interest		**7.9**	–	**7.9**	7.2	–	7.2
Profit for the period		**128.9**	**(7.2)**	**121.7**	112.8	(8.0)	104.8
Earnings per share**							
Basic	5			**70.7p**			60.6p
Diluted	5			**70.0p**			60.3p
Dividends in respect of the period				**19.4p**			17.0p

* See note 3.

** Earnings per share on the adjusted results is disclosed in note 5.

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2016

	Notes	Six months to 30 June 2016 (Unaudited) £m	Six months to 30 June 2015 (Unaudited) £m
Profit for the period	2	**121.7**	104.8
Other comprehensive income			
Remeasurements on defined benefit pension schemes		**(7.0)**	2.5
Items that will never be reclassified to profit or loss		**(7.0)**	2.5
Foreign exchange translation differences of foreign operations		**163.0**	(47.7)
Net exchange (loss)/gain on hedges of net investments in foreign operations		**(102.5)**	14.2
Tax on items that are or may be reclassified subsequently to profit or loss		**(0.9)**	0.3
Items that are or may be reclassified subsequently to profit or loss		**59.6**	(33.2)
Total other comprehensive income/(expense) for the period		**52.6**	(30.7)
Total comprehensive income for the period		**174.3**	74.1

Total comprehensive income for the period attributable to:		
Equity holders of the Company	**160.0**	68.0
Non-controlling interest	**14.3**	6.1
Total comprehensive income for the period	**174.3**	74.1

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2016

	Notes	At 30 June 2016 (Unaudited) £m	Restated At 30 June 2015 (Unaudited) £m	Restated At 31 December 2015 (Audited) £m
Assets				
Property, plant and equipment	10	**407.4**	349.8	**365.3**
Goodwill	9	**521.3**	770.1	**471.1**
Other intangible assets		**175.4**	165.6	**160.4**
Investments in associates		**0.3**	1.4	**0.3**
Deferred tax assets		**53.0**	22.1	**42.7**
Total non-current assets		**1,157.4**	1,309.0	**1,039.8**
Inventories		**18.1**	15.3	**16.1**
Trade and other receivables		**689.9**	539.0	**583.5**
Cash and cash equivalents	8	**159.3**	158.5	**141.1**
Current tax receivable		**15.6**	17.7	**15.6**
Total current assets		**882.9**	730.5	**756.3**
Total assets		**2,040.3**	2,039.5	**1,796.1**
Liabilities				
Interest bearing loans and borrowings	8	**(24.1)**	(139.7)	**(121.8)**
Current taxes payable		**(59.3)**	(54.8)	**(52.6)**
Trade and other payables		**(335.0)**	(286.5)	**(356.6)**
Provisions		**(37.5)**	(17.3)	**(30.7)**
Total current liabilities		**(455.9)**	(498.3)	**(561.7)**
Interest bearing loans and borrowings	8	**(1,022.4)**	(637.9)	**(794.7)**
Deferred tax liabilities		**(50.3)**	(40.2)	**(51.7)**
Net pension liabilities	6	**(32.6)**	(21.0)	**(26.9)**
Other payables		**(19.6)**	(13.7)	**(17.3)**
Provisions		**(4.8)**	(3.6)	**(4.4)**
Total non-current liabilities		**(1,129.7)**	(716.4)	**(895.0)**
Total liabilities		**(1,585.6)**	(1,214.7)	**(1,456.7)**
Net assets		**454.7**	824.8	**339.4**
Equity				
Share capital		**1.6**	1.6	**1.6**
Share premium		**257.8**	257.8	**257.8**
Other reserves		**(3.9)**	(58.3)	**(58.0)**
Retained earnings		**160.6**	592.6	**110.2**
Total attributable to equity holders of the Company		**416.1**	793.7	**311.6**
Non-controlling interest		**38.6**	31.1	**27.8**
Total equity		**454.7**	824.8	**339.4**

