2017 FULL YEAR RESULTS ANNOUNCEMENT

6 MARCH 2018

CONTINUED PROGRESS IN REVENUE, MARGIN AND CASH

2017 Year Highlights

- Continued progress in revenue growth: +3.0% at constant currency rates, +7.9% at actual rates
- Organic revenue growth of +2.1% at constant rates: Products +5.5%, Trade +3.0%, Resources -8.6%
- Record adjusted operating margin of 16.9%: +110bps at constant rates, +90bps at actual rates
- Double-digit adjusted operating profit growth to £468m: +10.0% at constant rates, +14.2% at actual rates
- Strong growth in adjusted diluted EPS: +10.4% at constant rates, +14.3% at actual rates
- Net profit after tax up 12.8% to £306m
- Free cash flow of £342m, +7.4% year on year driven by strong cash conversion
- Full year dividend per share of 71.3p, an increase of 14.3%
- Targeted dividend payout ratio to increase to circa 50% from 2018

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

André Lacroix: Chief Executive Officer statement

"The Group has delivered continued progress in revenue, margin and free cash flow in 2017, reflecting the Group's performance management discipline focused on margin accretive revenue growth and cash conversion to generate strong returns for our shareholders.

In line with our progressive dividend policy we have announced a full year dividend of 71.3p, an increase of 14.3%. In recognition of our highly cash generative business model, our strong financial position, the Board's confidence in the attractive long-term growth prospects for the Group and its ability to fund continued growth investments, we are increasing our targeted dividend payout ratio to circa 50% of earnings from 2018.

The Products and Trade related divisions, which represent 94% of the Group's earnings, delivered an excellent performance with organic revenue growth of 4.8% at constant rates while, as expected, trading conditions remained challenging in the Resources related division.

The $250 billion global quality assurance industry has attractive structural 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 are uniquely 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 through our global network of subject-matter experts and over 1,000 state-of-the-art facilities in over 100 countries.

We operate a high quality and highly cash generative earnings model delivering strong returns. Our '5x5' differentiated strategy for growth will continue to move the centre of gravity of our portfolio towards the attractive growth and margin opportunities in the industry based on a disciplined approach to revenue, margin, portfolio and cash performance management, and an accretive disciplined capital allocation policy that delivers sustainable shareholder value creation."

Key Adjusted Financials	2017	2016	Change at actual rates	Change at constant rates[1]
Revenue	**£2,769.1m**	£2,567.0m	7.9%	3.0%
Organic revenue[2]	**£2,733.1m**	£2,557.6m	6.9%	2.1%
Operating profit	**£467.7m**	£409.7m	14.2%	10.0%
Operating margin	**16.9%**	16.0%	90bps	110bps
Profit before tax	**£438.8m**	£387.3m	13.3%	9.5%
Diluted earnings per share	**191.6p**	167.7p	14.3%	10.4%
Dividend per share	**71.3p**	62.4p	14.3%	

1. Constant currency is calculated by translating 2016 results at 2017 average exchange rates
2. Organic revenue growth excludes the impact of acquisitions and disposals in 2016 and 2017
3. Adjusted results are stated before Separately Disclosed Items ('SDIs'), see note 3 to the Condensed Consolidated Financial Statements

Key Statutory Financials	2017	2016
Revenue	**£2,769.1m**	£2,567.0m
Operating profit	**£422.7m**	£369.5m
Operating margin	**15.3%**	14.4%
Profit before tax	**£393.3m**	£347.1m
Net profit after tax	**£306.4m**	£271.6m
Diluted earnings per share	**176.3p**	156.8p

The Directors will propose a final dividend of 47.8p per share (2016: 43.0p) at the Annual General Meeting on 24 May 2018, to be paid on 6 June 2018 to shareholders on the register at close of business on 18 May 2018.

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Analysts' Meeting

A live audiocast for analysts and investors for the 2017 Full Year Results will be held today at 9.00a.m. 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.

intertek
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

FULL YEAR REPORT 2017

GROUP CEO REVIEW

The Group has delivered continued progress in revenue, margin and free cash flow in 2017, reflecting the Group's performance management discipline focused on margin accretive revenue growth and cash conversion to generate strong returns for our shareholders.

In line with our progressive dividend policy we have announced a full year dividend of 71.3p, an increase of 14.3%. In recognition of our highly cash generative business model, our strong financial position, the Board's confidence in the attractive long-term growth prospects for the Group and its ability to fund continued growth investments, we are increasing our targeted dividend payout ratio to circa 50% of earnings from 2018.

The Products and Trade related divisions, which represent 94% of the Group's earnings, delivered an excellent performance with organic revenue growth of 4.8% at constant rates while, as expected, trading conditions remained challenging in the Resources related division.

The $250 billion global quality assurance industry has attractive structural 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.

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We operate a high quality and highly cash generative earnings model delivering strong returns. Our '5x5' differentiated strategy for growth will continue to move the centre of gravity of our portfolio towards the attractive growth and margin opportunities in the industry based on a disciplined approach to revenue, margin, portfolio and cash performance management, and an accretive disciplined capital allocation policy that delivers sustainable shareholder value creation.

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 a total $200 billion in-house opportunity.

Companies are today more focused on improving quality and safety than in the past, but our clients recognise there is much more 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 with our Total Quality Assurance Value Proposition, leveraging our broad portfolio of Assurance, Testing, Inspection and Certification, our technical expertise and our global laboratory network.

We see four growth opportunities ahead.

First, we will continue to seize 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, our M&A activities are focused on prospects with strong IP and market leading positions in new attractive growth areas, geographies and services. 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 constantly evolve and improve our offer to customers to meet their changing needs.

In identifying that our customers now need systemic and in-depth Assurance, Testing, Inspection and Certification services (ATIC), we added in 2016 a new dimension to our traditional Quality Control offering by adding Assurance as part of our value proposition.

The 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.

Globally across all of our businesses, we support the existing and emerging Quality Assurance needs of our customers in each area of their operations:

- R&D;
- Raw Materials Sourcing;
- Components Suppliers;
- Manufacturing;
- Transportation;
- Distribution and Channel Management; and
- Consumer Management.

We offer superior customer service with a systemic end-to-end Quality Assurance approach based on the depth and breadth of Assurance + Testing + Inspection + Certification solutions, delivered by our global subject matter experts.

Our clients have reacted very positively to our innovative Quality Assurance approach with our TQA Value Proposition.

We are pleased with the progress we have made with our ATIC sales in the last 2 years.

We have seen excellent growth in the capital light, high margin Assurance segment which now represents 14% of Group revenues.

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 offers Assurance, Testing, Inspection and Certification 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 its 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 in real terms 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 70% 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 more demanding regulatory burden.

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

- growth in stock-keeping units ('SKUs') and brands, driven by increasing numbers of products worldwide, shorter product life-cycles and the rise of e-commerce; 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.

Our second key business sector is Trade, which comprises Cargo & Analytical Assessment ('Cargo/AA'), AgriWorld and Government & Trade Services and accounts for approximately 20% of our profit.

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 10% of our profit, we anticipate long-term growth driven by increasing demand for global energy to support GDP and population growth.

We offer both Capex and Opex Services and we help companies to invest in new capacity as well as operating existing facilities.

