



2018 HALF YEAR RESULTS ANNOUNCEMENT 7 AUGUST 2018

GOOD REVENUE GROWTH MOMENTUM

- Group revenue of £1.348bn: +3.9% at constant rates, -1.8% at actual rates
- Good organic revenue growth of +3.4% at constant rates: Products +5.7%, Trade +0.7%, Resources -0.7%
- Acquisitions in attractive growth and margin sectors expanding our TQA value proposition
- Portfolio strength and cost discipline driving adjusted margin progression: +40bps at constant rates, +50bps at actual rates
- Robust adjusted diluted EPS growth: +6.8% at constant rates, +0.9% at actual rates
- Statutory diluted EPS growth of +7.6% at constant rates, +1.5% at actual rates
- Continuous focus on cash with working capital reduction of 6.5% at actual rates
- Half year dividend payment of 31.9p, up 35.7%, in line with our new dividend policy

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

André Lacroix: Chief Executive Officer statement

“The Group has continued to deliver progress in revenue, margin and cash performance in the first half at constant rates, reflecting the Group’s performance management discipline focused on margin accretive revenue growth with strong cash conversion and accretive disciplined capital allocation. We are well positioned to deliver in 2018 good organic revenue growth with moderate group margin progression at constant currency and strong cash conversion.

The Products and Trade related divisions, which represent 94% of the Group’s earnings, delivered an excellent performance with revenue growth of 4.9% and adjusted margin expansion of 40bps at constant rates, while our performance in the Resources related division showed improved momentum. The recent acquisitions in high margin and high growth areas performed well.

In line with our new dividend policy that targets a payout ratio of circa 50%, and fueled by our high margin and highly cash generative earnings model, we have announced a half year dividend of 31.9p, an increase of 35.7%.

We are on track on our ‘good to great’ journey, making progress on both performance and strategy. We continue to be uniquely positioned to benefit from the GDP+ organic revenue growth prospects in the \$250 billion global Quality Assurance Industry in the medium to long term, leveraging our high quality and highly cash generative earnings model.”



Key Adjusted Financials	2018 H1	2017 H1	Change at actual rates	Change at constant rates ¹
Revenue	£1,347.7m	£1,371.8m	(1.8%)	3.9%
Organic revenue ²	£1,339.4m	£1,370.6m	(2.3%)	3.4%
Operating profit ³	£225.8m	£223.9m	0.8%	6.4%
Operating margin ³	16.8%	16.3%	50bps	40bps
Profit before tax ³	£213.6m	£210.3m	1.6%	7.5%
Diluted earnings per share ³	91.2p	90.4p	0.9%	6.8%
Interim dividend per share	31.9p	23.5p	35.7%	

1. Constant currency is calculated by translating H1 17 results at H1 18 exchange rates
2. Organic revenue growth excludes the impact of acquisitions and disposals in 2017 and 2018
3. Adjusted results are stated before Separately Disclosed Items ('SDIs'), see note 3 to the Condensed Consolidated Interim Financial Statements. A reconciliation between reported and adjusted measures is shown in the Presentation of Results section.

The items included within free cash flow are set out in the Condensed Consolidated Interim Statement of Cash Flows.

Key Statutory Financials	2018 H1	2017 H1	Change at actual rates
Revenue	£1,347.7m	£1,371.8m	(1.8%)
Operating profit	£209.3m	£204.4m	2.4%
Operating margin	15.5%	14.9%	60bps
Profit before tax	£196.6m	£190.8m	3.0%
Profit after tax	£147.4m	£143.7m	2.6%
Diluted earnings per share	83.7p	82.5p	1.5%

The Directors have approved an interim dividend of 31.9p per share (H1 17: 23.5p) to be paid on 19 October 2018 to shareholders on the register at close of business on 5 October 2018.

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Analysts' Call

A live audiocast for analysts and investors will be held today at 7.45am. 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.



Total Quality. Assured.

Intertek is a leading Total Quality Assurance provider to industries worldwide.

Our network of more than 1,000 laboratories and offices and over 43,000 people in more than 100 countries, delivers innovative and bespoke Assurance, Testing, Inspection and Certification solutions for our customers' operations and supply chains.

Intertek Total Quality Assurance expertise, delivered consistently, with precision, pace and passion, enabling our customers to power ahead safely.

[intertek.com](https://www.intertek.com)

HALF YEAR REPORT 2018

GROUP CEO REVIEW

The Group has delivered robust earnings growth at constant rates in the first half of 2018 leveraging our high margin and strongly cash generative earnings model. We have announced a half year dividend of 31.9p, up 35.7% year on year, in line with our progressive dividend policy.

We are well positioned to deliver good organic revenue growth with moderate margin progression at constant currency with strong cash generation in 2018. Our Products division delivered an excellent performance with an adjusted operating profit growth of 4.6%, benefiting from a robust organic growth performance and from the recent acquisitions. Our Trade related businesses delivered solid organic growth performance, while in our Resources sector business we delivered a revenue performance slightly below last year.

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 Assurance 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.

Attractive opportunities for growth

The total value of the global quality assurance market is, we estimate, \$250 billion of which 'only' \$50 billion is currently outsourced. That means there is an opportunity to capture a share of the \$200 billion that is currently managed in-house.

Companies are certainly doing far more today to improve quality and safety than they were even five years ago, but there is much that needs to be done to establish a robust, reliable, end-to-end Total Quality Assurance approach that reduces risk. That is what we offer our clients, leveraging our broad service portfolio, our technical expertise, our global laboratory network, and our passionate customer centric colleagues to allow corporations to concentrate on their core value-generating activities.

We see four growth opportunities.

First, we will be looking to leverage the growth opportunities presented by our existing customers. We aim to increase customer account penetration, both within the services we already provide to each individual organisation and by cross-selling between the various components of our integrated ATIC offering.

Second, we will continue to leverage our global portfolio of industry leading solutions to win new customer relationships with new and fast growing local, regional and global companies.

Third, as companies see the value in our Total Quality Assurance approach, there will also be tremendous growth potential in convincing corporations that currently conduct this work in-house to outsource their quality assurance requirements to us.

Fourth, our industry is highly fragmented and we will look at seizing the right M&A opportunities to enable us to expand our geographic coverage where needed, providing access to a new kind of offering or strengthening our existing operations. Our highly cash generative earnings model and strong balance sheet provides the flexibility to accelerate organic growth with value enhancing acquisitions.

Intertek Total Quality Assurance

Intertek has a proven track record of innovating and anticipating the growing needs of its clients. We have been the pioneers of our industry across the world for 130 years and we continue to be its chief innovator, constantly evolving and improving our offer to customers to meet their changing needs. Importantly, this entrepreneurial spirit among our people is a fundamental aspect of our differentiated '5x5' strategy for growth.

In identifying that our customers now need systemic and in-depth Assurance, Testing, Inspection and Certification services (ATIC), we added last year a new dimension to our traditional Quality Control offering by placing Assurance at the cutting edge of our value proposition. The intensifying focus by corporations on managing risk in the supply chain and delivering sustainable performance has substantially increased the role of Assurance in their day-to-day risk-mitigation activities.

Today, the truly systemic Total Quality Assurance (TQA) solutions we can deliver go beyond assuring the quality and safety of a corporation's physical components, products and assets to also look at the reliability of their operating processes and quality management systems. Our TQA approach is fundamental to enabling our clients to operate safely and with complete peace of mind.

Our differentiated TQA value proposition is set to lead our growth trajectory in the years ahead. We have evolved our service offering to meet the needs of our customers, positioning Intertek strongly to leverage these truly exciting opportunities with our differentiated TQA value proposition.

Our high-quality earnings model

Our high margin and strongly cash generative earnings model is underpinned by the delivery of our Total Quality Assurance Value Proposition.

