

CHAIRMAN'S STATEMENT

Over the past 12 months, much has been achieved. We have continued to pursue the strategy outlined by André Lacroix last March that established the mission, purpose and vision of Intertek and the values that underpin this strategy.

We have redefined our value proposition shifting our focus to Total Quality Assurance solutions that provide our customers with Assurance, Testing, Inspection and Certification services that deliver more than assuring quality of components, products and assets to now look at processes and systems. This enables ever more complex supply chains to operate safely by monitoring, assessing and managing risk in this rapidly changing world.

2016 PERFORMANCE

I am pleased to report another year of strong progress. The Group delivered revenue of £2,567m, an increase of 8.8% at constant exchange rates over the prior year benefiting from the 12 month contribution of recent acquisitions. Our Products and Trade businesses delivered good organic growth of 5.5% and 1.3% respectively at constant exchange rates, while as expected trading conditions in the Resources sector remained challenging. Organic revenue growth at constant exchange rates was 0.1%.

"As a global leader in the attractive Quality Assurance industry, Intertek is well positioned to seize significant growth opportunities that will deliver value for shareholders."



Sir David Reid
Chairman

Adjusted operating profit was up 10.4% at constant exchange rates to £409.7m and we improved our adjusted operating margin to 16.0%. On an underlying basis, adjusted diluted earnings per share were 167.7p, up 19.2%. Return on invested capital was 21.7%.

Intertek has a progressive dividend policy and seeks to grow the dividend each year in a sustainable way while maintaining a minimum dividend cover of 2.5 times earnings. On 14 October 2016, we paid an interim dividend of 19.4p per share (2015: 17.0p). At the Annual General Meeting, the Board will propose a final dividend of 43.0p per share, which will make a full year dividend of 62.4p per share (2015: 52.3p), an increase of 19.3%.

This final dividend will be paid on 2 June 2017 for those shareholders on the register on 19 May 2017. During 2016, the share price increased from £27.77 to £34.81, and total shareholder return was 27.3%.

CASH FLOW AND INVESTMENT

The Group's focus on strong cash generation continued in 2016, with adjusted cash flow from operations increasing by 21.4% to £565m. Cash conversion improved to 139% (2015: 136%).

Capital investment is a key capital allocation priority ensuring that Intertek is well placed for future growth. Investment in new laboratories and equipment in the year was £106m, equivalent to 4.1% of total revenue (2015: £112m, 5.2%).

Net debt at the year end was £744m, a decrease of 4.1% on the prior year. This has driven a net debt to EBITDA ratio of 1.5 times in 2016, an improvement on prior year.

ACQUISITIONS AND INVESTMENTS

We continue to focus on strengthening our portfolio of global and local businesses in growth areas.

In 2016, Intertek completed three acquisitions and investments: FIT-Italia, an Italian company specialising in providing assurance services to the retail and agricultural sectors through food quality and safety assessments; EWA-Canada, a leading cyber security assurance solutions business that strengthens our Internet of Things proposition; and a Joint Venture with ABC Analytic, which establishes Intertek as the environmental quality assurance market leader in Mexico. The total spend on acquisitions and investments in 2016 was £34.8m, net of cash acquired.

Our strong financial position means that we continue to have the flexibility to consider strategic acquisition opportunities that bring complementary services to our portfolio and have the potential to increase shareholder value.

BOARD AND COMMITTEE CHANGES

One of my key roles is to constantly evaluate the balance of skills, experience, knowledge and independence of the Directors. The composition of the Board continued to evolve during 2016. Edward Astle retired at the AGM and I would like to thank Edward for his valuable contribution to Intertek since December 2009. You may be aware that, sadly, Mark Williams passed away in March 2016 after three years on the Board.

We welcomed Andrew Martin to the Board as a Non-Executive Director and a member of the Audit Committee on 25 May 2016. Andrew will take over as Chairman of the Audit Committee from Michael Wareing on 1 March 2017.

GOVERNANCE

As Chairman, I am committed to strong and effective corporate governance. This enables us to assess business performance and strategic progress as well as manage existing and emerging risks. To this end, during the year, we established a Risk Committee, separate from the Audit Committee, and reporting directly to the Chief Executive Officer. The work of the Board and its Committees is set out in the Corporate Governance Report on pages 56 to 87.

Intertek continues to support diversity in all its forms across the organisation including the Board. While all Board appointments are made on merit, we firmly believe in the importance of diversity. Three of the nine Board members are female. The Board notes the recommendations of both the Hampton-Alexander Report and The Parker Review and is following through to ensure the Group takes the appropriate steps to champion ability and diversity across the business.

CORPORATE RESPONSIBILITY

Foremost in our approach to corporate responsibility is a continual focus on sustainable business practices. Not only do we strive to ensure our own processes are sustainable and adhere to best practice, our role in helping our customers around the world improve the social, ethical and environmental impact of their products, processes, and supply chains, ensures quality, safety and the reputation of their business and brands.

Another key operating principal is health and safety and we have policies and processes in place to ensure staff welfare remains of utmost importance. Our aim is zero lost time accidents and to achieve this, we are committed to continuous review and improvement of our health and safety performance to help identify, assess, prioritise and mitigate risk.

Our employees' cultural values and relationships with their local communities is important to them, our business and to our clients. Throughout the year, our colleagues have led awareness campaigns, volunteered, participated in fund-raising efforts and inspired young people.

More detail can be found in the Sustainability and CSR Report on pages 45 to 51.

CULTURE, VALUES AND ETHICS

Values are at the core of Intertek. The way we live these values and our behaviours are even more important; doing the right thing is integral to our people and our business. We strive to deal with our business partners with integrity and respect and treat them as we would hope and expect to be treated ourselves. We have robust ethical policies and control procedures which help us ensure that good business ethics are embedded across the Group. This is key to our success.

Our decentralised structure encourages fast decision making at the local level by people who really understand their customers' needs and can provide great service. We rely on the quality of our employees around the globe to deliver our strategy for growth. It is their innovation, entrepreneurial spirit, passion and commitment that drives our progress. On behalf of the Board, I would like to thank all of our employees for their continued dedication and diligence.

LOOKING AHEAD

Structural changes in sourcing and distribution have made supply chain operations more complex for our customers. The fundamental strengths of our high-quality business model are therefore critical in a world that demands greater quality assurance and gives me confidence that we will continue to create long-term value for our shareholders.



Sir David Reid
Chairman