We expect to 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 5x5 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 focused 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

Customer centric TQA expertise

Intertek is uniquely positioned to deliver a differentiated TQA Value Proposition with its truly global network, as over 43,000 TQA experts in more than 100 countries across the world, provide fast and efficient Assurance, Testing, Inspection and Certification solutions to local, regional and global clients.

The real strength of Intertek lies in its people, its global team of TQA experts. Indeed, it is both humbling and exciting to see at first-hand that our people have the most remarkable subject-matter expertise, entrepreneurial capabilities and talent for innovation.

Our people give us the foundations we need to support our Customer Promise that sits at the heart of our value proposition. In short, it is our people who consistently set us apart from our competition – and they do so by demonstrating five powerful differentiating attributes:

- The consistent quality and precision of their findings, conclusions and reports.
- Their speed of response, delivering the rapid, detailed and accurate feedback that clients demand.
- The ability to build trust-based customer relationships.
- Deep expertise in their subject areas and incisive understanding of customer requirements.
- A proven track record of innovating and anticipating the changing needs of our clients.

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 those parts of the portfolio where we see the best growth and margin prospects. 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. In recognition of our highly cash generative business model, our strong financial position, the Board's confidence in the attractive long-term growth prospects for the Group and its ability to fund continued growth investments, we are increasing our targeted dividend payout ratio to circa 50% of earnings from 2018.

The third priority for capital allocation 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 strong growth and margin prospects, where we hold leading market positions, or entering new exciting growth areas, be that in terms of geography or services.

The fourth priority is to maintain a strong and efficient balance sheet that provides the flexibility to invest in growth while targeting a net debt to EBITDA ratio of circa 1.5 to 2 times. As the Group's financial position continues to strengthen, we will remain disciplined in our approach to deploying any surplus cash, assessing a broad range of options with a continued focus on maximising shareholder value.

Looking ahead

We believe that the strength of our 2017 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 structural 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.

We are moving the Company's centre of gravity towards our industry's most attractive growth and margin areas 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 and I am excited about the Group's growth prospects ahead both organically and inorganically.

André Lacroix
Chief Executive Officer

Operating Review

For the year ended 31 December 2017

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

	2017	**2016**	**Change at actual rates**	**Change at constant rates[1]**
	£m	£m	%/bps	%/bps
Revenue	**2,769.1**	2,567.0	7.9	3.0
Organic revenue[2]	**2,733.1**	2,557.6	6.9	2.1
Operating profit[3]	**467.7**	409.7	14.2	10.0
Operating margin[3]	**16.9%**	16.0%	90bps	110bps
Net financing costs	**(28.9)**	(22.4)	29.0	17.3
Income tax expense[3]	**(107.5)**	(98.0)	9.7	6.1
Earnings for the period[3]	**331.3**	289.3	14.5	10.7
Diluted earnings per share[3]	**191.6p**	167.7p	14.3	10.4

1. Constant currency is calculated by translating 2016 results at 2017 exchange rates.
2. Organic revenue growth excludes the impact of acquisitions and disposals in 2016 and 2017.
3. Adjusted results are stated before Separately Disclosed Items.

Total reported Group revenue growth was 7.9%, comprising 0.9% growth contributed by acquisitions, organic revenue of 2.1% and an increase of 4.9% from foreign exchange where sterling depreciated against most of the Group's trading currencies.

The Group's organic revenue reflected robust growth in the Products division and good 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 10.0%, driven by double-digit growth in the Products division.

The adjusted operating margin was 16.9%, an increase of 110bps from the prior year at constant exchange rates. Organic operating margin at constant rates increased by 90bps as we benefited from positive operating leverage, margin accretive divisional mix and the restructuring activities in prior years.

The storms in the southern regions of the USA disrupted the operations of our clients in August, in September and October, impacting our Cargo/AA, Building & Construction and Industry Services businesses, and continued to affect our Cargo/AA business through November and December.

These operational disruptions reduced our revenue performance by £6.5m at constant currency over the period August to December, negatively impacting our Products, Trade and Resources divisions by £1.5m, £4.3m and £0.7m respectively.

The Group remains very focused on cost and margin management. In line with the review linked to the 5x5 strategy announced in March 2016, an impairment of £8.0m has been charged following a full assessment of the Group's IT assets, an impairment of £8.8m has been charged for plant and equipment related to a specific service line and the Group has recognised a further £12.4m restructuring cost.

The Group's statutory operating profit for the period was £422.7m (2016: £369.5m) after SDIs, but before interest and tax of £116.3m (2016: £97.9m).

Net Financing Costs

Net financing costs were £28.9m, an increase of £6.5m on 2016. This comprised £1.2m (2016: £0.9m) of finance income and £30.1m (2016: £23.3m) of finance expense. The statutory net financing cost of £29.4m included £0.5m (2016: £nil) relating to Separately Disclosed Items.

Tax

The Group effective tax rate on adjusted profit before income tax was 24.5% (2016: 25.3%) with the reduction being driven by a one-off benefit of 1.0% from the net revaluation of deferred tax balances following the US Tax reforms.

The statutory tax charge, including the impact of SDIs, of £86.9m (2016: £75.5m), equates to an effective rate of 22.1% (2016: 21.8%) and the cash tax on adjusted results is 23.0% (2016: 24.3%). The tax charge, excluding the impact of SDIs, is £107.5m (2016: £98.0m).

Earnings per share

The Group delivered adjusted diluted earnings per share ('EPS') of 191.6p (2016: 167.7p). Diluted EPS after SDIs was 176.3p (2016: 156.8p), and basic EPS was 178.6p (2016: 158.5p).

Dividend

The Board recommends a full year dividend of 71.3p per share, an increase of 14.3%. This recommendation reflects the Group's earnings progression, strong financial position and the Board's confidence in the Group's structural growth drivers into the future.

The full year dividend of 71.3p represents a total cost of £115.1m or 37% of adjusted profit attributable to shareholders of the Group for 2017 (2016: £100.7m and 37%). The dividend is covered 2.7 times by earnings (2016: 2.7 times), based on adjusted diluted earnings per share divided by dividend per share.

Portfolio activities

In March 2016, the Group announced its 5x5 differentiated strategy for growth, with the aim to move the centre of gravity of the Company towards high-growth, high-margin areas in its industry, which included two strategic priorities relevant to the operational structure of the business:

- to operate a portfolio that delivers focused growth amongst the business lines, countries and services, including a strategic review of underperforming business units.
- to deliver operational excellence in every operation to drive productivity, including re-engineering of unnecessary processes and layers.

During the year, the Group has continued to implement certain non-recurring action plans identified through the portfolio review in specific country and/or business line combinations, consistent with the 5x5 strategy, with a resulting charge of £12.4m in the year. These activities included the termination of certain business lines in some countries; the closure and consolidation of business line locations in certain countries; the re-organisation of various management structures either in-country or across multiple countries in a region; or the fundamental re-organisation of global business lines including direct staff, management and support function structures.

Restructuring charges are included in the SDIs, in instances where they have been specifically identified as part of the Portfolio review, are non-recurring and meet the IAS 37 criteria, in contrast to restructuring costs for ongoing standard cost efficiency and cost-saving opportunities, which are incurred within Adjusted Results.