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2016

	Attributable to equity holders of the Company							
			Other Reserves					
	Share capital £m	Share premium £m	Translation reserve £m	Other £m	Retained earnings £m	Total before non-controlling interest £m	Non-controlling interest £m	Total equity £m
At 1 January 2015	1.6	257.8	(32.3)	6.4	547.1	**780.6**	26.1	**806.7**
Total comprehensive income for the period								
Profit	–	–	–	–	97.6	**97.6**	7.2	**104.8**
Other comprehensive income	–	–	(32.4)	–	2.8	**(29.6)**	(1.1)	**(30.7)**
Total Comprehensive income for the period	–	–	(32.4)	–	100.4	**68.0**	6.1	**74.1**
Transactions with owners of the company recognised directly in equity **Contributions by and distributions to the owners of the company**								
Dividends paid	–	–	–	–	(53.2)	**(53.2)**	(1.6)	**(54.8)**
Purchase of own shares	–	–	–	–	(5.2)	**(5.2)**	–	**(5.2)**
Purchase of minority interest	–	–	–	–	(0.8)	**(0.8)**	0.5	**(0.3)**
Tax paid on share awards vested*	–	–	–	–	(3.0)	**(3.0)**	–	**(3.0)**
Equity-settled transactions	–	–	–	–	6.9	**6.9**	–	**6.9**
Income tax on equity-settled transactions	–	–	–	–	0.4	**0.4**	–	**0.4**
Total contributions by and distributions to the owners of the company	–	–	–	–	(54.9)	**(54.9)**	(1.1)	**(56.0)**
At 30 June 2015 (unaudited)	**1.6**	**257.8**	**(64.7)**	**6.4**	**592.6**	**793.7**	**31.1**	**824.8**
At 1 January 2016	1.6	257.8	(64.4)	6.4	110.2	**311.6**	27.8	**339.4**
Total comprehensive income for the period								
Profit	–	–	–	–	113.8	**113.8**	7.9	**121.7**
Other comprehensive income	–	–	54.1	–	(7.9)	**46.2**	6.4	**52.6**
Total Comprehensive income for the period	–	–	54.1	–	105.9	**160.0**	14.3	**174.3**
Transactions with owners of the company recognised directly in equity **Contributions by and distributions to the owners of the company**								
Dividends paid	–	–	–	–	(56.8)	**(56.8)**	(3.5)	**(60.3)**
Purchase of own shares	–	–	–	–	(6.4)	**(6.4)**	–	**(6.4)**
Tax paid on share awards vested*	–	–	–	–	(2.4)	**(2.4)**	–	**(2.4)**
Equity-settled transactions	–	–	–	–	10.1	**10.1**	–	**10.1**
Income tax on equity-settled transactions	–	–	–	–	–	–	–	–
Total contributions by and distributions to the owners of the company	–	–	–	–	(55.5)	**(55.5)**	**(3.5)**	**(59.0)**
At 30 June 2016 (unaudited)	**1.6**	**257.8**	**(10.3)**	**6.4**	**160.6**	**416.1**	**38.6**	**454.7**

* The tax paid on share awards vested is related to settlement of the tax obligation by the Group via the sale of a portion of the equity-settled shares.

The £56.8m dividend paid on 3 June 2016 represented a final dividend of 35.3p per ordinary share in respect of the year ended 31 December 2015. The £53.2m dividend paid on 5 June 2015 represented a final dividend of 33.1p per ordinary share in respect of the year ended 31 December 2014. 24,998 ordinary shares were issued in the period to satisfy the exercise of share awards.