The Intertek earnings model is to provide ATIC solutions with superior customer service levels to businesses in the three economic sectors of 'Products', 'Trade' and 'Resources' across more than 100 countries. These sectors provide the framework of our high-quality earnings model, and each benefit from their own set of structural growth drivers.

We operate a capital light business model which, combined with our entrepreneurial culture, enables us to react quickly to new growth opportunities.

At the Group level, in the medium- to long-term we expect to deliver GDP+ organic revenue growth that is margin accretive and strongly cash generative. This will enable us to allocate our resources in a disciplined fashion, to create further value via carefully selected capital expenditure and M&A investments in high-margin and high-growth areas that in turn feed further accelerated margin accretive revenue growth.

The Products sector, which currently delivers over 76% of our profit, comprises Softlines & Hardlines, Electrical & Network Assurance, Building & Construction, Chemicals & Pharma, Transportation Technologies, Food, and Business Assurance. We see the sector as continuing to benefit from corporations' growing investments in quality and innovation and anticipate continuing growth in response to rising consumer demand and a higher regulatory burden.

Specifically, we see two key growth drivers for Intertek in this sector:

- growth in stock-keeping units ('SKUs') or brands, driven by increasing numbers of products worldwide, shorter product life-cycles and the rise of e-commerce. Just consider the speed of product development over the last 30 years in the mobile phone sector, as companies have competed for consumer attention through investments in technology, innovation, variety and brand development; and
- growth in the number of tests that need to be taken for each SKU or brand, driven by rising regulatory standards, concerns for safety, demand for higher quality and continuous innovation.

We expect our Products sector to continue growing faster than GDP as our ATIC services support customers in their determination to:

- innovate ahead of their competitors,
- maintain or improve quality while expanding their supply chains,
- meet more demanding regulatory standards,
- raise the sustainability standards of their products and processes,
- sharpen their risk-management focus, and
- protect their reputations.

Our second key business sector is Trade, which comprises Cargo & Analytical Assessment ('Cargo/AA'), AgriWorld and Government & Trade Services (GTS) and accounts for around 18% of our profit. By drawing on our services, particularly in the Inspection area, companies have the assurance of knowing that their cargoes comply with all relevant regulations and quality standards.

Our Trade business will continue to benefit from ongoing growth in global trade and the development of stronger regional trade in Asia, the Indian Ocean, the Mediterranean and the Americas. We expect this growth to be at a rate similar to global GDP through the cycle, driven by the increases in global population and demand from emerging markets that are causing cargo tonnage, shipping numbers and trading routes to grow.

In Resources, our third business sector which contributed less than 6% of our profit, we anticipate long-term growth driven by increasing demand for global energy to support GDP and population growth but we recognise this is a cyclical business that is currently in the challenging part of the cycle.

We offer both Capex and Opex Services; we can help companies investing in new capacity and operating existing facilities.

We will also see continued expansion in the different types of energy consumed, with an increasing role for renewables in driving sustainability, carbon reduction and cleanliness of supply.

Our differentiated strategy for growth

Our earnings model supports our '5x5' differentiated strategy for growth, which aims to move the centre of gravity of the company towards high-growth, high-margin areas in our industry. This strategy comprises five strategic priorities and five strategic enablers, targeted at the achievement of five corporate goals that help us measure progress.

Our five medium- to long-term corporate goals are:

- 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

Our five strategic priorities are:

- A differentiated brand proposition that positions Intertek as the market-leading provider of Quality Assurance services
- Delivering superior service with our Total Quality Assurance value proposition, building customer loyalty and attracting new customers
- An effective sales strategy that develops our business by attracting new clients and growing account penetration with existing customers, through increasing the focus on the systematic cross selling of our ATIC solutions
- Operating a growth- and margin-accretive portfolio strategy, that delivers focussed growth among the business lines, countries and services with good growth and margin prospects
- Delivering operational excellence in every operation to drive productivity

The five enablers that will support the execution of our strategy are:

- Our entrepreneurial spirit and decentralised organisation which underpins our customer-centric culture
- Disciplined performance management, driving margin-accretive revenue growth with strong cash conversion and strong returns on capital
- Superior technology, increasing productivity and adding value to our customers
- Engaging our people through the appropriate reward strategy and investing in the right capabilities to support our growth agenda
- Achieving sustainable growth for customers, employees, shareholders, suppliers and communities and ensuring 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 three-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 & Network Assurance, Cargo/AA and Government & Trade Services
- 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, AgriWorld, 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

Expansion into People Assurance

The group announced on 3 August that it has entered into an agreement to acquire Alchemy Investment Holdings, Inc. ("Alchemy"), an industry leader in People Assurance solutions for the food industry.

Intertek's growth in Assurance services has predominantly been focussed on assuring the quality of clients' systems and operating procedures. Alchemy provides us with the opportunity to expand and broaden our Assurance offering towards the assurance of employee skills across our clients' organisations.

As corporations around the world increase their focus on quality, safety, productivity and compliance, closing skills-gaps to deliver only the highest customer service standards has become mission critical for clients. Alchemy's unique tailored learning software helps to close the loop, identifying and plugging these gaps quickly and efficiently.

Alchemy is a high-quality business with scalable solutions that can be rolled out across many different industries and geographies. This will further accelerate the growth momentum of our high margin and capital light Assurance Business.

Accretive 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.

We pursue an accretive disciplined approach to capital allocation, which enables us to reinvest our growing earnings and create long-term value and sustainable shareholder returns.

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 50% 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.

Looking ahead

We believe that the strength of our 2018 half year results demonstrate the attractive nature of our industry, Intertek's high-quality earnings model and the effectiveness of our '5x5' differentiated strategy for growth.

We are confident about the growth prospects in the global Quality Assurance market.

We are uniquely positioned to seize these attractive growth opportunities, underpinned by the increased complexities of corporate supply chains and the associated challenges of maintaining a high level of quality assurance end-to-end.

Leveraging our industry-leading expertise and innovative and entrepreneurial culture, we service a diversity of industries, geographies and customers with multiple Total Quality Assurance solutions with our global network enabling us to follow the supply chains of our customers wherever they are in the world.

We have a strong track record of creating sustainable growth and shareholder value, leveraging our high-margin and highly cash generative earnings model.

We are moving the company's centre of gravity towards our industry's most attractive growth and margin areas supporting the increasing need of our clients for end-to-end quality assurance with a disciplined approach to performance management and capital allocation.

We are on track on our 'good to great' journey, making progress on both performance and strategy.

André Lacroix
Chief Executive Officer

Operating Review

For the six months ended 30 June 2018

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 18 £m	H1 17 £m	Change at actual rates	Change at constant rates ¹
Revenue	1,347.7	1,371.8	(1.8%)	3.9%
Organic revenue ²	1,339.4	1,370.6	(2.3%)	3.4%
Operating profit ³	225.8	223.9	0.8%	6.4%
Margin ³	16.8%	16.3%	50bps	40bps
Net financing costs ³	(12.2)	(13.6)	10.3%	
Income tax expense ³	(54.0)	(53.6)	(0.7%)	
Earnings for the period ³	159.6	156.7	1.9%	7.8%
Diluted earnings per share ³	91.2p	90.4p	0.9%	6.8%

1. Constant currency is calculated by translating H1 17 results at H1 18 exchange rates
2. Organic revenue growth excludes the impact of acquisitions and disposals in 2017 and 2018
3. Adjusted results are stated before SDIs

Total reported Group revenue growth was (1.8%), comprising 0.5% growth contributed by acquisitions, organic revenue of 3.4% and a decrease of 5.7% from foreign exchange where sterling appreciated against most of the Group's trading currencies.

The Group's organic revenue at constant rates 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 6.4%, driven by double digit growth in the Products division.

