

**Intertek**

# Half Year Results Presentation

4 August 2008

**Wolfhart Hauser**  
Chief Executive Officer

**Bill Spencer**  
Chief Financial Officer

# Cautionary statement regarding forward-looking statements

This presentation contains 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 presentation should be construed as a profit forecast.

4 August 2008

**Intertek**

# **Bill Spencer**

# **Chief Financial Officer**

**Financial Performance**

2008 Half Year Results Presentation

# Financial highlights

For the six months to 30 June 2008

Revenue	<b>£457.4m</b>	Up 26.8% at actual Up 17.6% organic
Operating profit <sup>1</sup>	<b>£68.7m</b>	Up 26.1% at actual Up 15.0% organic
Operating profit margin <sup>1</sup>	<b>15.0%</b>	Down 10 bps at actual Down 40 bps organic

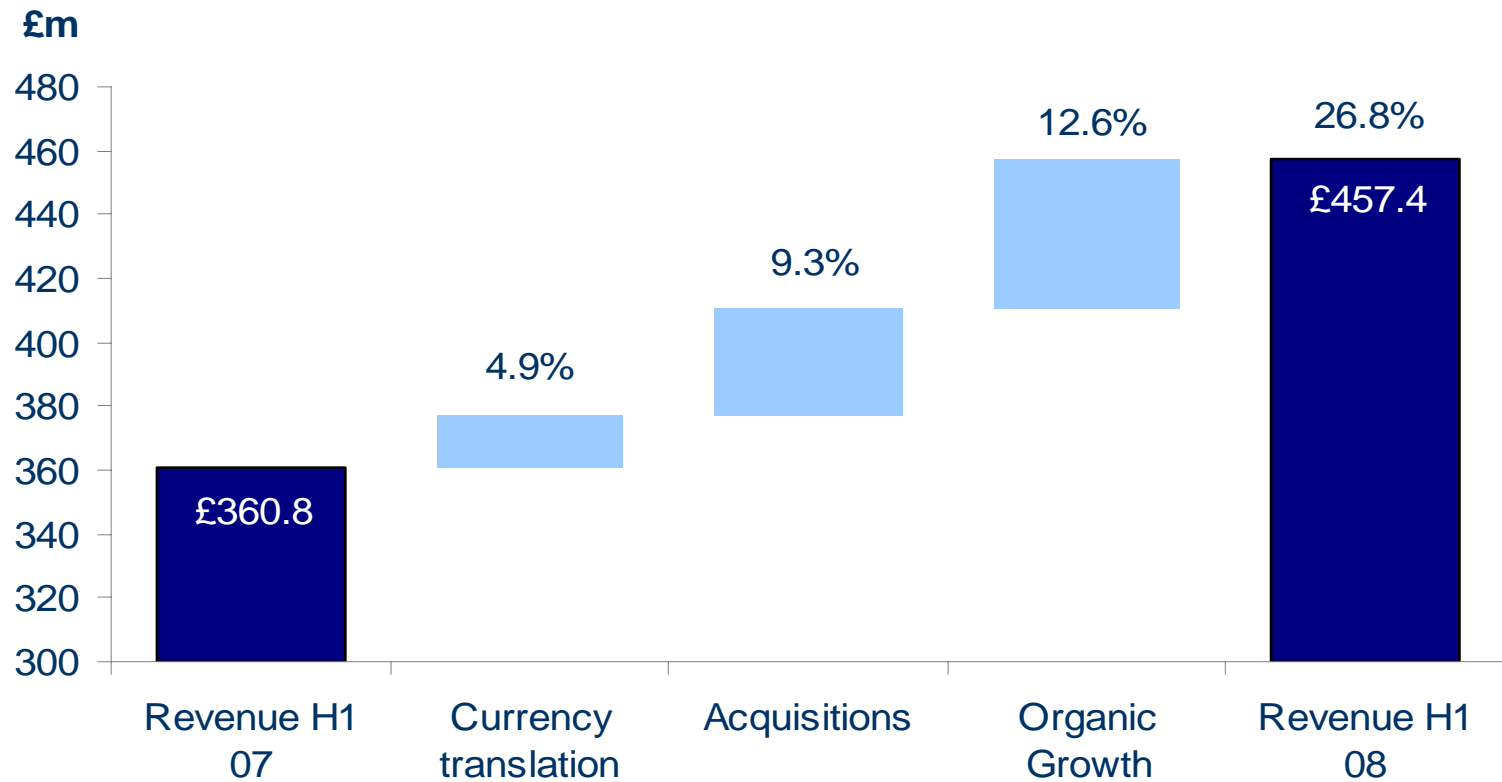
1. Operating profit is before amortisation of acquisition intangibles