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2016

	Notes	Six months to 30 June 2016 (Unaudited) £m	Six months to 30 June 2015 (Unaudited) £m
Cash flows from operating activities			
Profit for the period	2	**121.7**	104.8
Adjustments for:			
Depreciation charge		**36.5**	37.3
Amortisation of software		**5.9**	4.3
Amortisation of acquisition intangibles		**6.5**	10.5
Equity-settled transactions		**7.3**	6.9
Net financing costs		**13.4**	14.6
Income tax expense	4	**27.5**	34.3
Loss on disposal of subsidiary		**0.6**	–
Gain on disposal of property, plant, equipment and software		**(0.2)**	(0.1)
Operating cash flows before changes in working capital and operating provisions		**219.2**	212.6
Change in inventories		**(0.3)**	(0.9)
Change in trade and other receivables		**(25.8)**	(32.5)
Change in trade and other payables		**(51.2)**	(6.5)
Change in provisions		**6.7**	(6.3)
Special contributions into pension schemes		**(2.8)**	(2.8)
Cash generated from operations		**145.8**	163.6
Interest and other finance expense paid		**(13.0)**	(15.3)
Income taxes paid		**(36.6)**	(28.1)
Net cash flows generated from operating activities		**96.2**	120.2
Cash flows from investing activities			
Proceeds from sale of property, plant, equipment and software		**1.1**	0.6
Interest received		**0.3**	0.6
Acquisition of subsidiaries, net of cash acquired	9	**(1.4)**	(6.1)
Purchase of non-controlling interest		**–**	(0.3)
Acquisition of property, plant, equipment and software	10	**(48.7)**	(42.6)
Net cash flows used in investing activities		**(48.7)**	(47.8)
Cash flows from financing activities			
Purchase of own shares		**(6.4)**	(5.2)
Tax paid on share awards vested		**(2.4)**	(3.0)
Drawdown of borrowings		**130.3**	71.3
Repayment of borrowings		**(95.8)**	(63.6)
Dividends paid to non-controlling interest		**(3.5)**	(1.6)
Equity dividends paid		**(56.8)**	(53.2)
Net cash flows used in financing activities		**(34.6)**	(55.3)
Net increase/(decrease) in cash and cash equivalents	8	**12.9**	17.1
Cash and cash equivalents at 1 January	8	**116.0**	119.5
Effect of exchange rate fluctuations on cash held	8	**11.6**	(6.5)
Cash and cash equivalents at end of period	8	**140.5**	130.1

Cash outflow relating to Separately Disclosed Items was £10.1m (H1 15: £5.9m).

Notes to the Condensed Consolidated Interim Financial Statements

1 Basis of preparation

Reporting entity
Intertek Group plc (the 'Company') is a company incorporated and domiciled in the United Kingdom. The Condensed Consolidated Interim Financial Statements of the Company as at and for the six months ended 30 June 2016 comprise the Company and its subsidiaries (together referred to as the 'Group').

The Consolidated Financial Statements of the Group as at and for the year ended 31 December 2015, are available upon request from the Company's registered office at 33 Cavendish Square, London W1G 0PS. An electronic version is available from the Investors section of the Group website at www.intertek.com.

Statement of compliance
These Condensed Consolidated Interim Financial Statements are prepared in accordance with *IAS 34: Interim Financial Reporting*, as endorsed and adopted for use in the European Union, and the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority. They do not include all of 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 2015.

The comparative figures for the financial year ended 31 December 2015 are the Company's 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 auditor 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.

Significant accounting policies
These Condensed Consolidated Interim Financial Statements are unaudited and, except as described below, have been prepared on the basis of accounting policies consistent with those applied in the Consolidated Financial Statements for the year ended 31 December 2015.

There are no new standards effective for the first time in the current financial period with significant impact on the Company's consolidated results or financial position.

The structure of the components that the Chief Executive Officer[1] uses to make decisions about operating matters has changed from the previous five divisions to the three divisions set out in note 2. The segment information for earlier periods has been restated to conform to these changes. As part of this change the former Consumer Goods, Commercial & Electrical and Chemicals & Pharmaceuticals divisions have been mostly aggregated into the Products division; the former Commodities division has primarily moved to the Trade division; and the former Industry & Assurance division has primarily moved to Resources. Certain business lines within those former segments have also been reallocated to better align to the structural growth drivers of each division. Full details of which business lines are part of which division are set out in the 2015 Annual report.

Revision of disclosure
Following an agenda decision by the IFRS Interpretations Committee in March 2016 regarding offsetting and cash pool arrangements, the Group has revised the disclosure of its cash pooling arrangements in the comparative balance sheets at 30 June 2015 and 31 December 2015. This revision has had the effect of increasing both cash and cash equivalents and interest bearing loans and borrowings by £28.4m at 30 June 2015 and £25.1m at 31 December 2015. There is no change to the results or cash flows for the period to 30 June 2015. The impact at 1 January 2015 amounted to £42.9m.

Estimates
The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these Condensed Consolidated Interim Financial Statements, the nature of the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that were applied to the Consolidated Financial Statements as at and for the year ended 31 December 2015. During the six months ended 30 June 2016 management reassessed its estimates in respect of taxation (notes 4 and 12(b)), pensions (note 6), contingent consideration payable and fair value adjustments in respect of acquisitions made in prior periods (note 9 (c)), impairment (note 9(f)) and also claims and settlements (note 12).