Separately Disclosed Items (‘SDIs')

A number of items are separately disclosed in the financial statements as exclusion of these items provides readers with a clear and consistent presentation of the underlying operating performance of the Group’s business. Reconciliations of the Statutory to Adjusted 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 of acquiring and integrating acquisitions; 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 or fair value gains or losses on financial assets or liabilities, including contingent consideration.

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

The SDIs charge for 2017 comprises amortisation of acquisition intangibles of £16.0m (2016: £14.0m); acquisition costs relating to successful, active or aborted acquisitions of £3.2m (2016: £2.8m); restructuring costs (as described above) of £12.4m (2016: £21.4m); loss on disposal of subsidiaries and associates of £nil (2016: £2.0m); impairment of IT assets related of computer software of £8.0m (2016: £nil); impairment of plant and equipment related to a specific service line of £8.8m (2016: £nil); and a credit for material claims and settlements of £3.4m (2016: £nil).

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 two (2016: three) acquisitions and investments in the year with a cash consideration of £27.4m, net of cash acquired of £2.1m.

In April 2017, the Group acquired KJ Tech Services GmbH (‘KJ Tech’), a leading provider of vehicle, component and fuel testing services based in Germany.

In December 2017, the Group acquired Acumen Security, LLC (‘Acumen’), a leading Security Certification Solutions provider headquartered in Maryland, USA.

In addition, £7.8m was spent in 2017 (2016: £2.0m) in relation to consideration for prior year acquisitions, namely the settlement of the contingent consideration for EWA-Canada Ltd.

The Group also invested £112.9m (2016: £105.5m) organically in laboratory expansions, new technologies and equipment and other facilities. This investment represented 4.1% of revenue (2016: 4.1%).

Cash Flow

The Group’s cash performance was strong with free cash flow of £341.6m (2016: £318.1m), driven by disciplined working capital management and strong cash conversion. Adjusted cash flow from operations was £596.1m (2016: £565.3m). Statutory cash flow from operations was £579.2m (2016: £543.4m).

Financial position

The Group ended the period in a strong financial position. Net debt was £544.1m, a decrease of £199.6m on 31 December 2016, reflecting net repayment of facilities and the translation impact of our foreign currency denominated debt at the end of December 2017.

Outlook

We expect to deliver good organic revenue growth performance at constant currency in 2018 with sequential progression during the year, moderate Group margin expansion and strong cash generation.

We expect our Products related businesses to deliver robust organic growth, our Trade related businesses to report solid organic growth performance, while the market conditions will remain challenging in our Resources related businesses in the first half of 2018 with a gradual improvement expected in the second half.

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

Intertek is well positioned to take advantage of these growth opportunities in the Quality Assurance market. We offer a high-quality Assurance, Testing, Inspection and Certification service to our clients based on the depth and breadth of our technical expertise, our global network of state-of-the-art facilities and our customer centric culture.

Operating Review by Division

	Revenue				Adjusted operating profit			
	2017 £m	2016 £m	Change at actual rates %	Change at constant rates %	2017 £m	2016 £m	Change at actual rates %	Change at constant rates %
Products	**1,625.5**	1,465.5	10.9	6.1	**350.5**	297.7	17.7	13.2
Trade	**647.8**	584.5	10.8	5.6	**88.7**	81.8	8.4	4.1
Resources	**495.8**	517.0	(4.1)	(8.6)	**28.5**	30.2	(5.6)	(5.9)
Group	**2,769.1**	2,567.0	7.9	3.0	**467.7**	409.7	14.2	10.0

A review of the adjusted results of each division in the twelve months ended 31 December 2017 compared to the twelve months ended 31 December 2016 is set out on the following pages. Revenue, operating profit and growth rates are presented at actual exchange rates. In addition, both total and organic growth at constant exchange rates are presented. Organic growth figures are calculated by excluding the results of acquisitions and disposals made since 1 January 2016. Operating profit and operating margin are stated before Separately Disclosed Items. 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

	2017 £m	2016 £m	Change at actual rates	Change at constant rates
Revenue	**1,625.5**	1,465.5	10.9%	6.1%
Organic revenue	**1,607.6**	1,457.9	10.3%	5.5%
Operating profit	**350.5**	297.7	17.7%	13.2%
Operating margin	**21.6%**	20.3%	130bps	140bps

Intertek Value Proposition

Our Products related businesses consist of business lines that are focused 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:

i2Q

- **Customer insight:** Customers value fast reports and insights from supplier inspections with differing reporting requirements by client
- **Softlines and Hardlines innovation:** Intertek has developed i2Q, a market leading digital inspection solution for supplier product inspections using big data to generate advanced insights for customers
- **Customer benefit:** Provides same-day real-time reporting via Intertek's unique smart protocol and reports that are bespoke for each customer

Softlines Robotic Automation

- **Customer insight:** For Softlines customers, speed to market is a competitive advantage and they value innovations that can make the testing process faster
- **Softlines innovation:** Intertek has introduced a six-axis robot in its fibre content tests which can be used to speed up processes when there is chemical contamination risk, improving safety for technicians and allowing them to focus on more analytical work
- **Customer benefit:** Shortens turnaround time, allowing customers to get their products to market faster

Connected and Automated Vehicle Proving Grounds

- **Customer insight:** Rigorous testing of autonomous vehicles is required to ensure that the technology is safe for consumers and the public
- **Transportation Technologies innovation:** Intertek have partnered with the American Center for Mobility (ACM) to provide an extensive range of ATIC services for their new 500-acre autonomous vehicle proving grounds
- **Customer benefit:** The partnership between ACM and Intertek will create a market leading centre for autonomous and connected vehicle testing

2017 performance

In 2017 our Products business delivered an excellent performance with strong margin accretive revenue growth.

Our organic revenue growth at constant rates was 5.5%, driven by broad-based revenue growth across business lines and geographies. We delivered a strong operating profit of £350.5m, up 13.2% at constant currency enabling us to deliver a margin of 21.6%, up 140bps versus last year.

- Our **Softlines** business reported robust 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 robust organic revenue growth performance across our main markets of China, Hong Kong, India and Vietnam.

- Our **Transportation Technologies** business delivered stable 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 double-digit 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 good organic revenue growth in our **Food** business.

- We delivered solid 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 good organic revenue growth.

2018 growth outlook

We expect our Products division 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, the growing demand for quality and sustainability from developed and emerging economies, the acceleration of e-commerce as a sales channel, and the increased corporate focus on risk.

Trade Divisional Review

	2017 £m	2016 £m	Change at actual rates	Change at constant rates
Revenue	**647.8**	584.5	10.8%	5.6%
Organic revenue	**629.7**	582.7	8.1%	3.0%
Operating profit	**88.7**	81.8	8.4%	4.1%
Operating margin	**13.7%**	14.0%	(30bps)	(20bps)

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 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:

iDocs

- **Customer insight:** Agriculture export processes are complex and time consuming with multiple stages of approval and documentation
- **AgriWorld innovation**: Intertek has developed a cloud-based export documentation system, that monitors the export process and provides customers with real-time updates on their documentation progress
- **Customer benefit:** Fast and real-time information on the progress of their exports enabling clients to take any action required as quickly as possible

Fuel Tank Inspection Robot

- **Customer insight:** Fuel tank inspections can be costly and time-consuming, due to the sensitive environment within the tank and stringent safety requirements
- **Cargo/AA & Electrical & Network Assurance innovation:** Intertek has partnered with the developers of a fuel tank inspection robot to develop a new inspection process that involves hydrostatic testing, functional safety certification, and bespoke evaluations of other features all in a single piece of equipment
- **Customer benefit:** The combination of all the features offered by one system is unique, enabling our customers to achieve safety and compliance more quickly and efficiently

Stockpile Measurement

- **Customer insight:** Customers rely on the accurate measurement of their oil stockpiles to value their oil stock
- **Cargo/AA innovation**: Intertek's experts have developed new, patented methodology, that takes into account the various layers of density and compression with a stockpile to improve the measurement accuracy
- **Customer benefit:** More reliable data provides customers with the assurance that stocks are valued with precision and customers assets are reported with accuracy

2017 performance

Our Trade related businesses delivered an organic revenue growth of 3.0% at constant rates, driven by broad-based revenue growth across business lines and geographies and we delivered an operating profit of £88.7m, up 4.1% at constant currency.

