2020 FULL YEAR RESULTS ANNOUNCEMENT

2 March 2021

STRONG RECOVERY IN H2 WITH RECORD MARGIN AND EXCELLENT CASH CONVERSION

- Resilient FY financial performance, ahead of earnings and cash expectations
- H2 2020 adjusted operating profit of £259.5m with record adjusted operating margin of 18.4%, up 60bps YoY[1]
- Excellent cash conversion of c.150% drives a record adjusted free cash flow of £435.6m, up 10.2% YoY
- Strong balance sheet with financial net debt of £419.9m, down £209.5m YoY; financial net debt to EBITDA of 0.7x
- Highly cash generative and carbon-light earnings model delivers strong adjusted ROIC of 21.6%, down 190bps YoY[1]
- Sustainable returns to shareholders with FY 2020 dividend of 105.8p, in-line with 2019
- Carbon neutral in 2020 and continuous focus on sustainability; targeting Net Zero emissions by 2050
- Strongly positioned for growth: COVID-19 recovery, increased corporate focus on risk & M&A growth opportunities

	2020	2019	Change at actual rates	Change at constant rates[1]	H1 2020	H2 2020	Change at constant rates[1]
Revenue	£2,741.7m	£2,987.0m	(8.2%)	(6.7%)	£1,330.6m	£1,411.1m	7.8%
Like-for-like revenue[2]	£2,735.9m	£2,983.3m	(8.3%)	(6.8%)	£1,326.7m	£1,409.2m	7.9%
Adjusted operating profit[3]	£427.7m	£524.2m	(18.4%)	(17.0%)	£168.2m	£259.5m	56.4%
Adjusted operating margin[3]	15.6%	17.5%	(190bps)	(190bps)	12.6%	18.4%	570bps
Adjusted diluted EPS[3]	170.9p	212.5p	(19.6%)	(18.1%)	63.1p	107.8p	73.0%
Statutory operating profit	£378.2m	£485.8m	(22.1%)	(20.7%)	£146.9m	£231.3m	59.9%
Statutory diluted EPS	152.4p	192.6p	(20.9%)	(19.4%)	58.6p	93.8p	62.8%

A FY results video is available on our website at **http://www.intertek.com/investors/2020-full-year-results-video**

André Lacroix: Chief Executive Officer statement

“I am very proud of the energy, agility and innovation of our colleagues around the world that has enabled us to navigate a difficult 2020 with a laser focus on health and safety, customer service, cost control, cash management and employee engagement. My sincere thanks to all my colleagues.

In 2020, we delivered resilient revenue of £2,742m, down 6.7% at constant rates, with our earnings and cash performance well ahead of expectations. This has enabled us to deliver sustained returns to our shareholders with a full year dividend of 105.8p, in-line with 2019, reflecting our strong financial position and confidence in the future.

The second half of 2020 saw a strong performance in each of our divisions. At the Group level, H2 revenues were ahead of H1 by 8% and operating profit grew 56% at constant rates, driving a record operating margin of 18.4%, up YoY by 60bps. We made further excellent progress in cash management.

Intertek is a force for good bringing quality, safety and sustainability to life and delivering sustainable value for all stakeholders. We support our clients’ sustainability agenda with our operational sustainability assurance solutions, our global audits to verify their ESG disclosures and our industry leading corporate certification program. Sustainability is central to everything we do internally at Intertek, and I am pleased to report that the Group was carbon neutral in 2020 and that we are committed to making further progress on our sustainability agenda, including targeting Net Zero carbon emissions by 2050. Indeed, Intertek has joined the UN Race to Zero campaign - a global effort from the United Nations Framework Convention on Climate Change that calls for a resilient, zero-carbon recovery from the COVID-19 pandemic and is aligned with our own ambitious agenda to Build Back Ever Better.

In 2021, we will continue to benefit from the COVID-19 recovery and the attractive growth opportunities in our industry. We are confident that the Group will continue to drive sustained value for our shareholders with year-on-year progress in revenue, margin and cash.

All of us at Intertek are truly energised by the Quality Assurance growth opportunities moving forward as the COVID-19 global pandemic has made the case for Total Quality Assurance clearer and stronger for our clients. Post Covid-19, we expect the Total Quality Assurance market to grow faster than pre-Covid. Indeed, the exciting structural growth drivers in the $250 billion global Quality Assurance Market pre-COVID-19, now include a wide array of new opportunities in many areas, including a greater focus on outsourcing. These opportunities to help foster a better and safer world for all post-COVID-19 are compelling, and range from:

- Safer, more diversified supply chains with greater traceability, improved intelligence and increased resilience
- A lower carbon economy, stay-local lifestyles, more remote working, distance learning and online shopping
- Better personal safety, higher health, hygiene and wellbeing standards and greater investment in healthcare

With our industry leading ATIC capability and expertise, innovation and insight, Intertek is uniquely positioned to seize the compelling structural growth opportunities and to benefit from the GDP+, like-for-like revenue growth prospects in the Quality Assurance Industry in the medium to long-term. In short, the pandemic has brought to life as never before the importance of Intertek’s purpose-led role in society.”

Key Adjusted Financials	2020	2019	Change at actual rates	Change at constant rates[1]
Revenue	£2,741.7m	£2,987.0m	(8.2%)	(6.7%)
Like-for-like revenue[2]	£2,735.9m	£2,983.3m	(8.3%)	(6.8%)
Operating profit[3]	£427.7m	£524.2m	(18.4%)	(17.0%)
Operating margin[3]	15.6%	17.5%	(190bps)	(190bps)
Profit before tax[3]	£392.8m	£484.8m	(19.0%)	(17.4%)
Diluted earnings per share[3]	170.9p	212.5p	(19.6%)	(18.1%)
Dividend per share	105.8p	105.8p	-	
Cash flow from operations less net capex[3]	£632.9m	£616.3m	2.7%	
Free Cash Flow[3]	£435.6m	£395.3m	10.2%	
Financial net debt[4]	£419.9m	£629.4m	(33.3%)	
Financial net debt / L12M EBITDA[3, 4]	0.7	0.9		

Key Statutory Financials	2020	2019	Change at actual rates
Revenue	£2,741.7m	£2,987.0m	(8.2%)
Operating profit	£378.2m	£485.8m	(22.1%)
Operating margin	13.8%	16.3%	(250bps)
Profit before tax	£343.9m	£445.1m	(22.7%)
Profit after tax	£262.6m	£333.6m	(21.3%)
Diluted earnings per share	152.4p	192.6p	(20.9%)
Net cash flows generated from operating activities	£558.8m	£562.8m	(0.7%)

[1] FY constant rates are calculated by translating 2019 results at 2020 exchange rates. H1 v H2 constant rates are calculated by translating H1 2020 results at FY 2020 exchange rates.

[2] Like-for-like revenue includes acquisitions following their 12-month anniversary of ownership and removes the historical contribution of any business disposals/closures.

[3] Adjusted results are stated before Separately Disclosed Items ('SDIs'), see note 3 to the Condensed Consolidated Financial Statements.

[1,2,3] Reconciliations for these measures are shown in the Presentation of Results section.

[4] Financial net debt excludes the IFRS 16 lease liability of £224.2m. Total net debt is £644.1m. Reflects prior 12 months EBITDA for relevant period. See note 7.

The Directors will propose a final dividend of 71.6p per share (2019: 71.6p) at the Annual General Meeting on 26 May 2021, to be paid on 18 June 2021 to shareholders on the register at close of business on 28 May 2021.

Contacts

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Analysts' Call

A live audiocast for analysts and investors will be held today at 7.45am. Details can be found at http://www.intertek.com/investors/ together with presentation slides and a pdf copy of this report. A recording of the audiocast will be available later in the day.

Annual Report and Sustainability Report

The Annual Report and Sustainability Report for the year ended 31 December 2020 will be available on the Company's website at www.intertek.com on 19 March 2021.

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 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

GROUP CEO REVIEW

Ever since I joined Intertek in 2015, the most important part of my review has come where I can take a moment to thank my colleagues around the world for their outstanding contribution during the year. Never has this been more the case than in 2020, a year like no other when in the face of unparalleled challenges, Intertek's amazing people worked tirelessly to ensure our operations across the world could keep supporting our clients, helping global supply chains to operate safely.

It was an extraordinary performance, and I thank each and every one of them from the bottom of my heart. The indomitable spirit that drove them is the same that has made us a leader in our industry for so long. No matter the challenges Intertek has faced – during 2020, or during the 130 years of our evolution – we have always exercised our spirit of innovation, the passion of our people and our unmatched customer commitment to realise our purpose of making the world an ever better, safer and more sustainable place for all.

Thanks to these qualities, we entered 2020 with a very strong record of sustainable growth across our entire history, and particularly over the previous five years.

Our five-priority response

Given what was about to happen, the strength of our track record and culture was particularly valuable and important. From early in the year, as we know, businesses across the world were rapidly affected by the pandemic. It caused significant disruption to the supply chains of our clients, restricting global mobility and impacting the global economy.

The agility of our people and our business as a whole was vital. We quickly refocused the organisation and implemented a decisive, five-priority response to the situation. Our financial results are testament to the success of these actions, and to the strength of our high-quality earnings model: strong pricing power driving strong margins and a high cash-generation while enabling Intertek to operate in an exceptionally capital- and carbon-light manner.

Our first priority is always health and safety. We swiftly created a comprehensive, global COVID-19 Employee Health & Wellbeing policy, which we have updated regularly throughout as we have learned more about best practice in managing the virus. The policy is publicly available on our website.

Our second priority is superior customer service. We are a customer-centric organisation and understand that what we do every day to ensure our customers' supply chains operate safely, securely and efficiently is mission-critical. Our clients were facing unprecedented challenges and since day one, we have increased the frequency with which we communicate and kept our operations open 24/7, to ensure we can react and respond to customer needs quickly.

As a result, we have rapidly been able to bring a range of innovations to market, including exciting new services like Protek, SourceClear™ and CarbonClear. What they all have in common is their ability to confront and resolve real issues in a way that makes it easier and safer for our customers to operate.

Many of our employees have also gone beyond the normal call of duty and responded fast to help in any way they could, like creating hand sanitisers in countries including China, India, the Philippines, Turkey, the UK and the Netherlands to keep customers and colleagues safe. Colleagues in Intertek Indonesia provided some of the worst affected countries with 200,000 face masks, and our UK Food business line team has been working seven days a week to collect, register and process samples, safely and in line with tight customer deadlines. In Azerbaijan, our people have helped to buy relief packages for suffering families, and our facilities team in Bangladesh set up a virtual hospital. These are just a few examples of our people's actions across the world.

Our third priority is margin discipline. We took new steps to protect our margin during the crisis, building further on the disciplined approach to pricing and cost that we have focused on over the years. Actions included a pause on all recruitment, a six-month delay to the 2020 annual salary increase, and participation in a range of government support schemes. Such initiatives mean we will have the ability to support our clients fully once their operations are back to normal.

Our fourth priority is cash discipline and we continue to be highly focused around cash collection. Our operational focus on cash is delivering strong free cash flow which is further strengthening our robust balance sheet. We continue to take a disciplined approach to capital allocation, investing in high-growth and high-margin sectors, as well as implementing our progressive dividend policy.