[1] The chief operating decision maker is the Chief Executive Officer

Notes to the Condensed Consolidated Interim Financial Statements

1 Basis of preparation *(continued)*

Risks and uncertainties

The Operating Review includes consideration of the risks and uncertainties affecting the Group in the remaining six months of the year. The Board has reviewed forecasts, including forecasts adjusted for significantly worse economic conditions, and remains satisfied with the Group's funding and liquidity position. On the basis of its forecasts, both base case and stressed, and available facilities, the Board has concluded that the going concern basis of preparation continues to be appropriate.

Foreign exchange

The assets and liabilities of foreign operations, including goodwill arising on acquisition, are translated to sterling at foreign exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated into sterling at cumulative average rates of exchange during the year.

The most significant currencies for the Group were translated at the following exchange rates:

Value of £1	Assets and liabilities Actual rates		Income and expense Cumulative average rates	
	30 June 2016	**30 June 2015**	**H1 16**	**H1 15**
US dollar	**1.33**	1.57	**1.43**	1.53
Euro	**1.21**	1.41	**1.29**	1.37
Chinese renminbi	**8.86**	9.77	**9.27**	9.53
Hong Kong dollar	**10.35**	12.21	**11.12**	11.87
Australian dollar	**1.81**	2.06	**1.94**	1.95
Canadian dollar	**1.74**	1.94	**1.88**	1.89

2 Operating segments

Business analysis

Since 1 January 2016 following the change in Group strategy, the structure of the components that the Chief Executive Officer[1] uses to make decisions about operating matters has changed from the previous five divisions to the three divisions set out below. The segment information for earlier periods has been restated to conform to these changes. The changes have been made as the business lines within the new divisions demonstrate similar mid to long-term structural growth drivers.

The Group is organised into business lines which are the Group's operating segments. These operating segments are aggregated into three divisions (H1 15: five), which are the Group's reportable segments. These three divisions, each of which offers services to different industries are: Products, Trade and Resources. The costs of the corporate head office and other costs which are not controlled by the three divisions are allocated in an appropriate manner. These divisions are the basis on which the Group reports its primary segment information. A description of the activity in each division is given in the Operating Review by Division. The results of the divisions are shown below:

Six month period ended 30 June 2016	Revenue from external customers £m	Depreciation and software amortisation* £m	Adjusted operating profit £m	Separately Disclosed Items £m	Operating profit £m
Products	677.9	(27.2)	133.6	(7.6)	126.0
Trade	272.5	(9.0)	37.0	(5.0)	32.0
Resources	253.5	(6.8)	15.3	(10.7)	4.6
Total	**1,203.9**	**(43.0)**	**185.9**	**(23.3)**	**162.6**
Group operating profit			**185.9**	**(23.3)**	**162.6**
Net financing costs			(13.4)	–	(13.4)
Profit before income tax			**172.5**	**(23.3)**	**149.2**
Income tax expense			(43.6)	16.1	(27.5)
Profit for the year			**128.9**	**(7.2)**	**121.7**

* Total depreciation and software amortisation of £42.5m (H1 15: £41.6m) includes unallocated credit of £0.5m (H1 15: unallocated charges of £3.7m).

[1] The chief operating decision maker is the Chief Executive Officer

Notes to the Condensed Consolidated Interim Financial Statements

2 Operating segments *(continued)*

Restated Six month period ended 30 June 2015	Revenue from external customers £m	Depreciation and software amortisation* £m	Adjusted operating profit £m	Separately Disclosed Items £m	Operating profit £m
Products	531.7	(22.5)	109.9	(1.9)	108.0
Trade	267.3	(8.9)	36.9	(0.1)	36.8
Resources	261.2	(6.5)	17.6	(8.7)	8.9
Total	**1,060.2**	**(37.9)**	**164.4**	**(10.7)**	**153.7**
Group operating profit			**164.4**	**(10.7)**	**153.7**
Net financing costs			(14.6)	–	(14.6)
Profit before income tax			**149.8**	**(10.7)**	**139.1**
Income tax expense			(37.0)	2.7	(34.3)
Profit for the year			**112.8**	**(8.0)**	**104.8**