- Our **Cargo/AA** business reported solid 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.
- The continued expansion of the supply chain of our clients in fast growing markets led our **AgriWorld** business to deliver robust organic revenue growth.

2018 growth outlook

We expect our Trade related businesses to benefit from solid organic growth performance at constant currency.

Mid to long- term growth outlook

Our Trade division will continue to benefit from both 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

	2017 £m	2016 £m	Change at actual rates	Change at constant rates
Revenue	**495.8**	517.0	(4.1%)	(8.6%)
Organic revenue	**495.8**	517.0	(4.1%)	(8.6%)
Operating profit	**28.5**	30.2	(5.6%)	(5.9%)
Operating margin	**5.7%**	5.8%	(10bps)	10bps

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:

Intertek PipeAware™

- **Customer insight:** Pipeline asset owners require a way in which to accurately track and monitor vital asset information
- **Industry Services innovation:** Intertek has developed Intertek PipeAware™, an industry leading software solution that allows customers to access real-time information on their asset inspection data throughout all stages of manufacturing
- **Customer benefit:** With Intertek PipeAware™, customers are provided with a unique solution which combines the traceability software with inspection expertise, so customers achieve full transparency into the pipe manufacturing process

Drones Deliver Energy Asset Inspection Services

- **Customer insight:** Industrial asset owners require inspections to ensure that their assets are operating safely and reliably
- **Industry Services innovation:** Intertek has partnered with Unmanned Eagle Eye in the US, to develop the use of drone technology as an inspection aid during the capital inspection process
- **Customer benefit:** Using drones reduces the time that operations must be shut-down and improves safety through reduced need for human entry to the equipment or assets being inspected, which are often difficult to reach

Robotic mine site laboratories

- **Customer insight:** Minerals customers value fast, consistent and accurate testing of their extracted commodities
- **Minerals innovation:** Intertek is the largest commercial operator of automated robotic mine site laboratories globally, ranging from individual cells to fully integrated and highly bespoke laboratory systems
- **Customer benefit:** By operating complex robotic laboratories for customers we provide rapid sample throughput, improved efficiency and a comprehensive audit trail, whilst also reducing employees' exposure to hazardous materials

2017 performance

Our Resources related businesses faced, as expected, challenging trading conditions and reported an organic revenue reduction of 8.6%. We delivered an operating profit of £28.5m, and our disciplined approach to cost control enabled us to expand the margin by 10bps at constant currency:

- Driven by a lower volume of investments in exploration activities from our clients and price pressure in the industry, revenue from **Capex Inspection Services** was lower than last year.
- The demand for **Opex Maintenance Services** remained stable in a competitive pricing environment.
- We saw an improved level of demand for testing activities in the **Minerals** business.

2018 growth outlook

While we have seen a reduction in the negative growth rate in the July to December period of 2017, we do not believe that we have reached the trough in the Resources division, and we expect trading conditions to remain challenging in the first half of 2018 with a gradual improvement expected in the second half.

Mid to long- term growth outlook

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

Presentation of Results

For the year ended 31 December 2017

Adjusted Results

In order to present the performance of the Group in a clear, consistent and comparable format, certain items are disclosed separately on the face of the income statement. These Separately Disclosed Items which are described below 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'), except where stated.

Organic growth

Organic measures are used in order to present the Group's results excluding the effects of acquisitions and disposals since 1 January 2016.

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 2016 results at 2017 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 Statutory 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 of acquiring and integrating acquisitions; 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 or fair value gains or losses on financial assets or liabilities, including contingent consideration.

Adjusted operating profit excludes the amortisation of acquired intangible assets, primarily customer relationships, as we do not believe that the amortisation charge in the Income Statement provides useful information about the cash costs of running our business as these assets will be supported and maintained by the ongoing marketing and promotional expenditure, which is already reflected in operating costs. Amortisation of software, however, is included in adjusted operating profit as it is similar in nature to other capital expenditure.

The costs of any restructuring are excluded from adjusted operating profit where they represent fundamental changes in individual operations around the Group as a result of the portfolio activities discussed above and are not expected to recur in those operations. 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 in order to provide useful information regarding the underlying performance of the Group's operations.

Details of the SDIs for the twelve months ended 31 December 2017 and the comparative period are given in note 3 to the Condensed Consolidated Financial Statements.

Reconciliation of Statutory to Adjusted Performance Measures (£m)	**2017 Statutory**	**2017 SDIs**	**2017 Adjusted**	2016 Statutory	2016 SDIs	2016 Adjusted
Operating profit	**422.7**	**45.0**	**467.7**	369.5	40.2	409.7
Operating margin (%)	**15.3%**	**1.6%**	**16.9%**	14.4%	1.6%	16.0%
Net financing costs	**(29.4)**	**0.5**	**(28.9)**	(22.4)	-	(22.4)
Profit before tax	**393.3**	**45.5**	**438.8**	347.1	40.2	387.3
Income tax expense	**(86.9)**	**(20.6)**	**(107.5)**	(75.5)	(22.5)	(98.0)
Profit for the year	**306.4**	**24.9**	**331.3**	271.6	17.7	289.3
Cash flow from operations	**579.2**	**16.9**	**596.1**	543.4	21.9	565.3
Basic earnings per share (p)	**178.6p**	**15.5p**	**194.1p**	158.5p	11.0p	169.5p
Diluted earnings per share (p)	**176.3p**	**15.3p**	**191.6p**	156.8p	10.9p	167.7p

Full Year Report

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

Legal Notice

Condensed Consolidated Income Statement

For the year ended 31 December 2017

	Notes	Adjusted results £m	Separately Disclosed Items* £m	Total 2017 £m	Adjusted results £m	Separately Disclosed Items* £m	Total 2016 £m
Revenue	2	**2,769.1**	**–**	**2,769.1**	2,567.0	–	2,567.0
Operating costs		**(2,301.4)**	**(45.0)**	**(2,346.4)**	(2,157.3)	(40.2)	(2,197.5)
Group operating profit/(loss)	2	**467.7**	**(45.0)**	**422.7**	409.7	(40.2)	369.5
Finance income		**1.2**	**–**	**1.2**	0.9	–	0.9
Finance expense		**(30.1)**	**(0.5)**	**(30.6)**	(23.3)	–	(23.3)
Net financing costs		**(28.9)**	**(0.5)**	**(29.4)**	(22.4)	–	(22.4)
Profit/(loss) before income tax		**438.8**	**(45.5)**	**393.3**	387.3	(40.2)	347.1
Income tax expense		**(107.5)**	**20.6**	**(86.9)**	(98.0)	22.5	(75.5)
Profit/(loss) for the year	2	**331.3**	**(24.9)**	**306.4**	289.3	(17.7)	271.6
Attributable to:							
Equity holders of the Company		**312.3**	**(24.9)**	**287.4**	272.7	(17.7)	255.0
Non-controlling interest		**19.0**	**–**	**19.0**	16.6	–	16.6
Profit/(loss) for the year		**331.3**	**(24.9)**	**306.4**	289.3	(17.7)	271.6
Earnings per share**							
Basic	4			**178.6p**			158.5p
Diluted	4			**176.3p**			156.8p
Dividends in respect of the year				**71.3p**			62.4p

* See note 3.
** Earnings per share on the adjusted results is disclosed in note 4.