Our fifth priority is purpose-led employee engagement. With many of our people working remotely during lockdown restrictions, it has never been more important to stay connected every day. Our world-class digital internal communications platform has enabled us to reach out frequently to everybody in the organisation, and their response has been universally exceptional. A central part of our internal communication narratives was purpose-led, reminding all of us about the meaning of what we do at Intertek. Indeed, Intertek provides mission-critical solutions to make sure that the world's supply chains can operate fully and safely.

Our results in 2020

Our results for 2020 demonstrate that in the COVID-19 era, the need for risk-based quality assurance has never been greater for all our stakeholders. The pandemic brought to life, as never before, the great importance of Intertek's purpose-led role in society. Amid the unprecedented pressures affecting so many companies, the strength of our strategy, people and end-to-end systemic approach has been emphasised by the continuing resilience of our revenue performance and our strong cash flow.

Key highlights of our 2020 performance:

- Resilient FY financial performance, ahead of earnings and cash expectations
- H2 2020 adjusted operating profit of £259.5m with record adjusted operating margin of 18.4%, up 60bps YoY at constant rates
- Excellent cash conversion of c.150% drives a record adjusted free cash flow of £435.6m, up 10% YoY
- Strong balance sheet with financial net debt of £419.9m, down £209.5m YoY; financial net debt to EBITDA of 0.7x
- Highly cash generative and carbon-light earnings model delivers strong adjusted ROIC of 21.6%, down 190bps YoY at constant rates
- Sustainable returns to shareholders with FY 2020 dividend of 105.8p, in-line with 2019
- Carbon neutral in 2020 and continuous focus on sustainability; targeting Net Zero emissions by 2050
- Strongly positioned for growth: COVID-19 recovery, increased corporate focus on risk and M&A growth opportunities

Our three sectors

The attractive structural growth drivers in each of our three market sectors - Products, Trade and Resources – enabled us to deliver a resilient financial performance during an unprecedented global pandemic.

While we inevitably experienced some impact from disrupted client supply chains and factory closures in our Products sector, our leading positions across multiple industries have helped us to deliver a resilient like-for-like revenue decline of (5.9%) at constant rates. Some delays to audits and product launches were offset by a number of positive developments, including increased demand for testing personal protective equipment and medical devices, growth in e-commerce and associated services and increased demand for ATIC (Assurance, Testing, Inspection, Certification) services in areas like supply chain assurance, energy efficiency and sustainability services.

In our Trade sector, the defensive strengths of our AgriWorld business enabled us to report a like-for-like revenue decline of (9.9%) at constant rates. This was despite the reduced level of demand for oil and gas which impacted our Caleb Brett business, as well as the challenging trading conditions for GTS.

Our Resources business delivered a resilient performance, despite the impact of lockdown in many territories on our Opex maintenance services and the reduction of our clients' capex investment in the second half, while our Minerals business delivered robust revenue growth helping the sector achieve a like-for-like revenue decline of (6.1%) at constant rates.

These assets are built around our five strategic priorities of our 5x5 Differentiated Strategy for Growth on which we have continued to focus in 2020.

The growth opportunities ahead

The first pandemic in our global, highly connected world has radically increased the complexity facing organisations everywhere. It is not as though life was simple for corporations before the pandemic given the intertwined network of mega-trends they faced – from multiple geopolitical risks on a global basis, through to the rapid impact of social media on world opinion, the accelerating application of AI and automation, the energy transition, wealth inequality, increasing safety issues and more.

Now, this complexity is set to continue and accelerate further, as the economic, infrastructure and social impacts of the pandemic remain long after the immediate threat of the virus has receded. But I firmly believe that the post-pandemic world will ultimately emerge as a better and a safer place for all. And I believe that Intertek has a fundamental role to play in making this happen.

Intertek is a world leader in the $250 billion Quality Assurance market, with a proven, high-quality business model and a global network of customer-focused operations and highly engaged subject matter experts.

The uninterrupted support our teams provide in local markets has never been needed more, servicing our clients with precision, pace and passion as the world recovers. The mission-critical services we provide will help to drive this recovery, playing an ever-more important role in society as a source of good for everyone and an important home of innovation for industries across the world. We are a force for good in society, helping our clients manage risk and deliver their sustainability agenda, while remaining internally focused on delivering sustainability excellence based on our 10 Total Sustainability Assurance (TSA) standards. Today, just 20 per cent of the Quality Assurance market is outsourced, providing us with extremely attractive growth prospects as we innovate with ever greater pace to meet fast-increasing demand for the truly end-to-end Total Quality Assurance (TQA) solutions that only Intertek is uniquely placed to provide. We continue to look at M&A opportunities in attractive high-margin and high-growth areas and we believe that the post-pandemic world will also offer us significant new growth opportunities through industry consolidation.

All the sectors we address are presenting us with a wide array of structural growth drivers, and these are only set to diversify and increase further in the post-pandemic world. Our Products sector, for example, is ideally positioned to leverage faster innovation by companies across the world, growing numbers of brands and SKUs, and increasing demand for Smart products. In our Trade sector, social mobility and requirements for traceability and operational sustainability are growing fast, fuelling the need for our services. In Resources, increasing needs for digital supply chain management, renewable energies and exploration & production are similarly driving demand. And the need for end-to-end corporate services, from cyber-security to risk-based quality assurance and people assurance, ensures that Intertek will stay front-of-mind for major corporations across the world.

In short, having withstood more than 130 years' worth of challenges – including world wars, economic recessions and even depressions – Intertek is now proving its ability to respond positively and effectively to the biggest and most challenging crisis of our time. We are well placed to meet the growing demand for the mission-critical services and solutions that are essential in helping to bring about a better and safer world for all as we recover from this crisis.

Solutions that are enabling our customers to operate safely, efficiently and with total peace of mind as we help them to Build Back Ever Better. To do so, we are focusing our innovative efforts on three core priority areas: supporting supply chains; ensuring better personal safety for everybody; and helping the world to lower its carbon intensity.

A purpose-led organisation

Through our unique range of products and services, our high-margin, cash-generative earnings model consistently delivers value for all our stakeholders.

This success is based on the energy and enthusiasm with which our people react to our meaningful Purpose of *Bringing Quality, Safety and Sustainability to Life*.

Our Vision is to be the world's most trusted partner for Quality Assurance, underpinned by our shared Values:

- We are a global family that values diversity
- We always do the right thing. With precision, pace and passion
- We trust each other and have fun winning together
- We own and shape our future
- We create sustainable growth. For all

The key assets that set us apart

Our Purpose, Vision and Values are vital assets, which guide and support all our thinking and activities. They are centred on our people, our unrivalled global population of TQA Experts. They are our core strength, combining passion, innovation and customer commitment in a way that sets us apart and sustains our entrepreneurial spirit and decentralised operating culture. They embody every day all the other key assets that distinguish us. These include:

- Our TQA Customer Promise: Intertek's Total Quality Assurance expertise, delivered consistently with precision, pace and passion, enabling our customers to power ahead safely
- Our high-margin, cash-generative Earnings Model, based on our capital-light business model and entrepreneurial culture, which enable us to respond rapidly to new growth opportunities
- Our ATIC Customer Value Proposition: providing our customers with the quality and safety controls that are more important today than at any time in the past as their operations and value chains grow more complex and exposed to risk:

  - A: the end-to-end assessment and **Assurance** of quality and safety processes
    - enabling our customers to identify and mitigate intrinsic risk in their operations, their supply and distribution chains and their quality-management systems

  - TIC: providing quality and safety controls
    - **Testing**: evaluating how customers' products and services exceed quality, safety, sustainability and performance standards
    - **Inspection**: validating the specification, value and safety of our customers' raw materials, products and assets
    - **Certification**: formally confirming our customers' products and services meet all trusted external and internal standards.

These factors combine to drive our commitment to enabling the world to become a better and a safer place both during and following the pandemic. To do so, we have focused on leveraging the spirit of innovation that runs through our organisation, continually strengthening our existing products and services while also introducing exciting new solutions to meet emerging needs. We take a three-pronged approach to innovation:

- from the core: evolving existing solutions and creating new ones to broaden our service offerings to clients in the sectors where we are already established;
- in adjacent sectors: leveraging our expertise in one sector by adapting existing solutions to meet identified needs in an adjacent market; and
- targeting new markets: creating entirely new solutions for markets in which we are currently not involved.

Our Ever Better approach to innovation, driven by our customer-centric TQA Experts, is supporting our clients to thrive by delivering pioneering solutions for today and tomorrow.

Helping our clients to Build Back Ever Better

2020 will be remembered as the year when a global external event forced everyone to rethink how to operate and make the world a safer place.

We are convinced that the world will be a better and safer place post COVID-19.

We expect the theme of "Build Back Ever Better" to guide the actions of governments, companies, investors, regulators and consumers. The learnings of the global pandemic we faced in 2020 will be in three areas:

- Managements, Boards and shareholders will want to see their companies operate with a safer supply chain
- Consumers, governments, companies and regulators will want better personal safety
- The way we will operate and invest post COVID-19 will help build a lower carbon society

The demand for our services and the experience of our customers across the world clearly demonstrate that the global need for Total Quality Assurance is stronger than ever. And more than ever, our clients are calling for our support, energy, expertise and relentless focus on overcoming the challenges they face.

We know there is much more we can do to build back an Ever Better world by helping to make the supply chains of our clients safer, by ensuring better personal safety for everyone in society and by helping the world to lower its carbon intensity and get to Net Zero fast.

Safer supply chains

Supply chain assurance is in Intertek's DNA. It became even more important during the pandemic, with strengthened growth drivers ranging from faster access to supplies, improved intelligence, increased demand for supply resilience, end-to-end traceability and more. During the year we drew on our expertise and intimate customer understanding to create a more risk-free trading environment for our clients everywhere.

New services included **SourceClear™**, a new technology platform that provides visibility and traceability across the full range of supply-chain relationships, enabling companies to track sustainable material claims throughout all stages of trade and production in the supply chain. In this way, it empowers our customers to demonstrate their sustainability commitments by managing and certifying verifiable product and materials data and transactions across all supply-chain participants. By allowing independent validation of factors such as recycled content, organic materials and good practice during manufacturing, it enables accurate and verified labelling, helping consumers to make well-informed buying decisions.

We brought **FastTek** to market, a comprehensive solution for the key global accounts of our Trade customers, which enables our customers to move their goods more quickly through global supply chains.

As more industries undergo profound shifts at an even faster pace, the need for creative solutions underpinned by research, design and quality assurance expertise, has never been more relevant. Our **Maison Centre of Excellence** in Florence, Italy is our new innovative experiential space where science meets luxury, and will bring together – virtually or face-to-face – our industry experts, forward-thinking fashion brands, industry leaders, academics and a host of textile industry participants to collaborate and to take bold new ideas and turn them into reality, reshaping the future in a more sustainable way.

Developments to existing supply-chain Assurance services included a significant upgrade to our market-leading supply-chain compliance solution with the launch of **Inlight2.0**. Inlight™ uses integrated learning to help organisations better understand their supply chains and protect their brands. Inlight2.0 builds on this by providing enhanced analytics that give clients live dashboards of supplier performance, trends, risks and opportunities. This enables them to analyse risks at every point, from the sourcing of raw materials, to regulatory compliance and end-use by consumers.