The Group remains very focussed on cost and margin management. The adjusted operating margin was 16.8%, an increase of 40bps from the prior year at constant exchange rates as we benefited from positive operating leverage, margin accretive divisional mix, our portfolio review and margin accretive acquisitions.

The Group realised a gain from the implementation of a pensionable salary freeze for the UK scheme which was partially offset by other specific costs, resulting in a net impact of less than £2m in the period.

In March 2016, the Group announced its 5x5 strategy including a business unit portfolio review, which, after 2½ years, is now approximately halfway through. In line with this, a £3.9m restructuring cost has been recognised in SDIs in the period, which impacted 10 business units in the half year, taking the total programme to 68.

The Group's statutory operating profit for the period was £209.3m (H1 17: £204.4m) after SDIs, but before interest and tax of £61.9m (H1 17: £60.7m).

Net Financing Costs

Net financing costs were £12.2m, a decrease of £1.4m on H1 17. This comprised £0.7m (H1 17: £0.7m) of finance income and £12.9m (H1 17: £14.3m) of finance expense.

Tax

The adjusted effective tax rate was 25.3%, broadly stable with the prior year (H1 17: 25.5%). The statutory tax charge, including the impact of SDIs, of £49.2m (H1 17: £47.1m), equates to an effective rate of 25.0% (H1 17: 24.7%).

Earnings per share

Adjusted diluted earnings per share at actual exchange rates was 0.9% higher at 91.2p. Statutory diluted earnings per share was 83.7p (H1 17: 82.5p) per share and statutory basic earnings per share was 84.9p (H1 17: 83.5p).

Dividend

In line with our new dividend policy of a targeted payout ratio of circa 50%, the Board has approved a 35.7% increase in the interim dividend to 31.9p per share (H1 17: 23.5p). The dividend will be paid on 19 October 2018 to shareholders on the register at 5 October 2018.

Acquisitions and investments

The Group's strategy is to invest both organically and by acquiring complementary businesses, enabling it to take advantage of the strong long-term structural growth drivers in the quality assurance industry and continually offer the latest technologies and services in the locations demanded by clients.

The Group completed three (H1 17: one) acquisitions in the first six months for a cash outflow of £10.6m. This comprised £13.5m consideration net of cash acquired (£15.9m including cash acquired) and £2.9m of deferred consideration.

In March 2018, the Group acquired Aldo Abela Surveys (AAS), a leading provider of quality and quantity cargo inspection services based in Malta.

In April 2018, the Group acquired Proasem, a leading provider of laboratory testing, inspection, metrology and training services based in Colombia.

In June 2018, the Group acquired NTA Monitor, a leading network security and assurance services provider based in the UK and Malaysia.

The Group also invested £47.0m (H1 17: £35.5m) organically in laboratory expansions, new technologies and equipment to expand our market coverage and develop innovative ATIC solutions. This included an exclusive license agreement with CAPA, a leading independent non-profit certification organisation for automotive replacement parts, to operate their global certification programme.

Cash Flow

The Group's cash performance in the period was strong with free cash flow of £90.6m (H1 17: £124.0m), driven by disciplined working capital management and strong cash conversion. Adjusted cash flow from operations was £204.1m (H1 17: £226.0m). Statutory cash flow from operations was £195.6m (H1 17: £217.8m).

Financial position

The Group ended the period in a strong financial position. Net debt was £568.1m, an increase of £24.0m on 31 December 2017 and a decrease of £128.2m on 30 June 2017.

Outlook

The Group is well positioned to deliver good organic revenue growth with moderate margin progression at constant currency and strong cash conversion in 2018.

We expect our Products related businesses to deliver robust organic revenue growth, our Trade related businesses to report solid organic revenue growth performance, while we expect our Resources related businesses to deliver a stable revenue performance. We will continue to benefit from the acquisitions made since January 2017.

Looking further ahead, the global Quality Assurance market will benefit from attractive growth prospects driven by an increased focus of corporations on risk management, global trade flows, global demand for energy, expanding regulations, more complex sourcing and distribution operations, technological innovations, government investments in large infrastructure projects, and increased consumer demand for higher quality and more sustainable products.

We provide our customers with a Total Quality Assurance differentiated value proposition based on the depth and breadth of our technical expertise, our global network of over 1,000 state-of-the-art facilities in over 100 countries, our industry leading Assurance, Testing, Inspection and Certification solutions, and our customer centric culture fuelled by our passionate colleagues around the world.

We continue to be uniquely positioned to benefit from the GDP+ organic revenue growth prospects in the Quality Assurance Industry in the medium to long term, leveraging our high quality and highly cash generative earnings model.

Operating Review by Division

	Revenue				Adjusted operating profit			
	H1 18 £m	H1 17 £m	Change at actual rates	Change at constant rates	H1 18 £m	H1 17 £m	Change at actual rates	Change at constant rates
Products	805.6	798.7	0.9%	6.4%	171.6	164.0	4.6%	10.3%
Trade	310.5	325.8	(4.7%)	1.1%	41.5	45.9	(9.6%)	(3.3%)
Resources	231.6	247.3	(6.3%)	(0.7%)	12.7	14.0	(9.3%)	(7.3%)
	1,347.7	1,371.8	(1.8%)	3.9%	225.8	223.9	0.8%	6.4%

A review of the adjusted results of each division in the six months ended 30 June 2018 compared to the six months ended 30 June 2017 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 2017. Operating profit and operating margin are stated before SDIs. Statutory profit numbers are shown in note 2.

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

Products Divisional Review

	H1 18 £m	H1 17 £m	Change at actual rates	Change at constant rates
Revenue	805.6	798.7	0.9%	6.4%
Organic revenue	798.8	797.5	0.2%	5.7%
Adjusted operating profit	171.6	164.0	4.6%	10.3%
Adjusted operating margin	21.3%	20.5%	80bps	70bps

Intertek Value Proposition

Our Products 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.

Strategy

Our Total Quality Assurance value proposition provides a systemic approach to support the Quality Assurance efforts of our Products 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.

Innovations

We continue to invest in innovation to deliver a superior customer service in our Products related businesses:

Voice of the Consumer

- **Customer insight:** Our customers collect vast quantities of valuable feedback from consumers. However, analysing this data to deliver actionable product quality improvements can be challenging
- **Electrical & Network Assurance innovation:** Our experts use advanced data analysis techniques to quickly identify common issues and then work with our customers to design bespoke solutions
- **Customer benefit:** Our customers are able to better leverage their customer feedback data and to deliver improved products to consumers faster

Intertek Sustainability

- **Customer insight:** Stakeholder expectations and growing supply chains complexity mean that customers are more focussed on the environmental impact of their business than ever before
- **Business Line agnostic innovation:** Intertek's expertise allows us to offer a comprehensive suite of sustainability services, assuring sustainability across our customers' entire business
- **Customer benefit:** Customers are able to anticipate, navigate, validate, and achieve their current and emerging sustainability requirements and goals

Inlight Network

- **Customer insight:** With increasing regulation, supply chain complexity and a stronger focus on risk management, it is increasingly important for our customers to truly understand their supply chains
- **Business Assurance innovation:** Inlight Network is a trusted SaaS platform for suppliers to share their validated business profile and audits, giving organisations information on their suppliers' identities, capabilities and compliance levels
- **Customer benefit:** Through this Network of validated suppliers, customers are able to gain greater visibility of their supply chain risks, build resilience into their global operations and safeguard their reputation

H1 2018 performance

In the first 6 months of 2018 our Products business delivered an excellent performance with robust margin accretive revenue growth.