3 Separately Disclosed Items ('SDIs')

		Six months to 30 June 2016 £m	**Six months to 30 June 2015 £m**
Operating costs			
Amortisation of acquisition intangibles	(a)	**(6.5)**	**(10.5)**
Restructuring costs	(b)	**(15.3)**	**–**
Acquisition costs	(c)	**(0.9)**	**(0.2)**
Loss on disposal of subsidiary		**(0.6)**	**–**
Total operating costs		**(23.3)**	**(10.7)**
Net financing costs		**–**	**–**
Total before income tax		**(23.3)**	**(10.7)**
Income tax credit on Separately Disclosed Items		**16.1**	**2.7**
Total		**(7.2)**	**(8.0)**

(a) Of the amortisation of acquisition intangibles in the current period, £1.8m (H1 15: £6.7m) relates to the customer contracts and customer relationships acquired with the purchase of Moody International Limited in 2011.

(b) Restructuring costs of £15.3m were incurred in the period (H1 15: £nil), relating to fundamental changes in individual operations around the Group, including business re-organisations, related staff redundancies and asset write-offs.

(c) Transaction costs relating to acquisitions in the period and integration of prior period acquisitions were £0.9m (H1 15: £0.2m).

Notes to the Condensed Consolidated Interim Financial Statements

4 Income tax expense

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period in respect of the adjusted results. The income tax expense for the adjusted results for the six months ended 30 June 2016 is £43.6m (H1 15: £37.0m). The Group's adjusted consolidated effective tax rate for the six months ended 30 June 2016 is 25.3% (H1 15: 24.7%). The income tax expense for the total results for the six months ended 30 June 2016 is £27.5m (H1 15: £34.3m). The Group's consolidated effective tax rate for the six months ended 30 June 2016 is 18.4% (H1 15: 24.7%).

Differences between the estimated adjusted effective rate of 25.3% and the weighted average notional statutory UK rate of 20.0% include, but are not limited to, the mix of profits, the effect of tax rates in foreign jurisdictions, non-deductible expenses, the effect of utilised tax losses and under/over provisions in previous periods.

5 Earnings per share ('EPS')

	Six months to 30 June 2016 £m	Six months to 30 June 2015 £m
Based on the profit for the period:		
Profit attributable to ordinary shareholders	**113.8**	97.6
Separately Disclosed Items after tax (note 3)	**7.2**	8.0
Adjusted earnings	**121.0**	105.6
Number of shares (millions):		
Basic weighted average number of ordinary shares	**160.9**	160.8
Potentially dilutive share awards	**1.6**	1.0
Diluted weighted average number of shares	**162.5**	161.8
Basic earnings per share	**70.7p**	60.6p
Potentially dilutive share awards	**(0.7)p**	(0.3)p
Diluted earnings per share	**70.0p**	60.3p
Adjusted basic earnings per share	**75.2p**	65.7p
Potentially dilutive share awards	**(0.7)p**	(0.4)p
Adjusted diluted earnings per share	**74.5p**	65.3p

6 Pension schemes

During the period the Group made a special contribution of £2.8m (H1 15: £2.8m) into The Intertek Pension Scheme in line with a Minimum Funding Requirement agreement.

The significant actuarial assumptions used in the valuation of the Group's material defined benefit pension schemes as at 31 December 2015 have been reviewed. The movements in the discount and inflation rates used to value the pension liabilities, as well as the updated asset valuations and the net pension liabilities, have moved materially since 31 December 2015 and a net actuarial loss before taxation of £7.0m has been recognised in the consolidated statement of comprehensive income. The net pension liability stands at £32.6m at 30 June 2016.

The expense recognised in the consolidated interim income statement for the Group's material defined benefit pension schemes consists of interest on the obligation for employee benefits and the expected return on scheme assets. For the six months ended 30 June 2016, the Group recognised a net expense of £0.4m (H1 15: £0.3m).

Notes to the Condensed Consolidated Interim Financial Statements

7 Equity-settled transactions

During the six months ended 30 June 2016, the Group recognised an expense of £7.3m in respect of the share awards made in 2013, 2014, 2015 and 2016. For the six months ended 30 June 2015, the charge was £6.9m in respect of the share awards made in 2012, 2013, 2014 and 2015. The shares granted in 2016 had fair values of 3,112p for the Deferred Share Awards.

Under the Long Term Incentive Plan, 367,560 Deferred Share Awards (previously Share Awards) (H1 15: 313,592) and 359,386 LTIP Share Awards (previously Performance Awards) (H1 15: nil) were granted during the period and, under the Deferred Share Plan, 9,035 Deferred Share Awards (H1 15: 51,917) were granted during the period.