Responding to demand during the pandemic, we also further developed our **Remote Video Inspection** (RVI) service, part of our market-leading **Inview** virtual assurance solution, which uses remote live video-streaming and smartphone technology to carry out mission-critical inspection services across the oil and gas supply chain. With some companies restricting access to their sites, our RVI solutions enable inspectors to remain home-based while leading inspections of client premises. This is enabling global customers to maintain business continuity, supply chain requirements and manufacturing schedules.

Better personal safety

Our view, supported by research and strengthened by the pandemic, is that health, safety and wellbeing constitute the number one concern for the entire world. Companies everywhere are having to abide by increasingly stringent health, safety, wellbeing and associated risk-management standards, creating important structural growth opportunities for Intertek moving forward. During 2020, we responded positively to this trend, providing governments and clients with pandemic-related assurance solutions and developing many truly ground-breaking innovations.

Intertek Protek, for example, which we launched at the beginning of May 2020, is the world's first industry-agnostic, end-to-end health, safety and wellbeing assurance programme for people, workplaces and public spaces. The Protek portfolio comprises four sets of specialist services:

- Protek People Assurance: an on-demand training and certification programme to ensure employees are up-to-date with essential health and safety topics;
- Protek Business Assurance: end-to-end auditing of all procedures and systems to ensure clients can demonstrate safety;

- Protek Facilities Assurance: audit and inspection services for facilities including hotels, retail outlets, travel hubs, schools and workplaces, where people will look for visible signs of safety verification;
- Protek Materials & Surfaces: complete workplace and public-space testing solutions to ensure employee and customer safety.

Our Protek experts were also closely involved in the publication of **Travel Truth and Lies Unmasked**, a COVID-safe travel tips eBook written in association with New York Times best-selling author, Martin Lindstrom. The book contains practical advice and guidance covering many areas, to help the world as it starts to travel again. The book is free-to-download from our website https://www.intertek.com/protek/travel-unmasked-ebook/

The reactions of our clients around the world to Protek has been very positive. It is very much in line with what the world needs right now, and we already have many thousands of customers for our solutions in markets across the world. Our new **Protek POSI-Check** audit solution, for example, helps in the Prevention of the Spread of Infection (POSI) and has been designed to formulate and monitor an effective response to infections in hotels and restaurants. Its primary aim is to help hospitality clients ensure the safety of their staff and guests as global travel accelerates once again when the pandemic has been brought under control. The CEO of Club Med, specialists in luxury all-inclusive holidays, posted a personal "welcome back" video message to its guests, reassuring them of the health and safety measures which have been implemented at their resorts by Intertek's Protek solution.

We continued to expand the range of solutions from our Intertek Alchemy business, the leading provider of training and engagement solutions for frontline workers. This included the launch of **Alchemy Playbook™**, a mobile application that reduces unplanned downtime for manufacturers by identifying and reallocating workers to fill any gaps in the production caused by a key employee being absent. This has proved particularly important during the pandemic.

We have also been quick to develop a wide range of other services in response to the pandemic, leveraging our leadership in areas including the testing of ventilators, protective clothing and other forms of PPE. Intertek is becoming established as a global PPE market leader, with full testing and inspection capabilities in all key regions.

Among other related initiatives, we also increased our testing capacity and speed of services for hand sanitisers, germicides and surface disinfectants. We built a leading position in germicidal products, strengthened our support to pharma companies for vaccine development, and further developed our cyber-security audit solution for people working from home.

Low carbon society

With a tipping point having been reached, sustainability is the movement of our time, and the expectations of all stakeholders have changed as people across the world are deliberately choosing to lead greener 'stay local' lifestyles. This move has accelerated during the pandemic, with remote working, distance learning and online shopping all gaining traction as never before. We built on our position as the industry-leading provider of Total Sustainability Assurance (TSA) solutions during the year with new launches that help our clients and their customers mitigate their risks and carbon footprint. As a world leader in sustainability services, and a purpose-led organisation, we believe it is important for us to ensure that our own standards are as high as those we provide for our clients. As such our sustainability reporting follows the TSA ten corporate certification standards. You can read the detail of our activities in this area during 2020 in our Sustainability Report.

We started to scale up our **Cyber Assured Program**, the unique cyber-security testing and certification programme providing continuous vulnerability monitoring for connected products, increasingly important given the rise in home-working, online shopping, etc. Intertek Cyber Assured enables manufacturers to ensure their products meet security best practices and emerging regulatory requirements, clearly demonstrating a high level of security to regulators and consumers.

In a major breakthrough innovation, we launched **CarbonClear**, the world's first independent carbon-intensity certification programme. It gives oil & gas producers the ability both to evaluate emissions across every stage of exploration and production and to validate the carbon impact of producing one barrel of oil equivalent. This brings unique clarity to their cradle-to-gate operations, enabling producers to reduce carbon-intensity and participate in the transition to a low-carbon economy. Ultimately, it will provide consumer transparency, drive buying decisions and enable producers to exercise a price advantage. Critically of course, decarbonising the production of oil & gas is an imperative for the sector and such transparency is a fundamental factor in investment decisions.

Ever Better Intertek

Our focus on our role in the global recovery from the pandemic is incredibly important to everybody at Intertek. It draws on our commitment to innovation, growth, cost control, performance management and sustainability. And it acknowledges that the world needs Intertek more than ever – our insight, our innovation, our expertise and our passion.

Our five corporate goals have consistently driven our activities over the last five years, and have become more important than ever for us during – and after – the COVID-19 pandemic:

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

Once again, during 2020 we have made strong progress on our five strategic priorities (see below), which are empowered by our unique set of strategic enablers:

- living our customer-centric culture, built on a strong spirit of entrepreneurship, a customer-focused mindset and engagement at all levels of the organisation;
- disciplined performance management, built on financial and non-financial metrics and processes focusing on margin accretive revenue growth and strong cash conversion;
- superior technology, improving the customer experience, leveraging back office synergies and delivering superior business intelligence;
- energising our people through investments in their capabilities, providing a fully aligned reward system and promoting internal growth; and
- delivering sustainable results, providing growth for our customers and shareholders, recognising the importance of sustainability for the wider community and achieving the right balance between performance and sustainability.

Our Five Strategic Priorities

Our differentiated brand proposition

Intertek is positioned globally as the leading supplier of truly end-to-end Total Quality Assurance. We have achieved global consistency on our TQA brand proposition and identity across more than 100 countries. At a time when the need for a better and a safer world has never been greater, we have been quick to address ATIC opportunities arising from emerging new growth drivers and created stand-out product brands for our market-leading innovations.

Superior customer service

Our commitment to outperforming our competition on the quality of our customer service is driven by a straightforward business imperative: to build loyalty from our existing clients and win new customers. We recognised the huge operational challenges customers faced during the pandemic and have raised our game even further. We are continuously communicating to understand and respond to their needs and drawing on the metrics and insights from the 6000+ NPS (Net Promoter Score) customer interviews we hold every month has enabled us to constantly improve our quality of delivery and develop innovative new and improved ATIC solutions, including unique offerings like Protek and CarbonClear.

Effective sales strategy

Existing clients are the most productive source of new business opportunities, and we maintained our focus during 2020 on increasing account penetration into new parts of our customers' businesses. The end-to-end nature of our ATIC portfolio is delivering unique opportunities in this area, supporting the cross-selling of new and existing services. In addition, our emphasis during the year on safer supply chains, health and safety, and the low-carbon society opened many opportunities with new customers across the world.

Growth and margin accretive portfolio

To achieve the sustainable growth we target, we prioritise those business lines, geographies and service areas where the solutions we provide are of the greatest value to customers and prospects. This enables us to invest in those areas that demonstrate the greatest potential for delivering attractive returns, in terms of both business growth and good margins. During 2020, in the face of the pandemic, we maintained our disciplined focus on how we allocate resource, capital and people, ensuring that we continued to strengthen the core of our business during a time of unprecedented challenges. The Group's centre of gravity continues to move towards the high-growth and high-margin sectors that in turn feed further accelerated margin accretive revenue growth.

Operational excellence

Continuous improvement is essential to drive the operational excellence that underpins sustainable growth. To achieve this, we operate strict performance management controls to improve the consistency of all activities and processes, so ensuring we achieve the highest standards of efficiency and productivity. We have in place a holistic view of performance at all our locations across the world, enabling us to apply our Ever Better approach to every part of the business, with metrics on key financials such as revenue growth, margin, cash conversion, pricing power and capital allocation; and operational indicators such as customer retention and acquisition rates, marketing leads, the sales funnel, our health and safety performance and NPS.

Highly cash generative and carbon-light earnings model

The power of our earnings model has massively contributed to Intertek's ranking as the FTSE's leading company in terms of dividend progression between 2003 and 2019, with a CAGR of 17%. This has been achieved thanks to our highly cash-generative and carbon-light earnings model, based on our investments in high-growth, high-margin areas, disciplined capital allocation, strong free cash flow and margin-accretive revenue growth.

Now, with our people across the world drawing on our strategic enablers to deliver against our priorities and so achieve our goals, Intertek is destined to make the world a better, safer and more sustainable place for all.

The services we offer have never been more mission-critical than now and in the years to come. Our position as the FTSE's leading company in terms of dividend growth emphasises our superb performance throughout the 21st Century.

But I believe our best years are still ahead of us.

Sustainability excellence

Intertek is bringing quality, safety and sustainability to life and delivering sustainable value for all stakeholders. We support our clients' sustainability agenda with our operational sustainability assurance solutions, our global audits to verify their ESG disclosures and our industry leading corporate certification program. Sustainability is central to everything we do internally at Intertek, and I am pleased to report that the Group was carbon neutral in 2020 and that we are committed to further progress on our sustainability agenda moving forward, including targeting Net Zero emissions by 2050.

Intertek has been a force for good for over 130 years, bringing quality and safety to life with a pioneering spirit. Sustainability is central to everything we do at Intertek and we are passionate about making Intertek ever better, every day.

In 2020, we have made significant progress to deliver sustainability excellence in every operation within the Group, including:

- driven our sustainability agenda deeper into the organisation by inspiring our people to create local sustainability initiatives;
- developed an Environmental Sustainability Dashboard down to site level to give our people the visibility and ownership of their own environmental data; and
- evaluated ourselves against our own TSA standards and improved our understanding of how we can be truly Best-in-Class.

Our commitment to Net Zero emissions

In line with our commitment to reducing the carbon footprint of our direct operations, we continue to focus on improving our energy efficiency, purchasing energy from clean sources such as renewables and investing in on-site renewable energy generation at our locations.

In 2017, we set ourselves the target of reducing GHG emissions per employee by 5% by 2023, and we are well on track to achieve that.

We have a carbon-light earnings model. Our average carbon intensity over the last three years was 4.5 tonnes of CO2 per employee, which is low compared to the all-industry average of 12.3 tonnes of CO2 per employee (Intertek research based on publicly available information for 2018/19).