Condensed Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Notes	**2017 £m**	2016 £m
Profit for the year	2	**306.4**	271.6
Other comprehensive income/(expense)			
Remeasurements on defined benefit pension schemes		**12.6**	(5.2)
Income tax recognised in other comprehensive income		**–**	–
Items that will never be reclassified to profit or loss		**12.6**	(5.2)
Foreign exchange translation differences of foreign operations		**(107.3)**	279.5
Net exchange (loss)/gain on hedges of net investments in foreign operations		**77.3**	(194.1)
Gain/(loss) on fair value of cash flow hedges		**(16.4)**	14.3
Tax on items that are or may be reclassified subsequently to profit or loss		**(1.7)**	2.8
Items that are or may be reclassified subsequently to profit or loss		**(48.1)**	102.5
Total other comprehensive (expense)/income for the year		**(35.5)**	97.3
Total comprehensive income for the year		**270.9**	368.9

Total comprehensive income for the year attributable to:		
Equity holders of the Company	**252.2**	347.2
Non-controlling interest	**18.7**	21.7
Total comprehensive income for the year	**270.9**	368.9

Condensed Consolidated Statement of Financial Position

For the year ended 31 December 2017

	Notes	**2017 £m**	2016 £m
Assets			
Property, plant and equipment	9	**420.6**	443.3
Goodwill	8	**579.6**	586.1
Other intangible assets		**178.2**	198.8
Investments in associates		**0.3**	0.3
Deferred tax assets		**59.4**	48.3
Total non-current assets		**1,238.1**	1,276.8
Inventories		**18.3**	19.1
Trade and other receivables		**641.7**	651.8
Cash and cash equivalents	7	**137.0**	175.6
Current tax receivable		**17.3**	23.0
Total current assets		**814.3**	869.5
Total assets		**2,052.4**	2,146.3
Liabilities			
Interest bearing loans and borrowings	7	**(77.1)**	(103.4)
Current taxes payable		**(46.8)**	(55.8)
Trade and other payables		**(452.2)**	(406.8)
Provisions		**(32.2)**	(34.0)
Total current liabilities		**(608.3)**	(600.0)
Interest bearing loans and borrowings	7	**(604.0)**	(815.9)
Deferred tax liabilities		**(47.4)**	(48.7)
Net pension liabilities		**(17.8)**	(31.8)
Other payables		**(21.6)**	(33.7)
Provisions		**(9.1)**	(13.8)
Total non-current liabilities		**(699.9)**	(943.9)
Total liabilities		**(1,308.2)**	(1,543.9)
Net assets		**744.2**	602.4
Equity			
Share capital		**1.6**	1.6
Share premium		**257.8**	257.8
Other reserves		**(9.5)**	35.3
Retained earnings		**459.8**	273.0
Total attributable to equity holders of the Company		**709.7**	567.7
Non-controlling interest		**34.5**	34.7
Total equity		**744.2**	602.4

Condensed Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to equity holders of the Company							
			Other Reserves					
	Share capital £m	Share premium £m	Translation reserve £m	Other £m	Retained earnings £m	Total before non-controlling interest £m	Non-controlling interest £m	Total equity £m
At 1 January 2016	1.6	257.8	(64.4)	6.4	110.2	**311.6**	27.8	**339.4**
Total comprehensive income for the year								
Profit	–	–	–	–	255.0	**255.0**	16.6	**271.6**
Other comprehensive income	–	–	79.0	14.3	(1.1)	**92.2**	5.1	**97.3**
Total Comprehensive income for the year	**–**	**–**	**79.0**	**14.3**	**253.9**	**347.2**	**21.7**	**368.9**
Transactions with owners of the company recognised directly in equity								
Contributions by and distributions to the owners of the company								
Dividends paid	–	–	–	–	(88.0)	**(88.0)**	(16.3)	**(104.3)**
Adjustments arising from changes in non-controlling interest	–	–	–	–	–	**–**	1.5	**1.5**
Put option liability over non-controlling interest	–	–	–	–	(8.6)	**(8.6)**	–	**(8.6)**
Issue of share capital	–	–	–	–	–	**–**	–	**–**
Purchase of own shares	–	–	–	–	(6.4)	**(6.4)**	–	**(6.4)**
Tax paid on share awards vested*	–	–	–	–	(5.2)	**(5.2)**	–	**(5.2)**
Equity-settled transactions	–	–	–	–	16.6	**16.6**	–	**16.6**
Income tax on equity-settled transactions	–	–	–	–	0.5	**0.5**	–	**0.5**
Total contributions by and distributions to the owners of the company	**–**	**–**	**–**	**–**	**(91.1)**	**(91.1)**	**(14.8)**	**(105.9)**
At 31 December 2016	**1.6**	**257.8**	**14.6**	**20.7**	**273.0**	**567.7**	**34.7**	**602.4**
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 year								
Profit	–	–	–	–	287.4	**287.4**	19.0	**306.4**
Other comprehensive income	–	–	(28.4)	(16.4)	9.6	**(35.2)**	(0.3)	**(35.5)**
Total Comprehensive income for the year	**–**	**–**	**(28.4)**	**(16.4)**	**297.0**	**252.2**	**18.7**	**270.9**
Transactions with owners of the company recognised directly in equity								
Contributions by and distributions to the owners of the company								
Dividends paid**	–	–	–	–	(107.0)	**(107.0)**	(18.7)	**(125.7)**
Adjustments arising from changes in non-controlling interest	–	–	–	–	–	**–**	(0.2)	**(0.2)**
Put option liability over non-controlling interest	–	–	–	–	–	**–**	–	**–**
Issue of share capital	–	–	–	–	–	**–**	–	**–**
Purchase of own shares	–	–	–	–	(15.6)	**(15.6)**	–	**(15.6)**
Tax paid on share awards vested*	–	–	–	–	(6.8)	**(6.8)**	–	**(6.8)**
Equity-settled transactions	–	–	–	–	17.5	**17.5**	–	**17.5**
Income tax on equity-settled transactions	–	–	–	–	1.7	**1.7**	–	**1.7**
Total contributions by and distributions to the owners of the company	**–**	**–**	**–**	**–**	**(110.2)**	**(110.2)**	**(18.9)**	**(129.1)**
At 31 December 2017	**1.6**	**257.8**	**(13.8)**	**4.3**	**459.8**	**709.7**	**34.5**	**744.2**

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

** A dividend of £69.2m paid on 2 June 2017 represented the final dividend of 43.0p per ordinary share in respect of the year ended 31 December 2016. An interim dividend of £37.8m paid on 14 October 2017 represented the interim dividend of 23.5p per ordinary share in respect of the year ended 31 December 2017.