## Highlights continued

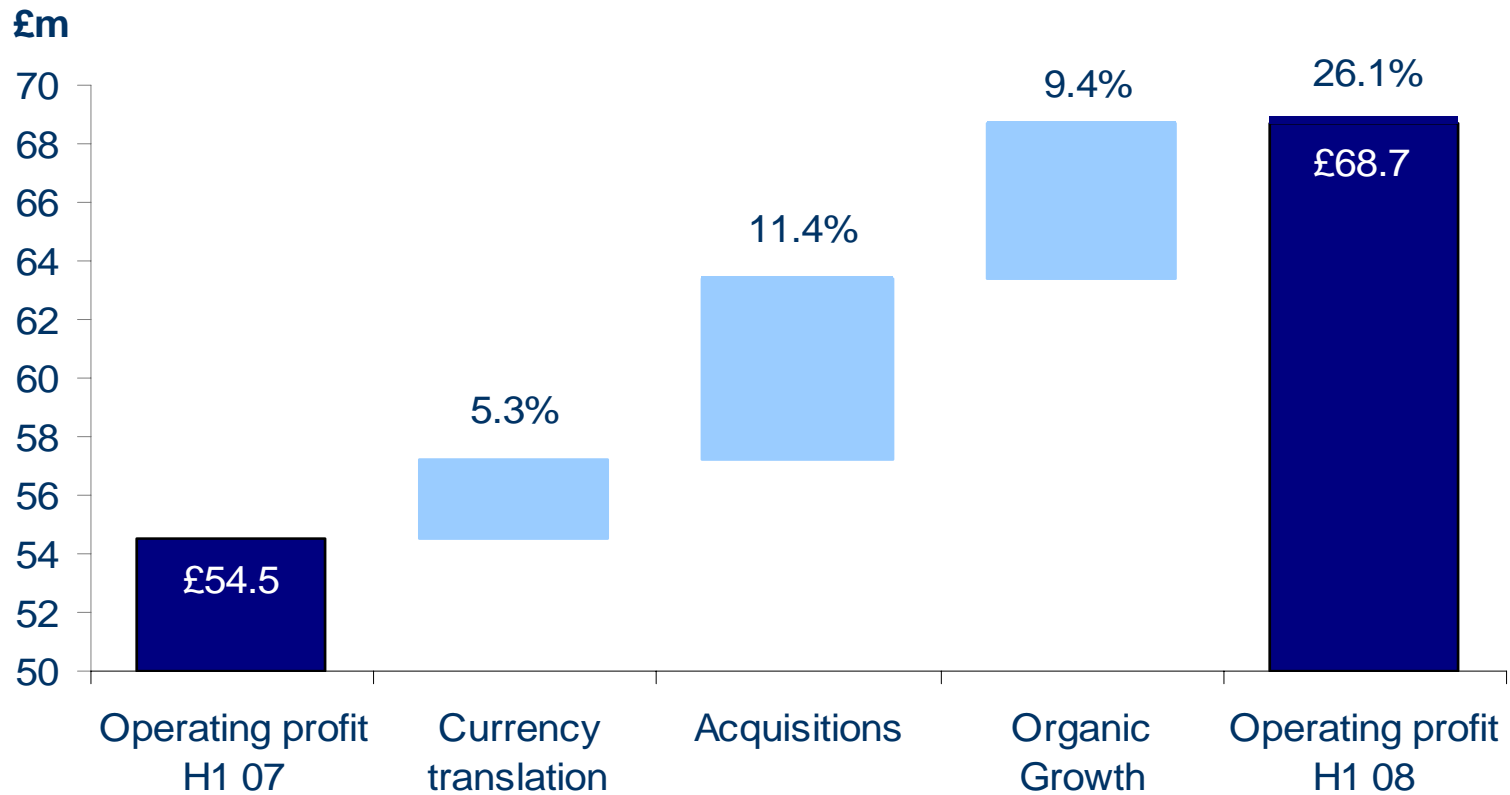
Operating cash flow	<b>£56.7m</b>	Up 31.9%
Profit before tax	<b>£58.5m</b>	Up 20.9%
Basic EPS	<b>25.1p</b>	Up 16.7%
Diluted adjusted EPS <sup>1</sup>	<b>27.6p</b>	Up 22.7%
Interim dividend per share	<b>7.1p</b>	Up 22.4%