Our organic revenue growth at constant rates was 5.7%, driven by broad-based revenue growth across business lines and geographies. We delivered a strong operating profit of £171.6m, up 10.3% at constant currency enabling us to deliver a margin of 21.3%, up 70bps versus last year as we benefited from positive operating leverage and continued to remain disciplined on cost.

- Our **Softlines** business reported solid organic growth performance. We are 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. We continue to benefit from strong demand from our customers for chemical testing as well as from a greater number of brands and SKUs.
- Our **Hardlines** and toy business continues to take advantage of our strong global account relationships, the expansion of our customers' supply chains into new markets and our innovative technology for factory inspections. We delivered good organic revenue growth performance across our main markets of China, Hong Kong, India and Vietnam.
- Our **Transportation Technologies** business delivered double-digit organic revenue growth as we capitalize on our clients' investments in new powertrains to lower emissions and increase fuel efficiency.
- Our **Business Assurance** business delivered strong organic revenue growth as we continue to benefit from the increased focus of corporations on risk management, resulting in strong growth in Supply Chain Audits.
- We delivered robust organic revenue growth in our **Electrical & Network Assurance** business 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 robust organic revenue growth in our **Food** business.

- We delivered robust organic revenue growth in our **Chemicals & Pharma** business as we continue to leverage the structural growth opportunities in the healthcare markets in both developed and emerging economies.
- Driven by the growing demand for more environmentally friendly and higher quality buildings and infrastructure in the US market, our **Building & Construction** business reported robust organic revenue growth.

H2 2018 growth outlook

We expect our Products division, which represents 76% of our profit, to benefit from robust organic revenue growth at constant currency.

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 Divisional Review

	H1 18 £m	H1 17 £m	Change at actual rates	Change at constant rates
Revenue	310.5	325.8	(4.7%)	1.1%
Organic revenue	309.0	325.8	(5.2%)	0.7%
Adjusted operating profit	41.5	45.9	(9.6%)	(3.3%)
Adjusted operating margin	13.4%	14.1%	(70bps)	(60bps)

Intertek Value Proposition

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/AA** business, newly rebranded **Caleb Brett**, 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 **AgriWorld** business provides analytical and testing services to global agricultural trading companies and growers.

Strategy

Our Total Quality Assurance value 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.

Innovations

We continue to invest in innovation to deliver a superior customer service in our Trade related businesses:

Caleb Brett

- **Customer insight:** Our clients value high quality and independent expertise in the services they receive from their Total Quality Assurance Partner
- **Caleb Brett innovation:** We have strengthened our differentiated offering by rebranding our Cargo/AA business Caleb Brett leveraging the strong heritage of our founder who invented marine surveillance
- **Customer benefit:** This innovation clearly expresses our industry leadership true to the principles of our founder, Caleb Brett: "I will treat each cargo as if it were my own"

Margin Accretive Innovation: Mobile Testing

- **Customer insight:** For ExxonMobil, ensuring that they offer high quality fuel is of mission critical importance to their \$300m investment into the Mexico retail fuel market
- **Caleb Brett innovation:** Working in collaboration with ExxonMobil, Intertek's experts have created mobile laboratories, giving ExxonMobil the flexibility required to test fuel quality across their fast growing Mexico retail business
- **Customer benefit:** The Mobile Laboratories provide a competitive advantage to ExxonMobil in the market, and give their consumers the peace of mind that the fuel they purchase is of the highest quality

Mobile Crop Quality Toolkit

- **Customer insight:** For small farmers in Sub-Saharan Africa, meeting the safety and quality regulations required to bring their crop to market can mean an expensive and time consuming testing process

- **AgriWorld innovation:** Our experts have developed a unique Mobile Crop Quality Toolkit, empowering small farmers to test their crop on-site at their own farms
- **Customer benefit:** In combination with training from Intertek experts, our Mobile Crop Quality Toolkit can enable an entire community of small farmers to maximise the quality of their crops and to bring them to market in compliance with local regulations

H1 2018 performance

Our Trade related businesses delivered a solid trading performance with 0.7% organic revenue growth at constant rates, driven by broad-based revenue growth across business lines and geographies. We delivered an operating profit of £41.5m, down 3.3% at constant currency, enabling us to deliver an operating margin of 13.4%, down 60bps versus last year due to country mix effect.

- Our **Cargo/AA** business reported stable organic revenue growth, reflecting the structural growth drivers in the Crude Oil and Refined Product global trading market.
- Benefiting from new contracts, our **Government & Trade Services** business delivered robust organic revenue growth.
- Our **AgriWorld** business delivered an organic revenue below last year due to lower export activities in a few markets that benefited from strong trading activity in 2017.

H2 2018 growth outlook

We expect our Trade related businesses, which represent 18% of our profit, to deliver solid organic revenue growth performance at constant currency.

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 Divisional Review

	H1 18 £m	H1 17 £m	Change at actual rates	Change at constant rates
Revenue	231.6	247.3	(6.3%)	(0.7%)
Organic revenue	231.6	247.3	(6.3%)	(0.7%)
Adjusted operating profit	12.7	14.0	(9.3%)	(7.3%)
Adjusted operating margin	5.5%	5.7%	(20bps)	(40bps)

Intertek Value Proposition

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 value 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.

Innovations

We continue to invest in innovation to deliver a superior customer service in our Resources related businesses:

Greenlink Interconnector Project

- **Customer insight:** Greenlink is a major infrastructure project to link the power markets in Great Britain and the Republic of Ireland. Minimising the impact on the marine environment is key for the project
- **Industry Services innovation:** Intertek's experts provide vital marine environmental support for the project, ensuring regulatory compliance and environmentally conscious project planning
- **Customer benefit:** Intertek's expertise allows the project to be delivered efficiently and with minimal impact on the marine environment

Near-Infrared Spectral Database

- **Customer insight:** Our Oil Industry customers value rapid, accurate assessment of the quality of their crude oil
- **Exploration & Production innovation:** Intertek has the only database of near-infrared spectrum analysis of crude oil in the world. This puts us in the unique position of being able to analyse crude oil quality in real time using advanced spectrum analysis techniques
- **Customer benefit:** Customers are able to assess the quality of their crude oil within minutes, a substantial improvement over the days/weeks taken by traditional lab-based tests

Intertek PipeAware™ 2

- **Customer insight:** Pipeline asset owners require a way in which to accurately track and monitor vital asset information
- **Industry Services innovation:** Following the successful launch of Intertek PipeAware™, an industry-leading SaaS solution that allows customers to access real-time information on their asset inspection data throughout

all stages of manufacturing, Intertek has extended the reach with PipeAware™2, to track and monitor all aspects during construction

- **Customer benefit:** With Intertek PipeAware™2, customers are provided with a unique solution which combines traceability software with inspection expertise, to achieve full transparency into the pipeline manufacturing and construction process

H1 2018 performance

Following several years of challenging trading conditions, we benefited from an improved performance in Resources related businesses and reported an organic revenue broadly stable year on year of -0.7% and a margin reduction of 40bps versus prior year driven by contract mix.

- The revenue from **Capex Inspection Services** was lower than last year and our revenue for **Opex Maintenance Services** was stable.
- Accelerating the trend seen in 2017, we saw robust growth in demand for testing activities in the **Minerals** business.

H2 2018 growth outlook

Overall, we expect our Resources related businesses, which represent 6% of our profit, to deliver a stable revenue performance at constant currency.

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

For the half year ended 30 June 2018

Adjusted results

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 below 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).

Organic growth

Organic growth figures are calculated by excluding the results of acquisitions and disposals made since 1 January 2017.

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 17 results at H1 18 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. Reconciliations of the Reported to Adjusted Performance Measures are given below.