Condensed Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	**2017 £m**	2016 £m
Cash flows from operating activities			
Profit for the year	2	**306.4**	271.6
Adjustments for:			
Depreciation charge		**81.2**	76.4
Amortisation of software		**12.2**	13.1
Amortisation of acquisition intangibles		**16.0**	14.0
Impairment of goodwill and other assets		**18.2**	–
Equity-settled transactions		**17.5**	16.6
Net financing costs		**29.4**	22.4
Income tax expense	2	**86.9**	75.5
Profit on disposal of subsidiary		**–**	(0.4)
Loss on disposal of associate		**–**	2.4
Profit on disposal of property, plant, equipment and software		**(0.8)**	(0.1)
Operating cash flows before changes in working capital and operating provisions		**567.0**	491.5
Change in inventories		**(0.5)**	–
Change in trade and other receivables		**(22.7)**	28.8
Change in trade and other payables		**46.0**	21.9
Change in provisions		**(7.8)**	4.0
Special contributions into pension schemes		**(2.8)**	(2.8)
Cash generated from operations		**579.2**	543.4
Interest and other finance expense paid		**(28.3)**	(29.7)
Income taxes paid		**(100.8)**	(94.1)
Net cash flows generated from operating activities *		**450.1**	419.6
Cash flows from investing activities			
Proceeds from sale of property, plant, equipment and software *		**3.2**	3.0
Interest received *		**1.2**	1.0
Acquisition of subsidiaries, net of cash acquired	8	**(27.4)**	(34.8)
Consideration paid in respect of prior period acquisitions	8	**(7.8)**	(2.0)
Purchase of non-controlling interest		**–**	–
Sales/(purchase) of subsidiaries		**–**	2.0
Sale/(purchase) of associates		**–**	(3.4)
Acquisition of property, plant, equipment and software *	9	**(112.9)**	(105.5)
Net cash flows used in investing activities		**(143.7)**	(139.7)
Cash flows from financing activities			
Purchase of own shares		**(15.6)**	(6.4)
Tax paid on share awards vested		**(6.8)**	(5.2)
Drawdown of borrowings		**–**	0.2
Repayment of borrowings		**(151.3)**	(170.5)
Dividends paid to non-controlling interest		**(18.7)**	(16.3)
Equity dividends paid		**(107.0)**	(88.0)
Net cash flows used in financing activities		**(299.4)**	(286.2)
Net (decrease) / increase in cash and cash equivalents	7	**7.0**	(6.3)
Cash and cash equivalents at 1 January	7	**158.8**	116.0
Exchange adjustments	7	**(29.9)**	49.1
Cash and cash equivalents at 31 December	7	**135.9**	158.8

Adjusted Cash flow from operations of £596.1m (2016: £565.3m) comprises statutory cash generated from operations of £579.2m (2016: £543.4m) before cash outflows relating to Separately Disclosed Items of £16.9m (2016: £21.9m). Free cash flow of £341.6m (2016: £318.1m) comprises the asterisked items in the above Statement of Cash Flows.

1 Basis of preparation

Reporting entity

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2017 and 2016, but is derived from the 2017 accounts. A full copy of the 2017 Annual Report will be available online at www.intertek.com in April 2018. Statutory accounts for 2016 have been delivered to the Registrar of Companies, and those for 2017 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain statements under Sections 498(2) or 498(3) of the Companies Act 2006.

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities at the date of the financial statements. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

Significant accounting policies

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

IFRSs announced but not yet effective

The following IFRSs have been announced, but are not yet effective, in the preparation of these condensed 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 9 Financial Instruments (effective 1 January 2018) – management has completed its analysis of this standard and identified the following areas of note, though its adoption is not expected to have a material impact. The Group intends to apply the limited exemption in IFRS 9 and will elect not to restate comparative information in the year of initial adoption. As a result, the comparative information provided will continue to be accounted for in accordance with the Group's previous accounting policy.

- *Classification and measurement of financial assets* – the Group's financial assets comprise trade receivables, accrued income and cash and cash equivalents. The disclosures relating to both trade receivables, accrued income and cash and cash equivalents continue to be applicable and will not be affected by the adoption of IFRS 9. There are no changes to the measurement of financial assets.
- *Impairment of financial assets, by introducing a forward-looking expected loss impairment model* – the Group's primary types of financial assets subject to IFRS 9's new expected credit loss model are trade receivables and accrued income. For trade receivables and accrued income, the group is expecting to apply the simplified approach permitted by IFRS 9, which requires the use of the lifetime expected loss provision for all receivables. There is no material change expected to the impairment provision of receivables.
- *Hedge accounting* – the Group intends to continue to apply its current IAS 39 accounting and will provide the additional IFRS 7 disclosures required for taking that option.

IFRS 15 Revenue from contracts with customers (effective 1 January 2018) – management has completed its analysis of this standard and its adoption is not expected to have a material impact on the timing of revenue recognition based on the Group's current revenue streams. Specifically, the Group's revenue streams are two-fold:

- Revenue from services rendered on short-term projects is generally recognised in the income statement when the relevant service is completed, usually when the report of findings or test/inspection certificate is issued. The adoption of IFRS 15 has no material impact on the recognition of such revenue.
- On long-term projects the Group records transactions as revenue on the basis of value of work done, with the corresponding amount being included in trade receivables if the customer has been invoiced, or in accrued income if billing has yet to be completed. Long-term projects consist of two main types:
    - time incurred is billed at agreed rates on a periodic basis, such as monthly – the current recognition approach is based on timesheets evidencing work done – this is consistent with the "over time" recognition criteria under IFRS 15 using those timesheets as the input basis; or
    - staged payment invoicing occurs, requiring an assessment of percentage completion, based on services provided and revenue accrued accordingly – assessment of percentage completion will continue in the same way, i.e. – this is line with the "over time" recognition under IFRS 15.

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 is in the process of being 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 a material impact on key components within the income statement, as operating lease rental charges will be replaced by depreciation and finance costs. Please refer to Note 8 to the financial statements which gives an indication of the Group's total operating lease commitments. IFRS 16 will not have any impact on the underlying commercial performance of the Group nor the cash flows generated in the year.

Risks and uncertainties

The Board has reviewed forecasts, including forecasts adjusted for significantly worse economic conditions, and remains satisfied with the Group's funding and liquidity position. On the basis of its forecasts, both base case and stressed, and available facilities, the Board has concluded that the going concern basis of preparation continues to be appropriate.