1. Diluted adjusted earnings per share based on operating profit before amortisation of acquisition intangibles

# Revenue growth bridge



# Profit growth bridge



## Profit before tax

Half Year - £m	2008	2007
Adjusted operating profit (up 26.1%)	68.7	54.5
Amortisation of acquisition intangibles	(4.4)	(1.9)
Statutory operating profit (up 22.2%)	64.3	52.6
Net finance cost	(5.8)	(4.2)
Profit before tax (up 20.9%)	58.5	48.4
<i>Interest Cover</i>	11.1x	12.5x



# Taxation

Half Year - £m	2008	2007
Profit before tax	58.5	48.4
Tax	(15.5)	(12.3)
Profit after tax (up 19.1%)	43.0	36.1
<i>Reported tax rate</i>	26.5%	25.4%

## Earnings and dividends

Half Year – pence	2008	2007	
Basic EPS	25.1	21.5	Up 16.7%
Adjusted EPS <sup>1</sup>	27.6	22.5	Up 22.7%
Interim dividend per share	7.1	5.8	Up 22.4%
Interim dividend total amount	£11.2m	£9.1m	Up 23.1%

1. Diluted adjusted earnings per share based on operating profit before amortisation of acquisition intangibles

## Operating cash flow

Half Year - £m	2008	2007
Operating profit	64.3	52.6
Add back depreciation and other non cash items	24.0	17.7
Change in working capital	(31.6)	(27.3)
Operating cash flow (up 31.9%)	56.7	43.0
<i>Operating working capital to LTM sales</i>	9.7%	11.1%
<i>Debtor days</i>	71	75

## Free cash flow

Half Year - £m	2008	2007
Operating cash flow	56.7	43.0
Net interest	(5.5)	(4.0)
Taxation	(19.3)	(10.6)
Capital expenditure	(26.7)	(17.8)
Free cash flow	5.2	10.6
<i>Capital expenditure to LTM sales %</i>	6.1%	5.8%

## Net cash flow

Half Year - £m	2008	2007
Free cash flow	5.2	10.6
Acquisitions	(51.0)	(43.9)
Dividends to Intertek Group plc shareholders	(19.2)	(16.0)
Other movements and foreign exchange	(2.0)	6.1
Increase in net debt	(67.0)	(43.2)
<i>Net debt at period end</i>	<i>239.6</i>	<i>172.1</i>

***£125m of new debt facilities added in June and July***

## Acquisitions

8 acquisitions for £40m (H1 07: 6 for £58m)

Including:

- Hi-Cad (Industrial) - £12m
- Commercial Microbiology (AS) - £10m
- 4-Front Research (CG) - £9m

One further acquisition in July: Applica (CG) £4m

## Financial summary

- Strong half year results
- Ongoing investment
- Strong cash flow
- Strong balance sheet; increased debt capacity
- Progressive dividend payout