When applicable, these SDIs 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 related to acquisition activity, the cost of any fundamental restructuring of a business, material claims and settlements, significant recycling of amounts from equity to the income statement and unrealised market 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 as part of our '5x5' differentiated strategy for growth 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. The impairment of goodwill and other assets that by their nature or size are not expected to recur, the profit and loss on disposals of businesses or other significant assets and the costs associated with successful, active or aborted acquisitions are excluded from adjusted operating profit to provide useful information regarding the underlying performance of the Group's operations.

Details of the SDIs for the six months ended 30 June 2018 and the comparative period are given in note 3 to the Condensed Consolidated Interim Financial Statements.

Reconciliation of Reported to Adjusted Performance Measures (£m)	2018 H1 Reported	2018 H1 SDIs	2018 H1 Adjusted	2017 H1 Reported	2017 H1 SDIs	2017 H1 Adjusted
Operating profit	209.3	16.5	225.8	204.4	19.5	223.9
Operating margin (%)	15.5%	1.3%	16.8%	14.9%	1.4%	16.3%
Net financing costs	(12.7)	0.5	(12.2)	(13.6)	-	(13.6)
Profit before tax	196.6	17.0	213.6	190.8	19.5	210.3
Income tax expense	(49.2)	(4.8)	(54.0)	(47.1)	(6.5)	(53.6)
Profit for the year	147.4	12.2	159.6	143.7	13.0	156.7
Cash flow from operations	195.6	8.5	204.1	217.8	8.2	226.0
Basic earnings per share (p)	84.9p	7.6p	92.5p	83.5p	8.0p	91.5p
Diluted earnings per share (p)	83.7p	7.5p	91.2p	82.5p	7.9p	90.4p

Reconciliation of revenue	Six months to 30 June 2018 £m	Six months to 30 June 2017 £m	Change %
Reported revenue	1,347.7	1,371.8	(1.8%)
Less: Acquisitions / disposals revenue	(8.3)	(1.2)	
Organic Revenue	1,339.4	1,370.6	(2.3%)
Impact of foreign exchange movements	-	(74.7)	
Organic revenue at constant currency	1,339.4	1,295.9	3.4%

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 below risks outlined on pages 32 to 37 of the Group's Annual Report for 2017, which is available from our website at www.intertek.com:

Operational

- Reputation
- Customer Service
- People Retention
- Operational Health, Safety & Security
- Facilities
- Industry and Competitive Landscape
- IT Systems and Data Security

Legal and Regulatory

- Litigation
- Business Ethics
- Regulatory and political landscape

Financial

- Financial Risk

The Board does not consider that there has been any significant change to the nature of these risks and the key mitigating actions since the publication of the Group's Annual Report for 2017.

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

Management Reports and Trading Updates

Intertek will issue a trading update in the fourth quarter of 2018. The 2018 Full Year Results will be announced on 5 March 2019.

Half Year Results

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 European Union;
- 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

Chief Executive Officer

6 August 2018

Edward Leigh

Chief Financial Officer

6 August 2018

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 2018. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Condensed Consolidated Interim Statement of Financial Position as at 30 June 2018;
- 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 Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

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

RESPONSIBILITIES FOR THE INTERIM FINANCIAL STATEMENTS AND THE REVIEW

Our responsibilities and those of the Directors

The 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 Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the 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 Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, 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

London

6 August 2018

Condensed Consolidated Interim Income Statement

For the six months ended 30 June 2018

	Six months to 30 June 2018 (Unaudited)			Six months to 30 June 2017 (Unaudited)			
	Notes	Adjusted Results £m	Separately Disclosed Items* £m	Total 2018 £m	Adjusted results £m	Separately Disclosed Items* £m	Total 2017 £m
Revenue	2	1,347.7	–	1,347.7	1,371.8	–	1,371.8
Operating costs		(1,121.9)	(16.5)	(1,138.4)	(1,147.9)	(19.5)	(1,167.4)
Group operating profit/(loss)	2	225.8	(16.5)	209.3	223.9	(19.5)	204.4
Finance income		0.7	–	0.7	0.7	–	0.7
Finance expense		(12.9)	(0.5)	(13.4)	(14.3)	–	(14.3)
Net financing costs		(12.2)	(0.5)	(12.7)	(13.6)	–	(13.6)
Profit/(loss) before income tax		213.6	(17.0)	196.6	210.3	(19.5)	190.8
Income tax (expense)/credit	4	(54.0)	4.8	(49.2)	(53.6)	6.5	(47.1)
Profit/(loss) for the period	2	159.6	(12.2)	147.4	156.7	(13.0)	143.7
Attributable to:							
Equity holders of the Company		148.7	(12.2)	136.5	147.3	(13.0)	134.3
Non-controlling interest		10.9	–	10.9	9.4	–	9.4
Profit for the period		159.6	(12.2)	147.4	156.7	(13.0)	143.7
Earnings per share**							
Basic	5			84.9p			83.5p
Diluted	5			83.7p			82.5p
Dividends in respect of the period				31.9p			23.5p

* 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 2018

	Notes	Six months to 30 June 2018 (Unaudited) £m	Six months to 30 June 2017 (Unaudited) £m
Profit for the period	2	147.4	143.7
Other comprehensive income			
Remeasurements on defined benefit pension schemes		7.4	3.2
Items that will never be reclassified to profit or loss		7.4	3.2
Foreign exchange translation differences of foreign operations		7.6	(60.6)
Net exchange (loss)/gain on hedges of net investments in foreign operations		(8.9)	67.2
Gain/(loss) on fair value of cash flow hedges		0.4	(28.7)
Tax on items that are or may be reclassified subsequently to profit or loss		0.8	–
Items that are or may be reclassified subsequently to profit or loss		(0.1)	(22.1)
Total other comprehensive income/(expense) for the period		7.3	(18.9)
Total comprehensive income for the period		154.7	124.8
Total comprehensive income for the period attributable to:			
Equity holders of the Company		146.9	117.4
Non-controlling interest		7.8	7.4
Total comprehensive income for the period		154.7	124.8

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2018

	Notes	At 30 June 2018 (Unaudited) £m	At 30 June 2017 (Unaudited) £m	At 31 December 2017 (Audited) £m
Assets				
Property, plant and equipment	10	424.3	415.8	420.6
Goodwill	9	596.8	579.3	579.6
Other intangible assets		174.2	177.5	178.2
Investments in associates		0.3	0.3	0.3
Deferred tax assets		61.4	47.5	59.4
Total non-current assets		1,257.0	1,220.4	1,238.1
Inventories*		19.4	19.5	18.3
Trade and other receivables*		681.1	641.0	641.7
Cash and cash equivalents	8	172.7	145.8	137.0
Current tax receivable		17.2	21.4	17.3
Total current assets		890.4	827.7	814.3
Total assets		2,147.4	2,048.1	2,052.4
Liabilities				
Interest bearing loans and borrowings	8	(32.9)	(84.2)	(77.1)
Current taxes payable		(51.9)	(51.4)	(46.8)
Trade and other payables*		(416.8)	(359.4)	(452.2)
Provisions*		(33.2)	(27.4)	(32.2)
Total current liabilities		(534.8)	(522.4)	(608.3)
Interest bearing loans and borrowings	8	(707.9)	(757.9)	(604.0)
Deferred tax liabilities		(50.7)	(46.1)	(47.4)
Net pension liabilities	6	(4.1)	(26.7)	(17.8)
Other payables*		(22.4)	(35.3)	(21.6)
Provisions*		(9.7)	(8.8)	(9.1)
Total non-current liabilities		(794.8)	(874.8)	(699.9)
Total liabilities		(1,329.6)	(1,397.2)	(1,308.2)
Net assets		817.8	650.9	744.2
Equity				
Share capital		1.6	1.6	1.6
Share premium		257.8	257.8	257.8
Other reserves		(7.3)	16.5	(9.5)
Retained earnings		527.8	336.6	459.8
Total attributable to equity holders of the Company		779.9	612.5	709.7
Non-controlling interest		37.9	38.4	34.5
Total equity		817.8	650.9	744.2

Working capital of £210.8m (H1 17: £225.4m) comprises the asterisked items in the above Statement of Financial Position less refundable deposits aged over 12 months of £7.6m (H1 17: £4.2m).