8 Analysis of net debt

	30 June 2016 £m	Restated 30 June 2015 £m	Restated 31 December 2015 £m
Cash and cash equivalents per the Statement of Financial Position	**159.3**	158.5	141.1
Overdrafts	**(18.8)**	(28.4)	(25.1)
Cash per the Statement of Cash Flows	**140.5**	130.1	116.0

The components of net debt are outlined below:

	1 January 2016 £m	Cash flow £m	Non-cash adjustments £m	Exchange adjustments £m	30 June 2016 £m
Cash	116.0	12.9	–	11.6	**140.5**
Borrowings:					
Revolving credit facility US$800m 2020	(253.8)	(130.1)	–	(37.7)	**(421.6)**
Bilateral term loan facilities US$100m 2017	(67.5)	–	–	(7.5)	**(75.0)**
Bilateral term loan facilities US$60m 2016	(40.4)	41.8	–	(1.4)	–
Senior notes US$75m 2016	(50.6)	52.6	–	(2.0)	–
Senior notes US$100m 2017	(67.4)	–	–	(7.5)	**(74.9)**
Senior notes US$20m 2019	(13.5)	–	–	(1.5)	**(15.0)**
Senior notes US$150m 2020	(101.2)	–	–	(11.2)	**(112.4)**
Senior notes US$15m 2021	(10.1)	–	–	(1.1)	**(11.2)**
Senior notes US$140m 2022	(94.5)	–	–	(10.4)	**(104.9)**
Senior notes US$40m 2023	(27.0)	–	–	(3.0)	**(30.0)**
Senior notes US$125m 2024	(84.4)	–	–	(9.3)	**(93.7)**
Senior notes US$40m 2025	(27.0)	–	–	(3.0)	**(30.0)**
Senior notes US$75m 2026	(50.6)	–	–	(5.6)	**(56.2)**
Other*	(3.4)	1.2	(0.3)	(0.3)	**(2.8)**
Total borrowings	(891.4)	(34.5)	(0.3)	(101.5)	**(1,027.7)**
Total net debt	(775.4)	(21.6)	(0.3)	(89.9)	**(887.2)**

* Includes other borrowings of £5.6m (2015: £0.7m) and facility fees.

	30 June 2016 £m	30 June 2015 £m	31 December 2015 £m
Borrowings due in less than one year	**5.3**	111.3	96.7
Borrowings due in one to two years	**149.2**	–	134.2
Borrowings due in two to five years	**547.3**	266.5	367.0
Borrowings due in over five years	**325.9**	371.4	293.5
Total borrowings	**1,027.7**	749.2	891.4

8 Analysis of net debt *(continued)*

Key facilities

Full details of the Group's borrowings facilities were disclosed in note 14 to the Annual report for 2015. The only movements in the period relate to the US$60m repayment of the bilateral term loan facility in March 2016 and the repayment of US$75m of senior notes on 10 June 2016.

Fair values

The carrying value of the interest bearing loans and borrowings is £1,027.7m. The fair value, based on the present value of the future principal and interest cash flows discounted at the market rate at reporting date, was £1,058.6m.

The carrying value of derivative assets/liabilities (namely forward exchange contracts) is equal to their fair value. The fair value of these derivatives represents the difference between the values of the outstanding contracts at their contracted rates and a valuation calculated using the spot rates of exchange prevailing at 30 June 2016. Derivative assets of £20.6m are included within Trade and Other Receivables (H1 15: £1.2m of derivative liabilities included within Trade and Other Payables).

Interest bearing loans and borrowings and derivative assets/liabilities are categorised as Level 2 under the fair value hierarchy by which the fair value is measured using inputs other than quoted prices observable for the liability either directly, or indirectly. There have been no transfers between any levels within the fair value hierarchy during the period. There have been no reclassifications of financial assets as a result of a change in purposes or use of those assets.

9 Acquisition of businesses

(a) Acquisitions

During the period, the Group acquired one company, the details of which are included below.

Food International Trust

On 8 January 2016 the Group acquired 100% of the share capital of Food International Trust ('FIT-Italia') for cash consideration of EUR 1.7m (£1.4m) on a cash and debt free basis (total consideration was EUR 2.1m (£1.6m)). FIT-Italia is an Italian provider of food quality and safety services to the retail and agricultural sectors. Goodwill arising was £1.3m and represents the value placed in expanding our food quality and safety network within the Products division.