In addition, we have bought carbon credits to offset our direct operational Scope 1, 2 and 3 GHG emissions, making 2020 our first carbon neutral year. The credits we have bought help to fund verified carbon off-setting projects that have a meaningful benefit to communities in which we operate, including a hydropower project in Pakistan, an electricity generation project in Turkey, a wind power project in India and a forest conservation project in Brazil.

Further, we have signed up to the Science Based Targets initiative which means that we are formally committed to setting independently verified science-based GHG emission reduction targets. Our aim is for our Science Based Target to be aligned to limiting global temperature rise to below 1.5°C and reaching net-zero emissions no later than 2050.

Intertek has also joined the UN Race to Zero campaign - a global effort from the United Nations Framework Convention on Climate Change that calls for a resilient, zero-carbon recovery from the COVID-19 pandemic and is aligned with our own ambitious agenda to Build Back Ever Better.

Sustainability means more than Net Zero

Sustainability is central to our 5x5 differentiated strategy for growth. Internally, we are focused on sustainability excellence in every operation. We believe that Doing Business the Right Way with a systemic approach is the only way to deliver our corporate goals and create sustainable value creation for all stakeholders. To do that, we follow precise processes and standard operating procedures in 10 areas which form our Corporate Sustainability Certification standards. They are:

- Quality & safety
- Environment
- Governance
- Risk management
- Compliance
- Financial
- People & culture
- Enterprise security
- Communities
- Communications & disclosures

In line with our Sustainability standard on Communications & Disclosures, we have made the disclosures in our 2020 Annual Report broad based to provide total transparency.

We have also set and embedded our targets to go beyond Net Zero in those areas in our business model that are central to delivering sustainable value for all our stakeholders. Our beyond Net Zero sustainability targets are:

- 6,000 NPS interviews per month
- Women in 30% of senior management roles by 2025
- Total Recordable Incidents below 0.5 per 200,000 hours worked
- 100% attendance of all employees at Compliance training
- Voluntary permanent turnover rate less than 15%
- Group Engagement Index score of 90%

Future focus and outlook

Our structural growth prospects appear ever-more compelling as health, safety, wellbeing, transparency and sustainability grow in importance for companies and individuals alike. Intertek's continued strong performance during the pandemic and the associated global economic downturn highlights the unprecedented importance of our role.

Our success in launching innovative new products and services, and the continuing emergence of powerful growth drivers, also demonstrate the significant scale of the available growth opportunities.

The quality of our results in 2020 illustrates the heightened relevance of our purpose, the underlying strength of our strategy and the resilience of our high-quality and cash-generative compounder earnings model.

Into 2021 and the years ahead, we are committed to further leveraging these strengths and targeting new opportunities to grasp a greater share of the ATIC market. Society has changed. We are in the 'new normal' and are observing new trends and behaviours and demands for products and services that didn't exist prior to the pandemic. Consumers want more sustainable products, supply chain simplicity, visibility and traceability of goods, new solutions for hygiene, health and wellbeing, as well as lower carbon emissions. Employers are being tasked with developing and providing new tech and virtual remote-working solutions.

The world needs Intertek more than ever, with the unrivalled expertise of our people, our focus on delivering risk-based Total Quality Assurance solutions, and our proven track record of innovating and anticipating the growing needs of our clients as the world around them grows more complex. We provide mission critical ATIC solutions to enable the world's supply chains to operate fully and safely, given the increased expectations from all stakeholders to live in a better and safer society.

André Lacroix
Chief Executive Officer

Operating Review

For the year ended 31 December 2020

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

	2020 £m	2019 £m	Change at actual rates	Change at constant rates[1]
Revenue	2,741.7	2,987.0	(8.2%)	(6.7%)
Like-for-like revenue[2]	2,735.9	2,983.3	(8.3%)	(6.8%)
Adjusted Operating profit[3]	427.7	524.2	(18.4%)	(17.0%)
Margin[3]	15.6%	17.5%	(190bps)	(190bps)
Net financing costs[3]	(34.9)	(39.4)	11.4%	11.6%
Income tax expense[3]	(100.2)	(118.8)	15.7%	14.0%
Adjusted Earnings for the period[3]	292.6	366.0	(20.1%)	(18.5%)
Adjusted diluted earnings per share[3]	170.9p	212.5p	(19.6%)	(18.1%)

1. Constant rates are calculated by translating 2019 results at 2020 exchange rates.
2. Like-for-like revenue includes acquisitions following their 12-month anniversary of ownership and removes the historical contribution of any business disposals/closures.
3. Adjusted results are stated before SDIs, see note 3 to the Condensed Consolidated Financial Statements.

Total reported Group revenue declined by 8.2%, with 0.1% growth contributed by acquisitions, a LfL revenue decline of 8.3% and a decrease of 150bps from foreign exchange reflecting sterling appreciation against most of the Group's trading currencies.

The Group's LfL revenue at constant rates consisted of a decline of 5.9% in Products, 9.9% in Trade and 6.1% in Resources.

We delivered an adjusted operating profit performance of £427.7m, down 17.0% at constant rates and 18.4% at actual rates. Our disciplined approach to performance management and capital allocation remained in place and we have taken a number of steps to protect our margin during the pandemic.

The Group's adjusted operating margin was 15.6%, a decrease of 190bps from the prior year at constant exchange rates. Margin declined in each of our three divisions: (160bps) in Products, (460bps) in Trade and (10bps) in Resources at constant rates.

In 2020, the Group participated in a range of government support schemes and received £22.5m (H1: £9.3m, H2: £13.2m) (2019: £5.0m (H1: £1.9m, H2: £3.1m)) in government grants with the increase driven by the COVID-19 pandemic.

The Group's statutory operating profit after SDIs for the period was £378.2m (2019: £485.8m) , down 20.7% at constant rates, and margin was 13.8% (2019: 16.3%).

Net Financing Costs

Net financing costs were £34.9m, a decrease of £4.5m on 2019 resulting from a combination of lower interest expense and the impact of foreign exchange rates. This comprised £1.1m (2019: £1.2m) of finance income and £36.0m (2019: £40.6m) of finance expense.

Tax

The adjusted effective tax rate was 25.5%, an increase of 1.0% on the prior year (2019: 24.5%). The tax charge, including the impact of SDIs, of £81.3m (2019: £111.5m), equates to an effective rate of 23.6% (2019: 25.1%), the decrease mainly driven by an adjustment to goodwill and other intangibles deferred tax.

Earnings per share

Adjusted diluted earnings per share at actual exchange rates was 19.6% lower at 170.9p. Diluted earnings per share after SDIs was 152.4p (2019: 192.6p) per share and basic earnings per share after SDIs was 153.6p (2019: 194.5p).

Dividend

Reflecting the Group's strong cash generation in 2020, reduced leverage and confidence in the future, the Board recommends a full year dividend of 105.8p per share, in-line with prior year.

The full year dividend of 105.8p equates to a total cost of £170.8m or 62% of adjusted profit attributable to shareholders of the Group for 2020 (2019: £170.8m and 50%). The dividend is covered 1.6 times by earnings (2019: 2.0 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 Group 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, and after five years we have now completed our portfolio review. In line with this, a £19.0m restructuring charge has been recognised in SDIs in the year, which impacted 14 business units in the year, taking the total programme to 103. 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, in-region or in global business lines.

Restructuring charges are included in the SDIs, in instances where they have been specifically identified as part of the portfolio review and are non-recurring, 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 provided in the Presentation of Results section.

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 2020 comprises amortisation of acquisition intangibles of £28.1m (2019: £29.1m); acquisition costs relating to successful, active or aborted acquisitions of £2.4m (2019: £1.6m); restructuring costs (as described above) of £19.0m (2019: £13.3m); gain on disposal of subsidiaries and associates of £nil (2019: £1.8m); a credit for material claims and settlements of £nil (2019: £4.6m); and an equalisation adjustment of £nil (2019: £0.8m) due to a High Court ruling over the calculation of the guaranteed minimum pension.

Details of the SDIs for the twelve months ended 31 December 2020 and the comparative period are given in note 3 to the Condensed Consolidated Financial Statements.

Acquisitions and investments

Intertek is well positioned to seize the attractive external growth opportunities in a very fragmented industry, and we continue to make progress with our M&A strategy.

The Group completed no (2019: one) acquisitions in the year.

The Group invested £79.8m (2019: £116.8m) organically in laboratory expansions, new technologies and equipment and other facilities. This investment represented 2.9% of revenue (2019: 3.9%).

Cash flow

The Group's cash performance was strong with free cash flow of £415.7m (2019: £380.0m), driven by disciplined working capital management and strong cash conversion. Adjusted cash flow from operations was £705.1m (2019: £730.6m). Statutory cash flow from operations was £685.2m (2019: £715.3m).

Financial position

The Group ended the period in a strong financial position. Financial net debt was £419.9m, a decrease of £209.5m on 31 December 2019, reflecting the Group's strong operating cash generation in the year. The undrawn headroom on the Group's existing committed borrowing facilities at 31 December 2020 was £494.0m.

Total net debt, including the impact of the IFRS 16 lease liability, was £644.1m (2019: £875.4m).

Outlook

Given our well diversified revenue streams across industries and geographies and the broad based growth in revenue and profit in the second half of last year, we will continue to benefit in 2021 from the post COVID-19 recovery and the attractive TQA growth opportunities. We are confident that the Group will deliver good like-for-like growth at constant currencies with margin progression year on year and a strong free cash flow performance.

Our financial guidance for 2021, assuming constant FX rates for the rest of 2021, is that we expect:

- Capital expenditure in the range of £110-120m
- Net Finance Costs of around £29-33m
- Effective tax rate in the 26.5-27.0% range
- Minority interests of between £17-19m
- Financial net debt at December 2021 of between £350-400m (prior to any material movements in FX or M&A)

Based on the average FX rate since January 2021, applied for the remainder of the year, currencies would have a c.350bps negative impact at both the revenue and earnings level.

Operating Review by Division

	Revenue				Adjusted operating profit			
	2020 £m	2019 £m	Change at actual rates	Change at constant rates	2020 £m	2019 £m	Change at actual rates	Change at constant rates
Products	**1,681.6**	1,796.7	(6.4%)	(5.7%)	**351.6**	405.4	(13.3%)	(12.4%)
Trade	**592.6**	679.4	(12.8%)	(9.9%)	**47.1**	86.6	(45.6%)	(42.6%)
Resources	**467.5**	510.9	(8.5%)	(6.3%)	**29.0**	32.2	(9.9%)	(8.2%)
Group	**2,741.7**	2,987.0	(8.2%)	(6.7%)	**427.7**	524.2	(18.4%)	(17.0%)

Products Divisional Review

	2020 £m	2019 £m	Change at actual rates	Change at constant rates	H1 2020 £m	H2 2020 £m	Change at constant rates
Revenue	**1,681.6**	1,796.7	(6.4%)	(5.7%)	**800.3**	**881.3**	11.6%
Like-for-like revenue	**1,676.2**	1,794.5	(6.6%)	(5.9%)	**796.9**	**879.3**	11.8%
Adjusted operating profit	**351.6**	405.4	(13.3%)	(12.4%)	**135.5**	**216.1**	61.4%
Adjusted operating margin	**20.9%**	22.6%	(170bps)	(160bps)	**16.9%**	**24.5%**	760bps

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 and equipment verification and third-party certification.