**Intertek**

# Wolfhart Hauser Chief Executive Officer

**Operating Performance**

2008 Half Year Results Presentation



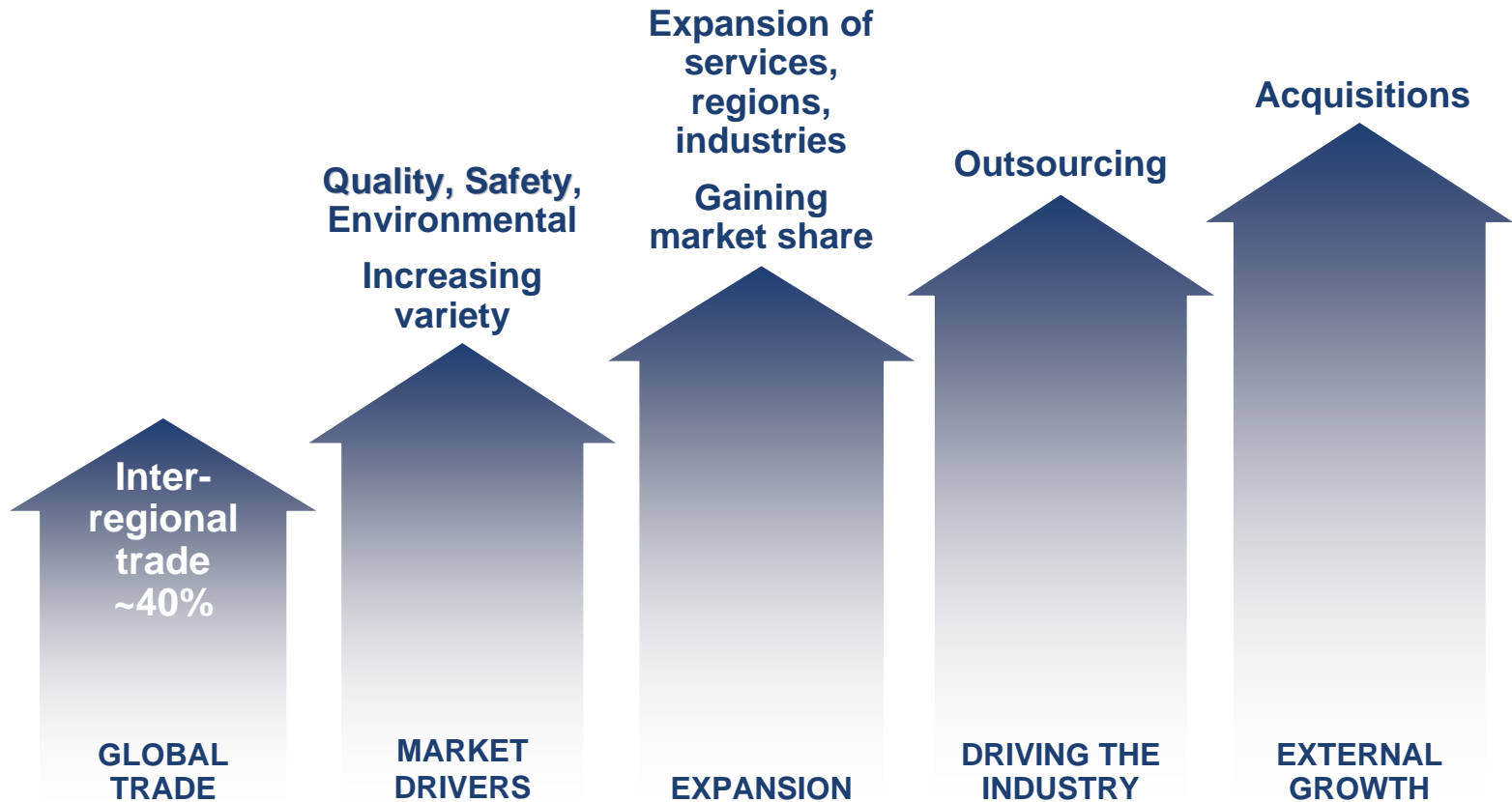
## Strategy for Growth

- Support customers in their global trade
- Focusing on global industries in a broader portfolio
- Continue to diversify by investing in organic and external growth