Provisional details of net assets acquired and fair value adjustments for all the acquisitions completed in the year are set out in the following table. The analysis is provisional and amendments may be made to these figures in the 12 months following the date of each acquisition.

	Book value prior to acquisition £m	Fair value adjustments £m	Fair value to Group on acquisition £m
Property, plant and equipment	0.1	–	0.1
Goodwill	–	1.3	1.3
Trade and other receivables	0.5	–	0.5
Trade and other payables	(0.5)	–	(0.5)
Net assets acquired	**0.1**	**1.3**	**1.4**
Cash outflow (net of cash acquired)			**1.4**
Total consideration			**1.4**

The goodwill of £1.3m represents the value of the assembled workforce and the benefits Intertek expects to gain from increasing its presence in the relevant sectors in which the acquired business operates.

The revenue for the period from the date of acquisition to 30 June 2016 was £0.8m. The revenue for the period 1 January 2016 to the date of acquisition was £nil. The profit for the period from the date of acquisition to 30 June 2016 attributable to the Group was £0.1m (£nil profit for the period 1 January 2016 to the date of acquisition).

Notes to the Condensed Consolidated Interim Financial Statements

9 Acquisition of businesses *(continued)*

(b) Acquisitions subsequent to the balance sheet date
No acquisitions have been made subsequent to the balance sheet date.

(c) Prior period acquisitions
No consideration (H1 15: £nil) was paid during the period in respect of prior period acquisitions.

(d) Impact of acquisitions on the Group results
The Group revenue and operating profit for the six months ended 30 June 2016 attributable to the Group would have been £1,203.9m and £162.6m respectively, if the acquisition was assumed to have been made on 1 January 2016.

(e) Details of 2015 acquisitions
Full details of acquisitions made in the year ended 31 December 2015 are disclosed in note 10 to the Annual report for 2015.

(f) Impairment
Goodwill generated from past acquisitions has been tested annually as required by accounting standards. No impairment was required; however due to the prevailing market conditions, this will be kept under review.

(g) Reconciliation of goodwill

	£m
Goodwill at 1 January 2016	471.1
Additions	1.3
Foreign exchange	48.9
Goodwill at 30 June 2016	**521.3**

10 Property, plant, equipment and software

(a) Additions
During the six months to 30 June 2016, the Group acquired fixed assets with a cost of £48.7m (H1 15: £42.6m; year ended 31 December 2015: £112.2m). In addition the Group acquired fixed assets of £0.1m (H1 15: £0.8m; year ended 31 December 2015: £20.7m) through business combinations (note 9).

(b) Capital commitments
Contracts for capital expenditure which are not provided in these accounts amounted to £9.1m (at 30 June 2015: £11.5m; at 31 December 2015: £4.4m).

11 Related parties

There are no material changes in related parties or in related party transactions from those described in the last Annual report.

12 Contingent liabilities

(a) Claims and litigation
The Group is involved in various claims and lawsuits incidental to the ordinary course of its business, including claims for damages, negligence and commercial disputes regarding inspection and testing, and disputes with employees and former employees.

The outcome of the litigation and the timing of any potential liability cannot be readily foreseen. Based on information currently available, the Directors consider that the cost to the Group of an unfavourable outcome arising from such litigation is unlikely to have a materially adverse effect on the financial position of the Group in the foreseeable future.

Notes to the Condensed Consolidated Interim Financial Statements

12 Contingent liabilities *(continued)*

(b) Tax

The Group operates in more than 100 countries and is subject to a wide range of complex tax laws and regulations. At any point in time it is normal for there to be a number of open years in any particular territory which may be subject to enquiry by local authorities. Where the effect of the laws and regulations is unclear, estimates are used in determining the liability for the tax to be paid on profits which are recognised in the financial statements. The Group considers the estimates, assumptions and judgements to be reasonable; but this can involve complex issues which may take a number of years to resolve. The final determination of prior year tax liabilities could be different from the estimates reflected in the financial statements.

13 Post balance sheet events

There are no post balance sheet events to report.

14 Approval

The Condensed Consolidated Interim Financial Statements were approved by the Board on 1 August 2016.