Strategy

Our TQA 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:

PROTEK
Innovation: It is the world's first industry-agnostic, end-to-end health, safety and wellbeing assurance programme for people, workplaces and public spaces, offering audits, training, inspection, verification and certification solutions.

Customer Benefit: Based on Intertek's unique approach to total quality, Protek safeguards people, systems and processes, facilities, materials and surfaces, and products.

INLIGHT 2.0
Innovation: Intertek Inlight 2.0 adds new and enhanced features to its market-leading supply chain compliance solution, enabling organisations to manage increasingly complex supply chain risks. The main new features include enhanced analytics and the integration of Wisetail™, an integrated dynamic online learning platform.

Customer Benefit: This unique platform enables organisations more flexibility and customisation of their unique supply chain programmes to map their supply chain and bring visibility to the workings of their vendor partners. With the support of Inlight 2.0, customers can turn potential disruptions and compliance irregularities to their competitive advantage with captured market share and operational efficiencies.

ALCHEMY PLAYBOOK
Innovation: Alchemy Playbook is an app to create, deliver, and validate job-specific training right on the production floor. Playbook also tracks the job qualifications of the employees, so a client can quickly find a qualified worker for any job for their facility or operations.

Customer Benefit: Alchemy Playbook can be used on any mobile device and makes it incredibly easy to deliver consistent accurate training, while helping clients to optimise their resources and increase productivity.

INTERTEK MAISON CENTRE OF EXCELLENCE FOR LUXURY
Innovation: The pandemic has changed the world we live in and has accelerated a shift in attitudes with clients and consumers paying more attention to the safety, quality and sustainability of materials used in fashion and accessories, and the risks associated with local and global supply chains.

Customer Benefit: The Maison Centre of Excellence for Luxury in Florence, Italy is the new Intertek home for luxury and premium brands. It offers a unique, technologically advanced venue for events, ideas and collaboration – supported by the research, design and quality assurance expertise of the adjacent world class laboratories and cutting-edge technology. It is designed to take new, original, ideas from inspiration to reality.

2020 performance

Our Products business delivered a resilient revenue performance, benefiting from its defensive strengths, with a robust margin of 20.9%.

Revenue of £1,681.6m was down 5.7% at constant rates and 5.9% on a LfL basis. We delivered an adjusted operating profit of £351.6m, down 12.4% at constant rates. Adjusted operating profit margin was down 160bps at constant rates.

In H2 2020, our Products related businesses benefitted from a strong rebound in ATIC demand and delivered a revenue performance of £881.3m, up 12% on H1 2020 at constant currency. We delivered an H2 2020 adjusted operating profit of £216.1m, up 61% on H1 2020, and an H2 2020 adjusted operating margin of 24.5%, up 760bps on H1 2020.

- In H2 2020, our **Softlines** business delivered a mid-single digit decline in LfL revenue, resulting in a double-digit decline in LfL revenue on a full year basis. In the last six months, our global Softlines business benefited from continuous growth in e-commerce, increased demand for testing protective equipment and the reduction in the lockdown restrictions in some of our markets. However, our performance was impacted by continued store closures in Western Europe and North America and some retailers delaying the launch of new products due to the disruption of their supply chains in the first half of the year.

- Our **Hardlines** business saw improved momentum in the second half with a low single digit decline in LfL revenue, resulting in mid-single digit decline in LfL revenue on a full year basis. In H2 2020, our Hardlines business benefited from continuous growth in e-commerce, increased consumer demand for home furniture and toys and the easing of lockdown restrictions in some of our markets, while closures of stores in Western Europe and North America continued.

- Our **Electrical & Connected World** business delivered robust LfL revenue growth in H2 2020, resulting in a solid LfL revenue performance in 2020. In the last six months, our Electrical and Connected World business saw an increased level of ATIC activities driven by increased demand for higher regulatory standards in energy efficiency, the strong growth in testing and certification of medical devices, the increased testing requirements for 5G and a greater corporate focus on Cyber security.

- Our **Business Assurance** business delivered a solid LfL revenue performance in H2 2020, resulting in a mid-single digit decline in LfL revenue on a full year basis. The easing of lockdown restrictions in the second half has driven a rebound in the number of ISO audits in some of our operations, while we continue to benefit from attractive growth in supply chain assurance, the continuous focus on ethical supply, the increased needs of corporations for sustainability assurance and the strong growth in our People Assurance segment.

- Our **Building & Construction** business delivered a mid-single digit LfL revenue decline in the last six months, resulting in a low single digit LfL revenue decline on a full year basis. We continue to benefit from the growing demand for more environmentally friendly and higher quality buildings, as well as strong investments in large infrastructure projects, although the temporary reduction of building and construction activities we saw in Q2 due to lockdown restrictions in some of our North America markets continued in the second half.

- Our **Transportation Technologies** business delivered a double digit LfL revenue decline in H2 2020, resulting in a double digit negative LFL revenue for the full year. The lower demand for testing activities we saw in Western Europe and North America in Q2 continued in H2 2020, which was partially offset by the continued investments of our clients in new powertrains to lower CO_2/NO_x emissions and increase fuel efficiency.

- Our **Food** business delivered a good LfL revenue growth performance in H2 resulting in a solid revenue performance on a full year basis. In H2 2020, we benefited from the resumption of the supply operations of our clients in most markets, from sustained demand for food safety testing activities and increased demand for hygiene and safety audits in factories, hospitality and retail locations.

- In H2 2020, we saw a mid-single digit LfL decline in revenue in our **Chemicals & Pharma** business, resulting in a high single digit LfL decline in revenue on a full year basis. In the last six months, we saw an improvement in demand for regulatory assurance and chemical testing in some of our operations in America and Western Europe while, given the importance of COVID-19, the Pharma industry continues to reprioritise their R&D investments, delaying testing projects for our laboratories.

2021 outlook

In 2021, we expect all of our Products business lines other than Transportation Technologies to deliver YoY revenue growth.

Mid- to long-term growth outlook

Our Products division will benefit from mid- to long-term structural growth drivers, including brand and SKU expansion, a faster innovation cycle, increased focus on safety, performance & quality, demands for smart products, a higher demand for healthy and sustainably sourced products, and the middle class growth of emerging markets.

Trade Divisional Review

	2020 £m	2019 £m	Change at actual rates	Change at constant rates	H1 2020 £m	H2 2020 £m	Change at constant rates
Revenue	**592.6**	679.4	(12.8%)	(9.9%)	**294.7**	**297.9**	3.6%
Like-for-like revenue	**592.6**	679.4	(12.8%)	(9.9%)	**294.7**	**297.9**	3.6%
Adjusted operating profit	**47.1**	86.6	(45.6%)	(42.6%)	**20.1**	**27.0**	40.3%
Adjusted operating margin	**7.9%**	12.7%	(480bps)	(460bps)	**6.8%**	**9.1%**	240bps

Intertek Value Proposition

Our Trade division consists of three Global Business Lines with global and regional trade flow based on similar mid- to long-term structural growth drivers:

Our **Caleb Brett** 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 TQA 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 ATIC innovations to deliver a superior customer service in our Trade related businesses:

INVIEW

Innovation: Intertek Inview is a unique remote inspection solution, that brings state-of-the-art technology and Intertek industry expertise together to provide faster and improved inspections for customers. In a trade environment where speed is of the essence, Inview allows real-time remote assessments via the Inview app connecting with Intertek's technical inspection experts via live video, and with leading capabilities offers augmented reality annotations, and geo-tagged HD video and image recording.

Customer Benefit: Inview reduces turnaround times and enhances transparency with better and faster access to a team of technical inspection experts and in the event that potential issues are identified during the inspection, follow-up actions can be discussed without delay. Where travel and access restrictions prevent the conduct of in-person inspection services, Inview offers greater flexibility and a more sustainable alternative.

BLOCKCHAIN POWERED POST-TRADE MANAGEMENT

Innovation: Intertek Caleb Brett has joined VAKT, an innovative post trade management platform. VAKT's vision is to digitise the global commodities trading industry, creating a secure, trusted ecosystem, powered by blockchain technology.

Customer Benefit: The integration with the VAKT platform contributes to de-risk quality issues related to transposition of data and lead to a material improvement in turnaround time for the clients.

DIGITAL CETANE TESTING

Innovation: Caleb Brett's new Cetane Rating Engine is the only one of its kind in China for determining and certifying the ignition quality of diesel fuel, and supports the government on its nation-wide fuel quality program to prevent and control air pollution to improve environmental and living standards.

Customer Benefit: Clients benefit from a state-of-the-art fuel testing technology as the environment regulations become increasingly demanding.

2020 performance

Our Trade business benefited from our strong customer relationships and the defensive strengths of our agriculture services.

We delivered a resilient revenue of £592.6m with a LfL revenue performance of 9.9% below prior year at constant rates and an adjusted operating profit of £47.1m, down 42.6% at constant rates. Adjusted operating margin of 7.9% was down 460bps versus last year.

In H2 2020, our Trade related businesses saw a good sequential improvement in demand, resulting in a revenue performance of £297.9m, up 4% on H1 2020 at constant currency. We delivered an H2 2020 adjusted operating profit of £27.0m, up 40% on H1 2020, and an H2 2020 adjusted operating margin of 9.1%, up 240bps on H1 2020 at constant currency.

- Our **Caleb Brett** business saw continued momentum in H2 2020 with a high single digit decline in LfL revenue, resulting in a high single digit LfL revenue decline on a full year basis. In the second half, our Caleb Brett business benefited from an improvement of global mobility and a rebound of the global economy in H2.

- Our **Government & Trade Services** business provides certification services to governments in the Middle East and Africa to facilitate the import of goods into their markets, based on acceptable quality and safety standards. We saw a double digit decline in LfL revenue in H2 2020 and on a full year basis, due to the disruption of manufacturing in China in Q1 and the lockdown activities in the Middle East and Africa impacting cross-border trade flows in both Q2 and the second half of the year.

- Our **AgriWorld** business delivered robust LfL revenue growth in H2 2020 resulting in solid LfL revenue growth on a full year basis. Following a stable performance in H1 2020, we saw an increase in demand for inspection activities driven by an easing of the lockdown restrictions in most of our markets.

2021 outlook

In 2021, we expect our Trade division revenue to be broadly flat.

Mid- to long-term growth outlook

Our Trade division will continue to benefit from population growth and social mobility, GDP growth, the development of regional trade, improvements in transport infrastructure, the increased need for end-to-end traceability and the increased focus on Operational Sustainability.

Resources Divisional Review

	2020 £m	2019 £m	Change at actual rates	Change at constant rates	H1 2020 £m	H2 2020 £m	Change at constant rates
Revenue	**467.5**	510.9	(8.5%)	(6.3%)	**235.6**	**231.9**	-
Like-for-like revenue	**467.1**	509.4	(8.3%)	(6.1%)	**235.1**	**232.0**	0.1%
Adjusted operating profit	**29.0**	32.2	(9.9%)	(8.2%)	**12.6**	**16.4**	28.3%
Adjusted operating margin	**6.2%**	6.3%	(10bps)	(10bps)	**5.3%**	**7.1%**	160bps

Intertek Value Proposition

Our Resources division consists of two Business Lines with similar mid- to long-term structural growth drivers:

Our **Industry Services** business uses in-depth knowledge of the oil, gas, nuclear and power industries to provide a diverse range of TQA 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 TQA 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:

CARBONCLEAR

Innovation: CarbonClear is the world's first independent carbon intensity certification program that delivers a consistent cradle-to-gate validation of the carbon impact of producing one barrel of oil equivalent (BOE) per field or across a company's portfolio.