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2018

	Attributable to equity holders of the Company								
	Other Reserves					Retained earnings	Total before non-controlling interest	Non-controlling interest	Total equity
	Share capital	Share premium	Translation reserve	Other					
£m	£m	£m	£m	£m	£m	£m	£m	£m	
At 1 January 2017	1.6	257.8	14.6	20.7	273.0	567.7	34.7	602.4	
Total comprehensive income for the period									
Profit	–	–	–	–	134.3	134.3	9.4	143.7	
Other comprehensive income	–	–	9.9	(28.7)	1.9	(16.9)	(2.0)	(18.9)	
Total Comprehensive income for the period	–	–	9.9	(28.7)	136.2	117.4	7.4	124.8	
Transactions with owners of the company recognised directly in equity									
Contributions by and distributions to the owners of the company									
Dividends paid	–	–	–	–	(69.2)	(69.2)	(3.7)	(72.9)	
Purchase of own shares	–	–	–	–	(7.8)	(7.8)	–	(7.8)	
Tax paid on share awards vested*	–	–	–	–	(6.0)	(6.0)	–	(6.0)	
Equity-settled transactions	–	–	–	–	10.4	10.4	–	10.4	
Income tax on equity-settled transactions	–	–	–	–	–	–	–	–	
Total contributions by and distributions to the owners of the company	–	–	–	–	(72.6)	(72.6)	(3.7)	(76.3)	
At 30 June 2017 (unaudited)	1.6	257.8	24.5	(8.0)	336.6	612.5	38.4	650.9	
At 1 January 2018	1.6	257.8	(13.8)	4.3	459.8	709.7	34.5	744.2	
Total comprehensive income for the period									
Profit	–	–	–	–	136.5	136.5	10.9	147.4	
Other comprehensive income	–	–	1.8	0.4	8.2	10.4	(3.1)	7.3	
Total Comprehensive income for the period	–	–	1.8	0.4	144.7	146.9	7.8	154.7	
Transactions with owners of the company recognised directly in equity									
Contributions by and distributions to the owners of the company									
Dividends paid	–	–	–	–	(76.9)	(76.9)	(4.4)	(81.3)	
Purchase of own shares	–	–	–	–	(8.6)	(8.6)	–	(8.6)	
Tax paid on share awards vested*	–	–	–	–	(2.9)	(2.9)	–	(2.9)	
Equity-settled transactions	–	–	–	–	11.9	11.9	–	11.9	
Income tax on equity-settled transactions	–	–	–	–	(0.2)	(0.2)	–	(0.2)	
Total contributions by and distributions to the owners of the company	–	–	–	–	(76.7)	(76.7)	(4.4)	(81.1)	
At 30 June 2018 (unaudited)	1.6	257.8	(12.0)	4.7	527.8	779.9	37.9	817.8	

* 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 £76.9m dividend paid on 6 June 2018 represented a final dividend of 47.8p per ordinary share in respect of the year ended 31 December 2017. The £69.2m dividend paid on 2 June 2017 represented a final dividend of 43.0p per ordinary share in respect of the year ended 31 December 2017. 2,587 ordinary shares were issued in the period to satisfy the vesting of share awards.

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2018

	Notes	Six months to 30 June 2018 (Unaudited) £m	Six months to 30 June 2017 (Unaudited) £m
Cash flows from operating activities			
Profit for the period	2	147.4	143.7
<i>Adjustments for:</i>			
Depreciation charge		37.9	40.9
Amortisation of software		5.9	6.4
Amortisation of acquisition intangibles		9.0	7.9
Impairment of other assets		-	8.0
Equity-settled transactions		11.9	10.4
Net financing costs		12.7	13.6
Income tax expense	4	49.2	47.1
Loss on disposal of subsidiary		-	-
Gain on disposal of property, plant, equipment and software		-	(0.5)
Operating cash flows before changes in working capital and operating provisions		274.0	277.5
Change in inventories		(0.8)	(1.1)
Change in trade and other receivables		(35.4)	(6.9)
Change in trade and other payables		(38.3)	(42.1)
Change in provisions		(1.9)	(6.8)
Special contributions into pension schemes		(2.0)	(2.8)
Cash generated from operations		195.6	217.8
Interest and other finance expense paid		(14.2)	(13.6)
Income taxes paid		(45.2)	(47.0)
Net cash flows generated from operating activities*		136.2	157.2
Cash flows from investing activities			
Proceeds from sale of property, plant, equipment and software*		0.7	1.6
Interest received*		0.7	0.7
Acquisition of subsidiaries, net of cash acquired	9	(10.6)	(10.5)
Consideration paid in respect of prior year acquisitions		-	(7.7)
Acquisition of property, plant, equipment, software*	10	(47.0)	(35.5)
Net cash flows used in investing activities		(56.2)	(51.4)
Cash flows from financing activities			
Purchase of own shares		(8.6)	(7.8)
Tax paid on share awards vested		(2.9)	(6.0)
Drawdown of borrowings		107.8	-
Repayment of borrowings		(75.4)	(21.0)
Dividends paid to non-controlling interest		(4.3)	(3.7)
Equity dividends paid		(76.9)	(69.2)
Net cash flows used in financing activities		(60.3)	(107.7)
Net increase/(decrease) in cash and cash equivalents	8	19.7	(1.9)
Cash and cash equivalents at 1 January	8	135.9	158.8
Effect of exchange rate fluctuations on cash held	8	-	(15.5)
Cash and cash equivalents at end of period	8	155.6	141.4

Adjusted Cash flow from operations of £204.1m (H1 17: £226.0m) comprises statutory cash generated from operations of £195.6m (H1 17: £217.8m) before cash outflows relating to Separately Disclosed Items of £8.5m (H1 17: £8.2m). Free cash flow of £90.6m (H1 17: £124.0m) comprises the asterisked items in the above Statement of Cash Flows.

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 2018 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 2017 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 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 2017.

The comparative figures for the financial year ended 31 December 2017 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 2017.

IFRS 9 Financial Instruments came into effect on 1 January 2018. Management has performed its reviews of the standard and there has been no material impact in the period ending 30 June 2018 as a result of implementing the new standard.

IFRS 15 Revenue from contracts with customers came into effect on 1 January 2018. During the year ended 31 December 2017 the Group carried out a detailed review of the recognition criteria for revenue applying the requirements of IFRS 15 and to ensure that the same principles were being applied consistently across the Group. Management assessed the potential impact of IFRS 15 by i) discussing the changes in accounting for revenue under the new standard with major countries and business lines; ii) reviewing a cross section of different revenue contracts across the Group; and iii) considering the impact of IFRS 15 on both short-term and long-term contracts. IFRS 15 has been implemented retrospectively, but the comparative figures have not been restated because the new standard does not have a material impact on the timing of revenue recognition based on the Group's current revenue streams. The economic factors affecting revenue for both short-term and long-term contracts are consistent within each. The operating segment revenue disclosures (note 2) provided under IFRS 8 are consistent with the disaggregated revenue disclosure and recognition and measurement requirements of IFRS 15.

IFRSs announced but not yet effective

The following IFRSs have been announced, but are not yet effective in the preparation of these condensed interim financial statements. Their adoption is not expected to have a material effect on the financial statements, unless otherwise indicated. Certain of these standards and interpretations will, when adopted, require addition to, or amendment of, disclosures in the accounts.