## Themes in 2008

- New organisational structure
- Chief Operating Officer
- Investment in new growth areas
- Uncertainty in global economy

# The growth strategy



*...Mainly non-cyclical growth drivers*

# New organisational structure

## Old Format

Consumer Goods  
Oil, Chemical & Agri  
Commercial & Electrical  
Government Services

## New Format

Consumer Goods  
Oil, Chemical & Agri  
Commercial & Electrical  
Government Services  
**Analytical Services**  
**Industrial Services**  
**Minerals**

<b>DIVISION</b>	<b>Consumer Goods</b>
<b>BUSINESS STREAMS</b>	<b>Textiles Toys Hardlines Inspection Food Corporate Social Responsibility Supply Chain Services</b>

£m @ actual exchange rates	Half year 2008	Change	Organic change
Revenue	108.1	32.6%	29.7%
Operating profit	31.2	32.8%	31.1%
Margin	28.9%	+10 bps	+30 bps

## Growth in all areas

- High demand for toys heavy metals testing
- Intertek taking leadership position
- Textiles continues to grow well
- Inspection flat; expect pick up in 2H
- Investment in new labs and services continues

<b>DIVISION</b>	<b>Commercial &amp; Electrical</b>
<b>BUSINESS STREAMS</b>	<b>Electrical</b> <b>Automotive</b> <b>Heating, Ventilation, Air Conditioning</b> <b>Building Products</b> <b>Medical</b>



£m @ actual exchange rates	Half year 2008	Change	Organic change
Revenue	95.8	23.3%	13.7%
Operating profit	12.3	13.9%	0.0%
Margin	12.8%	-110 bps	-170 bps

## Investment in growth areas

- Americas (>50% of revenue) growing strongly, despite economic uncertainty
- Asia good growth, rising costs slightly reducing margins
- Europe slow; management restructuring
- Investments in US, China and India in new areas e.g. Photovoltaic, energy efficiency; new marks launched
- Start up costs temporarily reducing margin



<b>DIVISION</b>	<b>Oil, Chemical &amp; Agri</b>
<b>BUSINESS STREAMS</b>	<b>Cargo Inspection &amp; Testing Non Inspection Related Testing Agriculture</b>

£m @ actual exchange rates	Half year 2008	Change	Organic change
Revenue	143.8	22.3%	20.1%
Operating profit	15.3	39.1%	34.9%
Margin	10.6%	+120 bps	+110 bps

## Continued strong market conditions

- High demand for oil cargo inspection and testing
- Gaining market share in non-inspection related testing
- Leadership position in US petroleum market
- Regulatory drivers
- Price increases coming through
- Continue to invest in China

<b>DIVISION</b>	<b>Government Services</b>
<b>BUSINESS STREAMS</b>	<b>Pre Shipment Inspection (PSI)</b> <b>Standards Contracts</b> <b>Scanning Contracts</b>

£m @ actual exchange rates	Half year 2008	Change	Organic change
Revenue	21.7	(3.6)%	(3.6)%
Operating profit	2.0	(23.1)%	(23.1)%
Margin	9.2%	-240 bps	-240 bps

## Standards contracts growth

- Good growth in Standards
- Ecuador termination and flat revenue on remaining PSI contracts
- Cost containment measures continued