Customer Benefit: CarbonClear allows customers to benchmark performance, differentiate their product and drive improvement in the transition to a low carbon economy.

WINDFARM PROJECT ASSURANCE

Innovation: It is an end-to-end solution dedicated to offshore windfarm projects. Our many services include site selection and characterisation, feasibility studies, survey and installation oversight, Environmental Impact Assessments (EIAs) and scoping studies, metocean assessments, and risk management for a variety of offshore developments.

Customer Benefit: Our clients can proceed safely with the deployment of their most complex projects in renewable energies.

XRD BATCH FOR IRON ORES

Innovation: Our Minerals Team has developed a unique batching method to considerably speed up the X-Ray Diffraction (XRD) assessments of iron ores by processing the ores with set phases and a pre-set refinement strategy.

Customer Benefit: Customisation of the XRD and introduction of the batch process will lift capacity significantly, delivering results faster to our clients and reducing the cost of analysis.

2020 performance

We benefited from the strength of our business model in Resources, enabling us to deliver a resilient performance in revenue and margin.

Our Resources related businesses delivered a revenue performance of £467.5m with a LfL revenue change of (6.1%) at constant rates and an adjusted operating profit of £29.0m, down 8.2% at constant rates, enabling us to deliver a margin of 6.2%, down YoY by 10bps.

In H2 2020, Resources delivered a stable revenue performance at constant currency compared to the first six months. We delivered an H2 2020 adjusted operating profit of £16.4m, up 28% on H1 2020 at constant currency, and an H2 2020 adjusted operating margin of 7.1%, up 160bps on H1 2020 at constant currency.

- In H2 2020 we saw a reduction in Exploration and Production investments by our clients in some of our markets such that our **Capex Inspection** services business delivered a high single digit negative LfL revenue performance in the last six months, resulting in a low single digit LfL revenue decline in 2020.

- We saw a double-digit negative revenue performance in **Opex Maintenance** services in the second half, as well as in H1 2020, as the lockdown restrictions and the cost saving initiatives of our clients have impacted the demand for our inspection services.

- We delivered robust revenue growth in our **Minerals** business in 2020, as we saw increased demand for testing and inspection activities.

2021 outlook

In 2021, we expect revenue in the Resources divisions to be below last year.

Mid- to long-term growth outlook

Our Resources division will grow in the medium- to long-term as we benefit from population growth and social mobility, investment in Exploration & Production, Storage and Transportation, Total Energy and diversified portfolios, accelerated transition to renewable energies, increased focus on Operational Sustainability, and digital supply chain management.

Presentation of Results

For the year ended 31 December 2020

Adjusted results

To present the performance of the Group in a clear, consistent and comparable format, certain items are disclosed separately on the face of the income statement. These items, which are described 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).

Like-for-Like growth

As disclosed in the Group's FY19 preliminary results announcement, to improve the understanding of the Group's underlying growth performance, from 2020 we have adopted a "Like-for-Like revenue" definition, replacing the previously used "organic" revenue. LfL growth figures are calculated by including acquisitions following their 12-month anniversary of ownership and removing the historical contribution of any business disposals / closures.

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 2019 results at 2020 exchange rates.

Separately Disclosed Items

SDIs are items which by their nature or size, in the opinion of the Directors, should be excluded from the adjusted results to provide readers with a clear and consistent view of the business performance of the Group and its operating divisions. Reconciliations of the Reported to Adjusted Performance Measures are given below.

When applicable, these SDIs include amortisation of acquisition intangibles, impairment of goodwill and other assets, the profit or loss on disposals of businesses or other significant fixed assets, costs related to acquisition activity, the cost of any fundamental restructuring of a business, material claims and settlements, significant recycling of amounts from equity to the income statement and unrealised market gains/losses on financial assets/liabilities.

Adjusted operating profit excludes the amortisation of acquired intangible assets, primarily customer relationships, as we do not believe that the amortisation charge in the Income Statement provides useful information about the cash costs of running our business as these assets will be supported and maintained by the ongoing marketing and promotional expenditure, which is already reflected in operating costs. Amortisation of software, however, is included in adjusted operating profit as it is similar in nature to other capital expenditure. The costs of any restructuring as part of our '5x5' differentiated strategy for growth are excluded from adjusted operating profit where they represent fundamental changes in individual operations around the Group, and are not expected to recur in those operations. The impairment of goodwill and other assets that by their nature or size are not expected to recur, the profit and loss on disposals of businesses or other significant assets and the costs associated with successful, active or aborted acquisitions are excluded from adjusted operating profit to provide useful information regarding the underlying performance of the Group's operations.

Details of the SDIs for the twelve months ended 31 December 2020 and the comparative period are given in note 3 to the Condensed Consolidated Financial Statements.

Reconciliation of Results to Adjusted Performance Measures (£m)	2020 Reported	2020 SDIs	2020 Adjusted	2019 Reported	2019 SDIs	2019 Adjusted
Operating profit	378.2	49.5	427.7	485.8	38.4	524.2
Operating margin	13.8%	1.8%	15.6%	16.3%	1.2%	17.5%
Net financing costs	(34.3)	(0.6)	(34.9)	(40.7)	1.3	(39.4)
Profit before tax	343.9	48.9	392.8	445.1	39.7	484.8
Income tax expense	(81.3)	(18.9)	(100.2)	(111.5)	(7.3)	(118.8)
Profit for the year	262.6	30.0	292.6	333.6	32.4	366.0
Cash flow from operations	685.2	19.9	705.1	715.3	15.3	730.6
Cash flow from operations less net capex	613.0	19.9	632.9	601.0	15.3	616.3
Free cash flow	415.7	19.9	435.6	380.0	15.3	395.3
Basic earnings per share	153.6p	18.6p	172.2p	194.5p	20.1p	214.6p
Diluted earnings per share	152.4p	18.5p	170.9p	192.6p	19.9p	212.5p

Reconciliation of revenue	2020 £m	2019 £m	Change %
Reported revenue	2,741.7	2,987.0	(8.2%)
Less: Acquisitions / disposals / closures revenue	(5.8)	(3.7)	
Like-for-like revenue	2,735.9	2,983.3	(8.3%)
Impact of foreign exchange movements	-	(47.1)	
Like-for-like revenue at constant currency	2,735.9	2,936.2	(6.8%)

Reconciliation of financial net debt to adjusted EBITDA (£m)	2020 £m	2019 £m
Net debt	(644.1)	(875.4)
IFRS 16 lease liability	224.2	246.0
Financial net debt	(419.9)	(629.4)
Reported operating profit	378.2	485.8
Depreciation	156.6	156.2
Amortisation	17.4	15.3
EBITDA	552.2	657.3
SDIs	49.5	38.4
Adjusted EBITDA	601.7	695.7
Financial net debt / adjusted EBITDA	0.7x	0.9x

Constant currency reconciliations	2020 £m	2019 £m	Change %
Adjusted operating profit at actual rates	427.7	524.2	(18.4%)
Impact of foreign exchange movements	-	(9.1)	
Adjusted operating profit at constant rates	427.7	515.1	(17.0%)
Adjusted diluted EPS at actual rates	170.9p	212.5p	(19.6%)
Impact of foreign exchange movements	-	(3.8p)	
Adjusted diluted EPS at constant rates	170.9p	208.7p	(18.1%)
Diluted EPS at actual rates	152.4p	192.6p	(20.9%)
Impact of foreign exchange movements	-	(3.5p)	
Diluted EPS at constant rates	152.4p	189.1p	(19.4%)

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

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

Condensed Consolidated Income Statement

For the year ended 31 December 2020

		2020			2019		
	Notes	Adjusted Results £m	Separately Disclosed Items* £m	Total 2020 £m	Adjusted results £m	Separately Disclosed Items* £m	Total 2019 £m
Revenue	2	**2,741.7**	**-**	**2,741.7**	2,987.0	-	2,987.0
Operating costs		**(2,314.0)**	**(49.5)**	**(2,363.5)**	(2,462.8)	(38.4)	(2,501.2)
Group operating profit/(loss)	2	**427.7**	**(49.5)**	**378.2**	524.2	(38.4)	485.8
Finance income		**1.1**	**-**	**1.1**	1.2	-	1.2
Finance expense		**(36.0)**	**0.6**	**(35.4)**	(40.6)	(1.3)	(41.9)
Net financing (costs)/income		**(34.9)**	**0.6**	**(34.3)**	(39.4)	(1.3)	(40.7)
Profit/(loss) before income tax		**392.8**	**(48.9)**	**343.9**	484.8	(39.7)	445.1
Income tax (expense)/credit		**(100.2)**	**18.9**	**(81.3)**	(118.8)	7.3	(111.5)
Profit/(loss) for the period	2	**292.6**	**(30.0)**	**262.6**	366.0	(32.4)	333.6
Attributable to:							
Equity holders of the Company		**277.3**	**(30.0)**	**247.3**	345.5	(32.4)	313.1
Non-controlling interest		**15.3**	**-**	**15.3**	20.5	-	20.5
Profit/(loss) for the period		**292.6**	**(30.0)**	**262.6**	366.0	(32.4)	333.6
Earnings per share							
Basic	4	**172.2p**		**153.6p**	214.6p		194.5p
Diluted	4	**170.9p**		**152.4p**	212.5p		192.6p
Dividends in respect of the period				**105.8p**			105.8p

* See note 3.