IFRS 16 Leases (effective 1 January 2019) – IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for lease contracts, subject to limited exceptions for short-term leases and leases of low value assets. Management intends to apply the modified retrospective method of transition and will continue to determine the most appropriate treatment under that method on a lease-by-lease basis.

The quantitative impact of IFRS 16 on the Group's net assets and results continues to be assessed, and management has collated its initial data set to determine the impact on the Group. IFRS 16 will have a material impact on the balance sheet as both assets and liabilities will increase, and material impacts on key components within the income statement, as operating lease rental charges will be replaced by depreciation and finance costs. By way of indication, IFRS 16 will primarily affect the accounting for the Group's operating leases, to which the Group had commitments of £300.7m at 31 December 2017 as reported in Note 8 to the 2017 Annual Report and Accounts. This is a gross value and does not reflect a discounting of the commitments to their present value, as required by IFRS 16. IFRS 16 will not have any impact on the underlying commercial performance of the Group, nor the cash flows generated in the year.

Estimates and judgements

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 2017. During the six months ended 30 June 2018 management reassessed its estimates and judgements 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)), claims and settlements (note 12(a)) and also the recoverability of trade receivables. Trade receivables are reflected net of an estimated provision for impairment losses. This provision considers the past payment history and the length of time that the debts have remained unpaid.

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		Income and expense	
	Actual rates		Cumulative average rates	
	30 June 2018	30 June 2017	H1 18	H1 17
US dollar	1.31	1.29	1.38	1.26
Euro	1.14	1.14	1.14	1.17
Chinese renminbi	8.69	8.79	8.78	8.68
Hong Kong dollar	10.29	10.09	10.79	9.81

2. Operating segments

Business analysis

The Group is organised into business lines which are the Group's operating segments. These operating segments are aggregated into three divisions, 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 2018	Revenue from external customers £m	Depreciation and software amortisation £m	Adjusted operating profit £m	Separately Disclosed Items £m	Operating profit £m
Products	805.6	(29.1)	171.6	(6.8)	164.8
Trade	310.5	(9.3)	41.5	(3.6)	37.9
Resources	231.6	(5.4)	12.7	(6.1)	6.6
Total	1,347.7	(43.8)	225.8	(16.5)	209.3
Group operating profit			225.8	(16.5)	209.3
Net financing costs			(12.2)	(0.5)	(12.7)
Profit before income tax			213.6	(17.0)	196.6
Income tax expense			(54.0)	4.8	(49.2)
Profit for the year			159.6	(12.2)	147.4

Six-month period ended 30 June 2017	Revenue from external customers £m	Depreciation and software amortisation £m	Adjusted operating profit £m	Separately Disclosed Items £m	Operating profit £m
Products	798.7	(30.5)	164.0	(6.5)	157.5
Trade	325.8	(10.0)	45.9	(4.3)	41.6
Resources	247.3	(6.8)	14.0	(8.7)	5.3
Total	1,371.8	(47.3)	223.9	(19.5)	204.4
Group operating profit			223.9	(19.5)	204.4
Net financing costs			(13.6)	–	(13.6)
Profit before income tax			210.3	(19.5)	190.8
Income tax expense			(53.6)	6.5	(47.1)
Profit for the year			156.7	(13.0)	143.7

3. Separately Disclosed Items (SDIs)

		Six months to 30 June 2018 £m	Six months to 30 June 2017 £m
Operating costs			
Amortisation of acquisition intangibles	(a)	(9.0)	(7.9)
Restructuring costs	(b)	(3.9)	(6.9)
Acquisition costs	(c)	(3.6)	(0.1)
Impairment of other assets		-	(8.0)
Material claims and settlements		-	3.4
Total operating costs		(16.5)	(19.5)
Net financing costs	(d)	(0.5)	-
Total before income tax		(17.0)	(19.5)
Income tax credit on Separately Disclosed Items		4.8	6.5
Total		(12.2)	(13.0)

Refer to the Presentation of Results section for further details on SDIs

- (a) Of the amortisation of acquisition intangibles in the current period, £1.9m (H1 17: £2.1m) relates to the customer contracts and customer relationships acquired with the purchase of Moody International Limited in 2011, and £3.8m (H1 17: £2.6m) relates to the customer relationships acquired with the purchase of the PSI Group in 2015.
- (b) Restructuring costs of £3.9m were incurred in the period (H1 17: £6.9m), relating to various fundamental restructuring activities, resulting from the implementation of the new Company structure and corporate 5x5 strategy announced in 2016. These activities included site consolidations, closure of non-core business units, re-engineering of underperforming businesses and delayering of management structures, with related staff redundancies and asset write-offs.
- (c) Transaction costs relating to acquisition activity in the period and integration of prior period acquisitions were £3.6m (H1 17: £0.1m).
- (d) Net financing costs of £0.5m (H1 17: £nil) relates to the change in fair value of contingent consideration.

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 2018 is £54.0m (H1 17: £53.6m). The Group's adjusted consolidated effective tax rate for the six months ended 30 June 2018 is 25.3% (H1 17: 25.5%). The income tax expense for the total results for the six months ended 30 June 2018 is £49.2m (H1 17: £47.1m). The Group's consolidated effective tax rate for the six months ended 30 June 2018 is 25.0% (H1 17: 24.7%).

Differences between the estimated adjusted effective rate of 25.3% and the weighted average notional statutory UK rate of 19.0% include, but are not limited to, the mix of profits, the effect of tax rates in foreign jurisdictions, non-deductible expenses, the effect of previously unrecognised deferred tax assets and under/over provisions in previous periods.

5. Earnings per share (EPS)

	Six months to 30 June 2018 £m	Six months to 30 June 2017 £m
Based on the profit for the period:		
Profit attributable to ordinary shareholders	136.5	134.3
Separately Disclosed Items after tax (note 3)	12.2	13.0
Adjusted earnings	148.7	147.3
Number of shares (millions):		
Basic weighted average number of ordinary shares	160.8	160.9
Potentially dilutive share awards	2.2	1.9
Diluted weighted average number of shares	163.0	162.8
Basic earnings per share	84.9p	83.5p
Potentially dilutive share awards	(1.2p)	(1.0p)
Diluted earnings per share	83.7p	82.5p
Adjusted basic earnings per share	92.5p	91.5p
Potentially dilutive share awards	(1.3p)	(1.1p)
Adjusted diluted earnings per share	91.2p	90.4p

6. Pension schemes

During the period, the Group made a special contribution of £2.0m (H1 17: £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 2017 have been reviewed. The discount and inflation rates used to value the pension liabilities, as well as the updated asset valuations and the net pension liabilities, have not moved materially since 31 December 2017. In addition to the special contribution, a net actuarial gain before taxation of £7.4m (H1 17: actuarial gain of £3.2m) has been recognised in the consolidated statement of comprehensive income. The net pension liability stands at £4.1m at 30 June 2018 (31 December 2017: £17.8m).

7. Equity-settled transactions

During the six months ended 30 June 2018, the Group recognised an expense of £11.9m in respect of the share awards made in 2015, 2016, 2017 and 2018. For the six months ended 30 June 2017, the charge was £10.4m in respect of the share awards made in 2014, 2015, 2016 and 2017. Under the 2011 Long Term Incentive Plan in 2018, Deferred Share Awards granted had an average fair value of 4,841p and LTIP Share Awards had an average fair value of 3,710p. Under the Deferred Share Plan in 2018, Deferred Share Awards granted had an average fair value of 4,922p.

Under the 2011 Long-Term Incentive Plan, 303,557 Deferred Share Awards (previously Share Awards) (H1 17: 314,204) and 331,843 LTIP Share Awards (previously Performance Awards) (H1 17: 364,524) were granted during the period and, under the Deferred Share Plan, 15,637 Deferred Share Awards (H1 17: 9,649) were granted during the period.