Foreign exchange

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

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

Value of £1	Assets and liabilities Actual rates		Income and expense Cumulative average rates	
	2017	2016	**2017**	2016
US dollar	**1.34**	1.22	**1.29**	1.35
Euro	**1.13**	1.17	**1.14**	1.23
Chinese renminbi	**8.79**	8.51	**8.72**	8.98
Hong Kong dollar	**10.47**	9.49	**10.05**	10.52
Australian dollar	**1.72**	1.70	**1.68**	1.83

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:

For the year ended 31 December 2017

	Revenue from external customers £m	Depreciation and software amortisation* £m	Adjusted operating profit £m	Separately Disclosed Items £m	Operating profit £m
Products	1,625.5	(60.3)	350.5	(15.0)	335.5
Trade	647.8	(19.9)	88.7	(5.9)	82.8
Resources	495.8	(13.2)	28.5	(24.1)	4.4
Group total	**2,769.1**	**(93.4)**	**467.7**	**(45.0)**	**422.7**
Group operating profit			**467.7**	**(45.0)**	**422.7**
Net financing costs			(28.9)	(0.5)	(29.4)
Profit before income tax			**438.8**	**(45.5)**	**393.3**
Income tax expense			(107.5)	20.6	(86.9)
Profit for the year			**331.3**	**(24.9)**	**306.4**

* Depreciation and software amortisation of £93.4m includes unallocated charges of £nil.

For the year ended 31 December 2016

	Revenue from external customers £m	Depreciation and software amortisation* £m	Adjusted operating profit £m	Separately Disclosed Items £m	Operating profit £m
Products	1,465.5	(56.6)	297.7	(16.7)	281.0
Trade	584.5	(18.6)	81.8	(6.4)	75.4
Resources	517.0	(13.8)	30.2	(17.1)	13.1
Group total	**2,567.0**	**(89.0)**	**409.7**	**(40.2)**	**369.5**
Group operating profit			**409.7**	**(40.2)**	**369.5**
Net financing costs			(22.4)	–	(22.4)
Profit before income tax			**387.3**	**(40.2)**	**347.1**
Income tax expense			(98.0)	22.5	(75.5)
Profit for the year			**289.3**	**(17.7)**	**271.6**

* Depreciation and software amortisation of £89.5m includes unallocated charges of £0.5m.

3 Separately Disclosed Items

		2017 **£m**	2016 £m
Operating costs			
Amortisation of acquisition intangibles	(a)	**(16.0)**	(14.0)
Acquisition costs	(b)	**(3.2)**	(2.8)
Restructuring costs	(c)	**(12.4)**	(21.4)
Loss on disposal of businesses	(d)	**–**	(2.0)
Impairment of goodwill and other assets	(e)	**(16.8)**	–
Material claims and settlements	(f)	**3.4**	–
Total operating costs		**(45.0)**	(40.2)
Net financing costs	(g)	**(0.5)**	–
Total before income tax		**(45.5)**	(40.2)
Income tax credit on Separately Disclosed Items		**20.6**	22.5
Total		**(24.9)**	(17.7)

(a) Of the amortisation of acquisition intangibles in the current year, £4.1m (2016: £3.9m) relates to the customer contracts and customer relationships acquired with the purchase of Moody International Limited in 2011, and £5.1m (2016: £5.0m) relates to the customer relationships acquired with the purchase of the PSI Group in 2015.

(b) Acquisition costs comprise £3.6m (2016: £2.5m) in respect of successful, active and aborted acquisitions in the current year and £0.4m income in respect of prior years' acquisitions (2016: £0.3m cost).

(c) During the year, the Group has implemented various fundamental restructuring activities, consistent with the Group's 5x5 strategy. These activities included site consolidations, closure of non-core business units, re-engineering of underperforming businesses and the delayering of management structures.

(d) £2.0m of small non-core businesses were disposed of in 2016.

(e) Consistent with the corporate 5x5 strategy objective of "Superior Technology" announced in 2016, the Group has recorded an impairment of other assets of £8.0m following a comprehensive strategic review of the Global IT organisation structure and systems finalised in April 2017. This review resulted in restructuring costs of £0.5m included above and £8.0m in relation to the impairment of assets respectively. In addition, £8.8m of plant and equipment related to a specific service line in the Resources division was impaired in full.

(f) Material claims and settlements relates to a favourable settlement of a commercial claim that is separately disclosable due to its size.

(g) Net financing costs of £0.5m relate to the change in fair value of contingent consideration and the unwinding of discount on put options related to acquisitions.

4 Earnings per share

	2017 £m	2016 £m
Based on the profit for the year:		
Profit attributable to ordinary shareholders	**287.4**	255.0
Separately Disclosed Items after tax (note 3)	**24.9**	17.7
Adjusted earnings	**312.3**	272.7
Number of shares (millions):		
Basic weighted average number of ordinary shares	**160.9**	160.9
Potentially dilutive share awards	**2.1**	1.7
Diluted weighted average number of shares	**163.0**	162.6
Basic earnings per share	**178.6p**	158.5p
Potentially dilutive share awards	**(2.3p)**	(1.7p)
Diluted earnings per share	**176.3p**	156.8p
Adjusted basic earnings per share	**194.1p**	169.5p
Potentially dilutive share awards	**(2.5p)**	(1.8p)
Adjusted diluted earnings per share	**191.6p**	167.7p

5 Pension schemes

During the year, the Group made a special contribution of £2.8m (2016: £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 2016 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 2016. In addition to the special contribution, a net actuarial gain before taxation of £12.6m (2016: actuarial loss of £5.2m) has been recognised in the consolidated statement of comprehensive income. The net pension liability stands at £17.8m at 31 December 2017 (31 December 2016: £31.8m).

The expense recognised in the consolidated income statement for the Group's material defined benefit pension schemes consists of interest on the obligation for employee benefits and the expected return on scheme assets. The Group recognised a net expense of £0.7m in the year (2016: £0.8m).

6 Equity-settled transactions

During the year, the Group recognised an expense of £17.5m in respect of the share awards made in 2014, 2015, 2016 and 2017. For 2016, the charge was £16.6m in respect of the share awards made in 2013, 2014, 2015 and 2016. Under the 2011 Long Term Incentive Plan in 2017, Deferred Share Awards granted had an average fair value of 3,868p and LTIP Share Awards EPS element and TRS element had average fair values of 3,860p and 2,385p respectively. Under the Deferred Share Plan in 2017, Deferred Share Awards granted had an average fair value of 4,679p.

Under the 2011 Long-Term Incentive Plan, 317,302 Deferred Share Awards (previously Share Awards) (2016: 379,575) and 369,342 LTIP Share Awards (previously Performance Awards) (2016: 399,994) were granted during the period and, under the Deferred Share Plan, 44,915 Deferred Share Awards (2016: 40,927) were granted during the year.

7 Analysis of net debt

	2017 £m	2016 £m
Cash and cash equivalents per the Statement of Financial position	**137.0**	175.6
Overdrafts	**(1.1)**	(16.8)
Cash per the Statement of Cash Flows	**135.9**	158.8

The components of net debt are outlined below:

	1 January 2017 £m	Cash flow £m	Non-cash movements £m	Exchange adjustments £m	31 December 2017 £m
Cash	158.8	7.0	–	(29.9)	**135.9**
Borrowings:					
Revolving credit facility US$800m 2021	(242.2)	73.8	–	14.5	**(153.9)**
Bilateral term loan facilities US$100m 2018	(81.8)	–	–	7.2	**(74.6)**
Senior notes US$100m 2017	(81.8)	75.1	–	6.7	**–**
Senior notes US$20m 2019	(16.4)	–	–	1.4	**(15.0)**
Senior notes US$150m 2020	(122.7)	–	–	10.7	**(112.0)**
Senior notes US$15m 2021	(12.2)	–	–	1.1	**(11.1)**
Senior notes US$140m 2022	(114.5)	–	–	10.0	**(104.5)**
Senior notes US$40m 2023	(32.7)	–	–	2.9	**(29.8)**
Senior notes US$125m 2024	(102.3)	–	–	8.9	**(93.4)**
Senior notes US$40m 2025	(32.7)	–	–	2.8	**(29.9)**
Senior notes US$75m 2026	(61.3)	–	–	5.4	**(55.9)**
Other*	(1.9)	2.4	(0.7)	0.3	**0.1**
Total borrowings	(902.5)	151.3	(0.7)	71.9	**(680.0)**
Total net debt	(743.7)	158.3	(0.7)	42.0	**(544.1)**

* Other borrowings of £2.1m (2016: £4.8m) and facility fees amortisation.