Condensed Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 £m	2019 £m
Profit for the period	2	**262.6**	333.6
Other comprehensive income			
Remeasurements on defined benefit pension schemes		**0.8**	(3.2)
Tax on items that will never be reclassified subsequently to profit or loss		**(3.1)**	0.2
Items that will never be reclassified to profit or loss		**(2.3)**	(3.0)
Foreign exchange translation differences of foreign operations		**(53.9)**	(72.4)
Net exchange gain on hedges of net investments in foreign operations		**3.7**	31.2
Gain on fair value of cash flow hedges		**0.3**	0.7
Items that are or may be reclassified subsequently to profit or loss		**(49.9)**	(40.5)
Total other comprehensive income for the period		**(52.2)**	(43.5)
Total comprehensive income for the period		**210.4**	290.1

Total comprehensive income for the period attributable to:		
Equity holders of the Company	**195.4**	271.8
Non-controlling interest	**15.0**	18.3
Total comprehensive income for the period	**210.4**	290.1

Condensed Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 £m	2019 £m
Assets			
Property, plant and equipment	9	**585.8**	644.2
Goodwill	8	**835.9**	859.8
Other intangible assets		**279.7**	302.4
Deferred tax assets		**48.6**	51.9
Total non-current assets		**1,750.0**	1,858.3
Inventories*		**15.5**	19.2
Trade and other receivables*		**621.2**	685.0
Cash and cash equivalents	7	**203.9**	227.4
Current tax receivable		**24.5**	28.5
Total current assets		**865.1**	960.1
Total assets		**2,615.1**	2,818.4
Liabilities			
Interest bearing loans and borrowings	7	**(31.0)**	(238.9)
Current taxes payable		**(53.8)**	(57.2)
Lease liabilities		**(61.4)**	(61.7)
Trade and other payables*		**(576.2)**	(518.0)
Provisions*		**(28.8)**	(24.2)
Total current liabilities		**(751.2)**	(900.0)
Interest bearing loans and borrowings	7	**(592.8)**	(617.9)
Lease liabilities		**(162.8)**	(184.3)
Deferred tax liabilities		**(59.7)**	(68.2)
Net pension liabilities	5	**(12.1)**	(13.4)
Other payables*		**(26.1)**	(29.2)
Provisions*		**(7.4)**	(20.1)
Total non-current liabilities		**(860.9)**	(933.1)
Total liabilities		**(1,612.1)**	(1,833.1)
Net assets		**1,003.0**	985.3
Equity			
Share capital		**1.6**	1.6
Share premium		**257.8**	257.8
Other reserves		**(80.8)**	(31.2)
Retained earnings		**796.4**	727.7
Total attributable to equity holders of the Company		**975.0**	955.9
Non-controlling interest		**28.0**	29.4
Total equity		**1,003.0**	985.3

* Working capital of negative £4.0m (2019: positive £100.7m) comprises the asterisked items in the above Statement of Financial Position less refundable deposits aged over 12 months of £2.2m (2019: £12.0m).

Condensed Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	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 2019	1.6	257.8	1.7	5.4	588.3	854.8	34.3	889.1
Total comprehensive income for the period								
Profit	-	-	-	-	313.1	313.1	20.5	333.6
Other comprehensive income	-	-	(39.0)	0.7	(3.0)	(41.3)	(2.2)	(43.5)
Total comprehensive income for the period	-	-	(39.0)	0.7	310.1	271.8	18.3	290.1
Transactions with owners of the company recognised directly in equity								
Contributions by and distributions to the owners of the company								
Dividends paid	-	-	-	-	(163.2)	(163.2)	(19.1)	(182.3)
Adjustment arising from changes in NCI	-	-	-	-	4.1	4.1	(4.1)	-
Purchase of own shares	-	-	-	-	(23.1)	(23.1)	-	(23.1)
Tax paid on share awards vested[1]	-	-	-	-	(11.6)	(11.6)	-	(11.6)
Equity-settled transactions	-	-	-	-	21.9	21.9	-	21.9
Income tax on equity-settled transactions	-	-	-	-	1.2	1.2	-	1.2
Total contributions by and distributions to the owners of the company	**-**	**-**	**-**	**-**	**(170.7)**	**(170.7)**	**(23.2)**	**(193.9)**
At 31 December 2019	**1.6**	**257.8**	**(37.3)**	**6.1**	**727.7**	**955.9**	**29.4**	**985.3**
At 1 January 2020	**1.6**	**257.8**	**(37.3)**	**6.1**	**727.7**	**955.9**	**29.4**	**985.3**
Total comprehensive income for the period								
Profit	-	-	-	-	247.3	247.3	15.3	262.6
Other comprehensive income	-	-	(49.9)	0.3	(2.3)	(51.9)	(0.3)	(52.2)
Total comprehensive income for the period	**-**	**-**	(49.9)	**0.3**	**245.0**	**195.4**	**15.0**	**210.4**
Transactions with owners of the company recognised directly in equity								
Contributions by and distributions to the owners of the company								
Dividends paid	-	-	-	-	(170.4)	(170.4)	(18.6)	(189.0)
Adjustment arising from changes in NCI					(2.2)	(2.2)	2.2	-
Purchase of own shares	-	-	-	-	(12.2)	(12.2)	-	(12.2)
Tax paid on share awards vested[1]	-	-	-	-	(8.5)	(8.5)	-	(8.5)
Equity-settled transactions	-	-	-	-	17.7	17.7	-	17.7
Income tax on equity-settled transactions	-	-	-	-	-	-	-	-
IFRS16 effects of deferred tax rate change	-	-	-	-	(0.7)	(0.7)	-	(0.7)
Total contributions by and distributions to the owners of the company	**-**	**-**	**-**	**-**	**(176.3)**	**(176.3)**	**(16.4)**	**(192.7)**
At 31 December 2020	**1.6**	**257.8**	**(87.2)**	**6.4**	**796.4**	**975.0**	**28.0**	**1,003.0**

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

The £115.3m dividend paid on 11 June 2020 represented a final dividend of 71.6p per ordinary share in respect of the year ended 31 December 2019. The £108.2m dividend paid on 4 June 2019 represented a final dividend of 67.2p per ordinary share in respect of the year ended 31 December 2018. No ordinary shares were issued in the period to satisfy the vesting of share awards.

Condensed Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 £m	2019 £m
Cash flows from operating activities			
Profit for the period	2	**262.6**	333.6
Adjustments for:			
Depreciation charge		**156.6**	156.2
Amortisation of software		**17.4**	15.3
Amortisation of acquisition intangibles		**28.1**	29.1
Equity-settled transactions		**17.7**	21.9
Net financing costs		**34.3**	40.7
Income tax expense		**81.3**	111.5
Gain on disposal of associate		**-**	(1.8)
Gain on disposal of property, plant, equipment and software		**(0.9)**	(0.9)
Operating cash flows before changes in working capital and operating provisions		**597.1**	705.6
Change in inventories		**3.5**	(1.5)
Change in trade and other receivables		**52.9**	(25.6)
Change in trade and other payables		**36.8**	40.7
Change in provisions		**(3.1)**	(1.9)
Special contributions into pension schemes		**(2.0)**	(2.0)
Cash generated from operations		**685.2**	715.3
Interest and other finance expense paid		**(34.8)**	(40.7)
Income taxes paid		**(91.6)**	(111.8)
Net cash flows generated from operating activities*		**558.8**	562.8
Cash flows from investing activities			
Proceeds from sale of property, plant, equipment and software*		**7.6**	2.5
Interest received*		**1.1**	1.2
Acquisition of subsidiaries, net of cash acquired		**-**	(16.9)
Consideration paid in respect of prior year acquisitions		**(0.5)**	(0.6)
Sale of an associate		**-**	2.1
Acquisition of property, plant, equipment, software*	9	**(79.8)**	(116.8)
Net cash flows used in investing activities		**(71.6)**	(128.5)
Cash flows from financing activities			
Purchase of own shares		**(12.2)**	(23.1)
Tax paid on share awards vested		**(8.5)**	(11.6)
Drawdown of borrowings		**279.9**	110.0
Repayment of borrowings		**(507.1)**	(221.3)
Repayment of lease liabilities*		**(72.0)**	(69.7)
Purchase of non-controlling interest		**-**	(5.2)
Dividends paid to non-controlling interest		**(18.6)**	(19.1)
Equity dividends paid		**(170.4)**	(163.2)
Net cash flows used in financing activities		**(508.9)**	(403.2)
Net (decrease)/increase in cash and cash equivalents	7	**(21.7)**	31.1
Cash and cash equivalents at 1 January	7	**213.0**	203.2
Effect of exchange rate fluctuations on cash held	7	**(7.9)**	(21.3)
Cash and cash equivalents at end of period	7	**183.4**	213.0

* Free cash flow of £415.7m (2019: £380.0m) comprises the asterisked items in the above Statement of Cash Flows.

Adjusted cash flow from operations of £705.1m (2019: £730.6m) comprises statutory cash generated from operations of £685.2m (2019: £715.3m) before cash outflows relating to Separately Disclosed Items of £19.9m (2019: £15.3m).

Notes to the Condensed Consolidated Financial Statements

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 2020 and 2019 but is derived from the 2020 accounts. A full copy of the 2020 Annual Report will be available online at www.intertek.com in April 2021. Statutory accounts for 2019 have been delivered to the Registrar of Companies, and those for 2020 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 significant new accounting policies that have a material effect on the results of the Group. In 2020, the Group participated in a range of COVID-19 government support schemes which increased the quantum of grants received. As a result, in 2020 a Government Grant accounting policy has been disclosed as follows:

Government grants are recognised in the income statement so as to match them with the related expenses that they are intended to compensate. Where grants are received in advance of the related expenses, they are initially recognised in the balance sheet and released to match the related expenditure. Non-monetary grants are recognised at fair value. The related cash flow is classified in accordance with the nature of the activity.

This policy was also applied in 2019 but was not disclosed given the immaterial value of the grants received.

Estimates and judgements

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

In preparing these Condensed Consolidated Financial Statements, the nature of the significant judgements made by management in applying the Group's accounting policies were the same as those that were applied for the year ended 31 December 2019. During 2020, the key sources of estimation were impacted as a result of the COVID-19 pandemic with increased levels of estimation uncertainty in relation to assumptions used in:

- impairment assessments (e.g. cash flow projections, long-term growth, discount rate);
- actuarial valuations on defined benefit pension schemes (e.g. discount and mortality rates);
- accounts receivable expected loss provisions (e.g. country-specific risk factors); and
- estimating the amount of contingent consideration that is likely to be due (e.g. profit and cash forecasts).

During 2020 management reassessed its estimates and judgements in respect of taxation, pensions (note 5), contingent consideration payable and fair value adjustments in respect of acquisitions made in prior periods (note 8(b) and 8(c)), impairment (note 8(d)), claims and litigation and also the recoverability of trade receivables. Trade receivables are reflected net of an estimated provision for impairment losses. This provision considers the past payment history and the length of time that the debts have remained unpaid.

Risks and uncertainties

The Group has a broad customer base across its multiple business lines and in its different geographic regions and is supported by a robust balance sheet and strong operational cash flows. 2020 was an unprecedented year and the financial impact was managed with a resilient revenue performance, robust margin and strong cash generation.

The Board has reviewed the Group's financial forecasts up to 31 December 2022 to assess both liquidity requirements and debt covenants. The Group's financial forecasts, which have been updated for the expected continued impact of COVID-19, show a recovery in 2021 with:

- all of our Products business lines other than Transportation Technologies delivering YoY revenue growth;
- Trade division revenues being broadly flat with 2020; and
- revenue in our Resources divisions forecast to be below 2020.

1. Basis of preparation *(continued)*

In addition, the Group's financial forecasts for 2021 and 2022, and the related liquidity position and forecast compliance with debt covenants, have been sensitised for a severe decline in economic conditions (including an illustrative sensitivity scenario of a reduction of 50% to the base profit forecasts and the corresponding impact to cash flow forecasts in each of these years due to a greater than expected impact of COVID-19). The Board remains satisfied with the Group's funding and liquidity position with the Group forecast to remain within its committed facilities and compliant with debt covenants even following the 50% stress testing sensitivity. The sensitivity modelling excludes additional mitigating actions (e.g. dividend cash payments, non-essential overheads and non-committed capital expenditure) that are within management control and could be initiated if deemed required.

The undrawn headroom on the Group's committed borrowing facilities at 31 December 2020 was £494.0m (2019: £326.2m). As disclosed in Note 14 of the financial statements, all the current borrowing facilities are expected to be available at 31 December 2022, except for US$15m of senior notes that are due to be repaid in July 2021 and US$140m of senior notes that are due to be repaid in January 2022, and our models forecast these to be repaid using current facilities. Full details of the Group's borrowing facilities and maturity profile are outlined in note 14.