8. Analysis of net debt

	30 June 2018 £m	30 June 2017 £m	31 December 2017 £m
Cash and cash equivalents per the Statement of Financial Position	172.7	145.8	137.0
Overdrafts	(17.1)	(4.4)	(1.1)
Cash per the Statement of Cash Flows	155.6	141.4	135.9

The components of net debt are outlined below:

	1 January 2018 £m	Cash flow £m	Non-cash adjustments £m	Exchange adjustments £m	30 June 2018 £m
Cash	135.9	19.7	-	-	155.6
Borrowings:					
Revolving credit facility US\$800m 2021	(153.9)	(107.8)	-	(1.1)	(262.8)
Bilateral term loan facilities US\$100m 2018	(74.6)	74.6	-	-	-
Senior notes US\$20m 2019	(15.0)	-	-	(0.3)	(15.3)
Senior notes US\$150m 2020	(112.0)	-	-	(2.4)	(114.4)
Senior notes US\$15m 2021	(11.1)	-	-	(0.2)	(11.3)
Senior notes US\$140m 2022	(104.5)	-	-	(2.3)	(106.8)
Senior notes US\$40m 2023	(29.8)	-	-	(0.7)	(30.5)
Senior notes US\$125m 2024	(93.4)	-	-	(2.0)	(95.4)
Senior notes US\$40m 2025	(29.9)	-	-	(0.6)	(30.5)
Senior notes US\$75m 2026	(55.9)	-	-	(1.3)	(57.2)
Other*	0.1	0.8	2.2	(2.6)	0.5
Total borrowings	(680.0)	(32.4)	2.2	(13.5)	(723.7)
Total net debt	(544.1)	(12.7)	2.2	(13.5)	(568.1)

* Includes other borrowings of £1.3m (2017: £3.2m) and facility fees.

8 Analysis of Net Debt (continued)

	30 June 2018 £m	30 June 2017 £m	31 December 2017 £m
Borrowings due in less than one year	15.8	79.8	76.0
Borrowings due in one to two years	-	92.1	14.2
Borrowings due in two to five years	524.9	449.2	380.9
Borrowings due in over five years	183.0	216.6	208.9
Total borrowings	723.7	837.7	680.0

Key facilities

Full details of the Group's borrowing facilities were disclosed in note 14 to the Annual Report for 2017.

Fair values

The carrying value of the interest-bearing loans and borrowings is £723.7m. 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 £715.6m. The carrying values of trade and other payables are considered approximate to their fair values.

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 2018. Derivative liabilities of £1.4m are included within Trade and Other Payables (H1 17: Derivative liabilities of £1.9m 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

The Group completed three (H1 17: one) acquisitions in the first six months for a cash outflow of £10.6m. This comprised £13.5m net of cash acquired (£15.9m including cash acquired) which included £2.9m of deferred consideration.

NTA Monitor Limited

On 5 June 2018, the Group acquired 100% of the share capital of NTA Monitor Limited (NTA) for cash consideration of £7.4m net of cash acquired (total consideration was £9.5m). The acquisition of NTA (based in UK and Malaysia) will build Intertek's presence in the UK security assurance and certification space, one of the largest cyber security markets in the world. Provisional goodwill arising was £6.7m. Of the cash consideration, £2.8m will be paid in H2 2018.

Other acquisitions

On 6 March 2018, the Group acquired 100% of the share capital of Aldo Abela Surveys Limited (AAS), a leading provider of quality and quantity cargo inspection services, based in Malta. On 30 April 2018, the Group acquired 100% of the share capital of Proasem S.A.S. (Proasem), a leading provider of fuel testing, inspection, metrology and training services to the Oil & Gas sector, based in Colombia. Cash consideration for these two acquisitions was £6.1m net of cash acquired (total consideration was (£6.4m)). Of the cash consideration (£0.1m) will be paid in H2 2018. Provisional goodwill arising from these two acquisitions was £4.9m.

Provisional details of net assets acquired and fair value adjustments for 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 and therefore the goodwill in the 12 months following the date of acquisition.

9 Acquisitions of businesses (continued)

	Book value prior to acquisition £m	Fair value adjustments £m	Fair value to Group on acquisition £m
Property, plant and equipment	3.2	-	3.2
Goodwill	-	11.6	11.6
Trade and other receivables	2.6	-	2.6
Trade and other payables	(3.9)	-	(3.9)
Net assets acquired	1.9	11.6	13.5
Cash outflow (net of cash acquired)			10.6
Contingent consideration			2.9
Total consideration			13.5

The goodwill of £11.6m 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.

(b) Acquisitions subsequent to the balance sheet date

On 3 August 2018, the Group announced that it has entered into an agreement to acquire Alchemy Investment Holdings, Inc. (Alchemy), an industry leader in People Assurance solutions for the food industry. Alchemy will be acquired for a cash consideration of US\$480 million on a cash-free and debt-free basis. Actual consideration will be subject to closing adjustments relating to acquired debt, cash and working capital. No other acquisitions have been made subsequent to the balance sheet date.

(c) Prior period acquisitions

£nil (H1 17: £7.7m) was paid during the period in respect of prior period acquisitions.

(d) Impact of acquisitions on the Group results

The revenue and profit for the period from 1 January 2018 to the date of acquisition and the impact on the Group's revenue and profit for the period from the date of acquisition to 30 June 2018 were not significant.

(e) Details of 2017 acquisitions

Full details of acquisitions made in the year ended 31 December 2017 are disclosed in note 10 to the Annual Report for 2017. Following the acquisition of KJ Tech Services GmbH in March 2017, the purchase price allocation has been completed and required no adjustments. The purchase price allocation in relation to the December 2017 acquisition of Acumen Security LLC is on-going and will be completed within 12 months of the acquisition.

(f) Impairment

Goodwill generated from past acquisitions has been tested annually as required by accounting standards. No impairment was required; however, considering prevailing market conditions, this will be kept under review.

(g) Reconciliation of goodwill

	£m
Goodwill at 1 January 2018	579.6
Additions	11.6
Additional consideration for prior period acquisitions	0.3
Foreign exchange	5.3
Goodwill at 30 June 2018	596.8

10. Property, plant, equipment and software

(a) Additions

During the six months to 30 June 2018, the Group acquired fixed assets with a cost of £44.9m (H1 17: £35.5m; year ended 31 December 2017: £112.9m). The Group also acquired fixed assets of £3.2m (H1 17: £0.6m; year ended 31 December 2017: £0.6m) through business combinations (note 9).

In addition, the Group acquired a new licensing agreement in the period with a cost of £2.1m (H1 17: £nil; year ended 31 December 2017: £nil). This exclusive agreement is with the Certified Automotive Parts Association (CAPA), a leading independent non-profit certification organisation for automotive replacement parts, to operate CAPA's global certification programme. This licensing agreement is included in other intangible assets.

(b) Capital commitments

Contracts for capital expenditure which are not provided in these accounts amounted to £15.8m (H1 17: £23.6m; year ended 31 December 2017: £8.0m).

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.

(b) Tax

The Group operates in more than 100 countries with complex tax laws and regulations. At any point in time it is normal for there to be a number of open years 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. 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 Group is also monitoring developments in relation to the EU State Aid investigation into the UK's Controlled Foreign Company regime. The Group does not currently consider any provision is required in relation to EU State Aid.

13. Post balance sheet events

Acquisition of Alchemy Investment Holdings, Inc. (Alchemy)

On 3 August 2018, the Group announced that it has entered into an agreement to acquire Alchemy, an industry leader in People Assurance solutions for the food industry.

There are no other post balance sheet events to report.

14. Approval

The Condensed Consolidated Interim Financial Statements were approved by the Board on 6 August 2018.