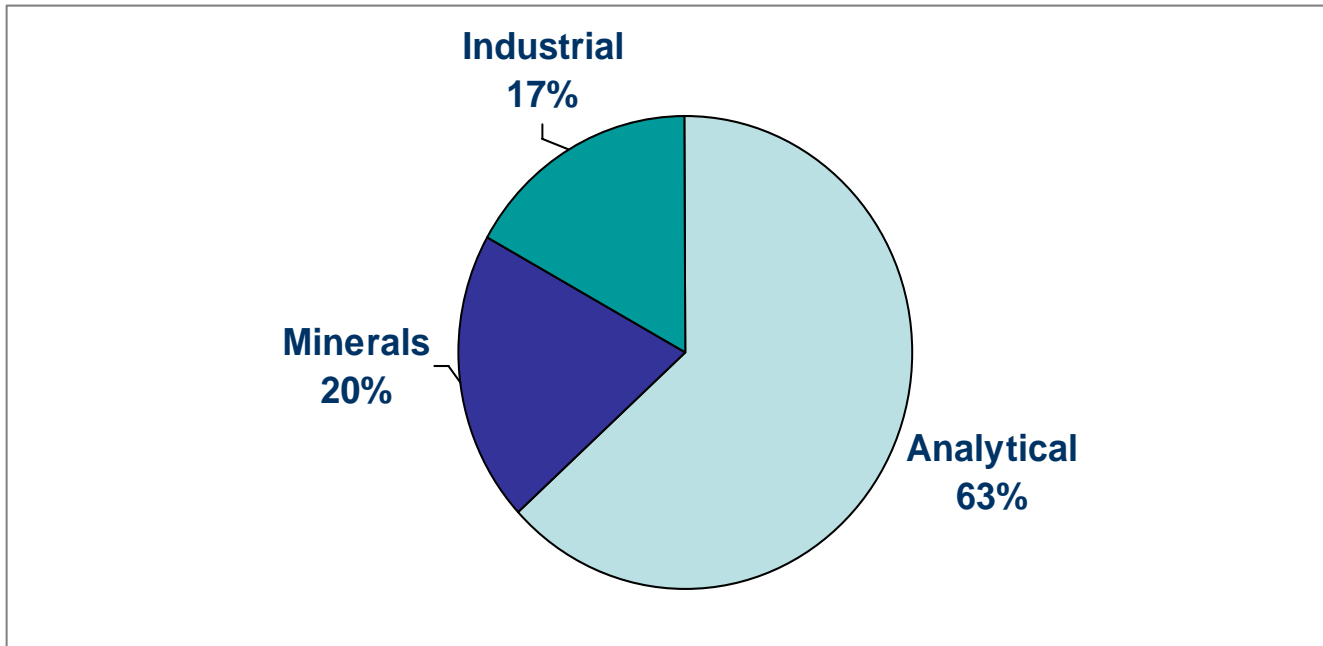


<b>DIVISION</b>	<b>Analytical Services</b>	<b>Minerals</b>	<b>Industrial Services</b>
<b>BUSINESS STREAMS</b>	<b>Chemicals &amp; Materials</b> <b>Pharma</b> <b>Upstream Oil and Gas</b>	<b>Exploration &amp; Mining</b>	<b>Technical Inspection</b> <b>Systems Certification</b> <b>Health &amp; Environment</b> <b>Climate Change</b>

## High sales and margin growth potential

£m @ actual exchange rates	Half year 2008	Change	Organic change
Revenue	88.0	43.1%	9.0%
Operating profit	7.9	19.7%	(43.9)%
Margin	9.0%	-170 bps	-470 bps

# Revenue breakdown



## **Chemicals & Materials**

Strong market overall. Lubricants weak in 2008, but new Standard due out in 2009

## **Pharma**

US developing very well, Europe delayed contracts impacting 1H 08. Expect 2H pick up

## **Upstream Oil & Gas**

Strong performance with good contribution from acquisitions

**Minerals**

Strong market, significant start up costs

**Technical Inspection**

Hi-Cad acquisition good contribution, restructuring under-performing areas

**Systems Certification**

Aerospace and medical performing well. Weakness in US in Automotive

**Health and Environment**

REACH legislation to impact in 2009

## Investing in growth opportunities

- New Divisions set up to deliver high revenue and margin growth
- Investment in internal and external opportunities
  - Long term growth of Intertek
  - Diversify the income streams
- Retaining the focus with a broader portfolio

# Outlook

- Resilient business drivers independent of economic cycles
- Balanced portfolio
- Expect strong performance in 2H

# Intertek

Creating value through expertise