	2017 £m	2016 £m
Borrowings due in less than one year	**76.0**	86.6
Borrowings due in one to two years	**14.2**	81.1
Borrowings due in two to five years	**380.9**	391.3
Borrowings due in over five years	**208.9**	343.5
Total borrowings	**680.0**	902.5

Description of borrowings

Total undrawn committed borrowing facilities as at 31 December 2017 were £443.2m (2016: £412.0m).

US$800m revolving credit facility

The Group's principal bank facility comprises a US$800m multi-currency revolving credit facility. In July 2016, US$672m of the facility was extended to July 2021. Advances under the facility bear interest at a rate equal to LIBOR, or their local currency equivalent, plus a margin, depending on the Group's leverage. Drawings under this facility at 31 December 2017 were £153.9m (2016: £242.2m).

Bilateral term loan facility

On 21 December 2012 the Group signed a US$20m bilateral term loan which was increased on 4 April 2014 to US$40m. This facility was further increased in November 2015 to US$100m, and the maturity of this facility was also extended to November 2018. Advances under this facility bear interest at a rate equal to LIBOR plus a margin. Drawings under this facility at 31 December 2017 were £74.6m (2016: £81.8m).

Private placement bonds

In December 2010 the Group issued US$250m of senior notes. These notes were issued in two tranches with US$100m repaid on 15 December 2017 at a fixed annual interest rate of 3.2% and US$150m repayable on 15 December 2020 at a fixed annual interest rate of 3.91%.

In October 2011 the Group issued US$265m of senior notes. These notes were issued in three tranches with US$20m repayable on 18 January 2019 at a fixed annual interest rate of 3.0%, US$140m repayable on 18 January 2022 at a fixed annual interest rate of 3.75% and US$105m repayable on 18 January 2024 at a fixed annual interest rate of 3.85%.

In February 2013 the Group issued US$80m of senior notes. These notes were issued in two tranches with US$40m repayable on 14 February 2023 at a fixed annual interest rate of 3.10% and US$40m repayable on 14 February 2025 at a fixed annual interest rate of 3.25%.

In July 2014 the Group issued US$110m of senior notes. These notes were issued in four tranches with US$15m repayable on 31 July 2021 at a fixed annual interest rate of 3.37%, US$20m repayable on 31 July 2024 at a fixed annual interest rate of 3.86%, US$60m repayable on 31 October 2026 at a fixed annual interest rate of 4.05% and US$15m repayable on 31 December 2026 at a fixed annual interest rate of 4.10%.

8 Acquisition of businesses

(a) Acquisitions

The total cash consideration paid for the acquisitions in the year was £27.4m (2016: £35.5m), net of cash and debt acquired of £2.1m (2016: £0.7m), with further contingent consideration payable of £9.0m. The estimated total purchase price was £36.4m.

On 31 March 2017, the Group acquired KJ Tech Services GmbH, a leading provider of vehicle, component and fuel testing services based in Germany, for an estimated purchase price of £12.8m (£12.5m net of cash acquired), generating goodwill of £7.6m.

On 8 December 2017, the Group acquired Acumen Security LLC, a leading provider of Security Certification solutions for products, headquartered in Maryland USA, for an estimated purchase price of £25.7m (£23.9m net of cash acquired), generating goodwill of £23.4m.

Provisional details of the net assets acquired and fair value adjustments are set out in the following tables. These analyses are provisional and amendments may be made to these figures in the 12 months following the date of acquisition.

KJ Tech Services GmbH	**Book value prior to acquisition £m**	**Fair value adjustments £m**	**Fair value to Group on acquisition £m**
Property, plant and equipment	0.6	-	0.6
Goodwill	-	7.6	7.6
Other intangible assets	0.1	5.9	6.0
Trade and other receivables	0.6	-	0.6
Trade and other payables	(0.3)	-	(0.3)
Deferred tax liabilities	-	(2.0)	(2.0)
Net assets acquired	**1.0**	**11.5**	**12.5**
Cash outflow (net of cash acquired)			10.5
Contingent consideration			2.0
Total consideration			**12.5**

Acumen Security LLC	Book value prior to acquisition £m	Fair value adjustments £m	Fair value to Group on acquisition £m
Goodwill	-	23.4	23.4
Trade and other receivables	0.8	-	0.8
Trade and other payables	(0.3)	-	(0.3)
Net assets acquired	**0.5**	**23.4**	**23.9**
Cash outflow (net of cash acquired)			16.9
Contingent consideration			7.0
Total consideration			**23.9**

The total goodwill arising on acquisitions made during 2017 was £31.0m. Goodwill in respect of 2016 acquisitions decreased by £2.9m. The goodwill arising represents the value of the assembled workforce and the benefits the Company expects to gain from increasing its presence in the relevant sectors in which the acquired businesses operate. The intangible assets of £6.0m primarily represent the value placed on customer relationships and the deferred tax thereon was £2.0m.

An earnout arrangement exists resulting in a put option over the minority shareholding related to ABC. This put option is exercisable at certain points through to 2019. The net present value of the put option liability has been recognised as a non-current financial liability under IAS 39.

(b) Acquisitions subsequent to the balance sheet date

There were no acquisitions subsequent to the balance sheet date.

(c) Prior period acquisitions

£7.8m (2016: £2.0m) was paid during the year in respect of prior period acquisitions.

(d) Impact of acquisitions on the Group results

In total, acquisitions made during 2017 contributed revenues of £4.8m and a net profit after tax of £0.4m from their respective dates of acquisition to 31 December 2017. The Group revenue and profit after tax for the year ended 31 December 2017 would have been £2,775.6m and £308.5m respectively if all the acquisitions were assumed to have been made on 1 January 2017.

(e) Details of 2016 acquisitions

Full details of acquisitions made in the year ended 31 December 2016 are disclosed in note 10 to the Annual Report for 2016.

(f) Impairment

Past acquisitions generated goodwill, which has been tested annually as required by accounting standards. No impairment was required; however due to the prevailing market conditions, this will be kept under review.

(g) Reconciliation of goodwill

	£m
Goodwill at 1 January 2017	586.1
Additions	28.1
Foreign exchange	(34.6)
Goodwill at 31 December 2017	**579.6**

9 Property, plant, equipment and software

During the year ended 31 December 2017, the Group acquired fixed assets with a cost of £112.9m (2016: £105.5m). In addition, the Group acquired fixed assets of £0.6m (2016: £4.1m) through business combinations (note 8). In 2017, IT assets related to computer software of £8.0m were impaired and £8.8m of plant and equipment related to a specific service line was impaired in full.