On the basis of its forecasts to 31 December 2022, both base case and stressed, and available facilities, the Board has concluded that there are no material uncertainties over going concern, including no anticipated breach of covenants, and therefore 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:

	Assets and Liabilities Actual Rates		**Income and expense Cumulative average rates**	
Value of £1	**2020**	2019	**2020**	2019
US dollar	**1.35**	1.31	**1.28**	1.28
Euro	**1.10**	1.17	**1.13**	1.14
Chinese renminbi	**8.81**	9.17	**8.88**	8.82
Hong Kong dollar	**10.47**	10.18	**9.96**	10.00
Australian dollar	**1.78**	1.87	**1.87**	1.84

2. Operating segments

Business analysis

The Group is organised into business lines, which are the Group's operating segments and are reported to the CEO, the chief operating decision maker. These operating segments are aggregated into three divisions, which are the Group's reportable segments, based on similar nature of products and services and mid- to long-term structural growth drivers. When aggregating operating segments into the three divisions we have applied judgement over the similarities of the services provided, the customer-base and the mid- to long-term structural growth drivers. The costs of the corporate head office and other costs which are not controlled by the three divisions are allocated appropriately. 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 2020	**Revenue from external customers £m**	**Depreciation and software amortisation £m**	**Adjusted operating profit £m**	**Separately Disclosed Items £m**	**Operating profit £m**
Products	1,681.6	(108.1)	351.6	(32.1)	319.5
Trade	592.6	(45.1)	47.1	(5.0)	42.1
Resources	467.5	(20.8)	29.0	(12.4)	16.6
Total	**2,741.7**	**(174.0)**	**427.7**	**(49.5)**	**378.2**
Group operating profit			**427.7**	**(49.5)**	**378.2**
Net financing (costs)/income			(34.9)	0.6	(34.3)
Profit before income tax			**392.8**	**(48.9)**	**343.9**
Income tax (expense)/credit			(100.2)	18.9	(81.3)
Profit for the year			**292.6**	**(30.0)**	**262.6**

For the year ended 31 December 2019	Revenue from external customers £m	Depreciation and software amortisation £m	Adjusted operating profit £m	Separately Disclosed Items £m	Operating profit £m
Products	1,796.7	(105.2)	405.4	(23.9)	381.5
Trade	679.4	(44.6)	86.6	(4.6)	82.0
Resources	510.9	(21.7)	32.2	(9.9)	22.3
Total	2,987.0	(171.5)	524.2	(38.4)	485.8
Group operating profit			524.2	(38.4)	485.8
Net financing costs			(39.4)	(1.3)	(40.7)
Profit before income tax			484.8	(39.7)	445.1
Income tax (expense)/credit			(118.8)	7.3	(111.5)
Profit for the year			366.0	(32.4)	333.6

3. Separately Disclosed Items (SDIs)

		2020 £m	2019 £m
Operating costs			
Amortisation of acquisition intangibles	(a)	**(28.1)**	(29.1)
Acquisition costs	(b)	**(2.4)**	(1.6)
Restructuring costs	(c)	**(19.0)**	(13.3)
Gain on disposal of businesses		**-**	1.8
Material claims and settlements	(d)	**-**	4.6
Guaranteed minimum pension equalisation		**-**	(0.8)
Total operating costs		**(49.5)**	(38.4)
Net financing income/(costs)	(e)	**0.6**	(1.3)
Total before income tax		**(48.9)**	(39.7)
Income tax credit on Separately Disclosed Items	(f)	**18.9**	7.3
Total		**(30.0)**	**(32.4)**

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

(a) The amortisation of acquisition intangibles relates to the customer relationships, trade names, technology and non-compete covenants acquired.

(b) Transaction costs relating to acquisition activity in the period and integration of prior period acquisitions were £2.4m (2019: £1.6m).

(c) Restructuring costs of £19.0m were incurred in the period (2019: £13.3m), relating to various fundamental restructuring activities, resulting from the implementation of the new Company structure and corporate 5x5 strategy announced in 2016. These activities included site consolidations, closure of non-core business units, re-engineering of underperforming businesses and delayering of management structures.

(d) The 2019 material claims and settlements related to a commercial claim that was separately disclosable due to its size.

(e) Net financing income of £0.6m (2019: £1.3m cost) relates to the unwinding of discounts and changes in fair value of contingent consideration related to acquisitions.

(f) Income tax credit on SDIs of £18.9m (2019: £7.3m) includes a £15.8m adjustment to goodwill and other intangibles deferred tax.

4. Earnings per share (EPS)

	2020 £m	2019 £m
Based on the profit for the period:		
Profit attributable to ordinary shareholders	**247.3**	313.1
Separately Disclosed Items after tax (note 3)	**30.0**	32.4
Adjusted earnings	**277.3**	345.5
Number of shares (millions):		
Basic weighted average number of ordinary shares	**161.0**	161.0
Potentially dilutive share awards	**1.3**	1.6
Diluted weighted average number of shares	**162.3**	162.6
Basic earnings per share	**153.6p**	194.5p
Potentially dilutive share awards	**(1.2p)**	(1.9p)
Diluted earnings per share	**152.4p**	192.6p
Adjusted basic earnings per share	**172.2p**	214.6p
Potentially dilutive share awards	**(1.3p)**	(2.1p)
Adjusted diluted earnings per share	**170.9p**	212.5p

5. Pension schemes

During the year, the Group made a special cash contribution of £2.0m (2019: £2.0m) 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 2020 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 2019. In addition to the special contribution, a net actuarial gain before taxation of £0.8m (2019: £3.2m loss) has been recognised in the consolidated statement of comprehensive income. The net pension liability stands at £12.1m at 31 December 2020 (2019: £13.4m).

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 £0.2m in the year (2019: £0.2m).

In June 2019, the Group recorded a pension curtailment gain of £5.8m. The 2019 gain relates to the closure of the Hong Kong defined benefit scheme.

6. Equity-settled transactions

During the year, the Group recognised an expense of £17.7m in respect of the share awards made in 2017, 2018, 2019 and 2020. For 2019, the charge was £21.9m in respect of the share awards made in 2016, 2017, 2018 and 2019. Under the 2011 Long Term Incentive Plan in 2020, Deferred Share Awards granted had an average fair value of 4,814p and LTIP Share Awards had an average fair value of 4,793p. Under the Deferred Share Plan in 2020, Deferred Share Awards granted had an average fair value of 5,429p.

Under the 2011 Long-Term Incentive Plan, 278,996 Deferred Share Awards (2019: 303,942) and 315,054 LTIP Share Awards (2019: 369,529) were granted during the period and, under the Deferred Share Plan, 21,762 Deferred Share Awards (2019: 24,806) were granted during the year.

7. Analysis of net debt

	2020 £m	2019 £m
Cash and cash equivalents per the Statement of Financial Position	**203.9**	227.4
Overdrafts	**(20.5)**	(14.4)
Cash per the Statement of Cash Flows	**183.4**	213.0

The components of net debt are outlined below:

	1 January 2020 £m	Cash flow £m	Non-cash adjustments £m	Exchange adjustments £m	**31 December 2020 £m**
Cash	213.0	(21.7)	-	(7.9)	**183.4**
Borrowings:					
Revolving credit facility US$800m 2021*	(285.5)	285.5	-	-	**-**
Revolving credit facility US$850m 2025	-	(130.3)	-	(5.2)	**(135.5)**
Senior notes US$150m 2020	(114.7)	111.4	-	3.3	**-**
Senior notes US$15m 2021	(11.5)	-	-	0.4	**(11.1)**
Senior notes US$140m 2022	(107.0)	-	-	3.3	**(103.7)**
Senior notes US$160m 2023	(30.6)	(89.8)	-	1.9	**(118.5)**
Senior notes US$125m 2024	(95.6)	-	-	3.0	**(92.6)**
Senior notes US$120m 2025	(30.6)	(59.8)	-	1.6	**(88.8)**
Senior notes US$75m 2026	(57.4)	-	-	1.9	**(55.5)**
Other**	(109.5)	110.2	2.2	(0.5)	**2.4**
Total borrowings	(842.4)	227.2	2.2	9.7	**(603.3)**
Total financial net debt	(629.4)	205.5	2.2	1.8	**(419.9)**
Lease liability	(246.0)	72.0	(50.9)	0.7	**(224.2)**
Total net debt	(875.4)	277.5	(48.7)	2.5	**(644.1)**

* In January 2020, the $800m revolving credit facility that was due to mature in 2021, was refinanced with a $850m revolving credit facility maturing in 2025.
** Other borrowings include facility fees of £2.4m (2019: £0.7m), £110.0m of other uncommitted borrowings were repaid in January 2020.

7. Analysis of net debt *(continued)*

	2020 £m	2019 £m
Borrowings due in less than one year	**10.5**	224.5
Borrowings due in one to two years	**103.0**	296.9
Borrowings due in two to five years	**434.3**	233.1
Borrowings due in over five years	**55.5**	87.9
Total borrowings	**603.3**	842.4

Description of borrowings

Total undrawn committed borrowing facilities as at 31 December 2020 were £494.0m (31 December 2019: £326.2m).

Key facilities

US$850m revolving credit facility

In January 2020, the US$800m multi-currency revolving credit facility was refinanced with a US$850m revolving credit facility maturing in 2025 which is the Group's principal bank facility. 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 2020 were £135.5m (2019: £285.5m under previous facility).

In January 2021, US$850m of the facility was extended to 2026, the impact of this would be a transfer of £135.5m from borrowing due to be repaid between two and five years to borrowings due to be repaid in over five years.

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 repaid 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 repaid 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%.

In December 2020 the Group issued US$200m of senior notes. These notes were issued in two tranches with US$120m repayable on 2 December 2023 at a fixed annual interest rate of 1.97% and US$80m repayable on 2 December 2025 at a fixed annual interest rate of 2.08%.

8. Acquisition of businesses

(a) Acquisitions

The Group completed no acquisitions in 2020.

(b) Prior period acquisitions

£0.5m (2019: £0.6m) was paid during the period in respect of prior period acquisitions.

8. Acquisition of businesses *(continued)*

(c) Details of 2019 acquisitions

Full details of acquisitions made in the year ended 31 December 2019 are disclosed in note 10 to the Annual Report for 2019. The provisional fair value adjustments disclosed in note 10 to the Annual Report 2019 have been updated resulting in a decrease in goodwill of £7.0m, comprising of an increase in intangibles of £5.5m and a decrease in deferred tax asset of £1.1m.

(d) 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.

(e) Reconciliation of goodwill

	£m
Goodwill at 1 January 2020	859.8
Additions	0.4
Disposals	(3.0)
Transfer to acquisition intangibles	(4.4)
Foreign exchange	(16.9)
Goodwill at 31 December 2020	**835.9**

9. Property, plant, equipment and software

During the year ended 31 December 2020, the Group acquired fixed assets with a cost of £79.8m (2019: £116.8m). In addition, the Group acquired fixed assets of £nil (2019: £0.6m) through business combinations (note 8).