asx/media release

23 May 2017

- **ALS FY2017 result within guidance**
- **Final dividend 8 cents per share**
- **Commodities rebound gains momentum**

ALS Limited (**ASX Code: ALQ**) today announced an **underlying net profit** after tax[1] from **continuing operations** of $112.7 million for FY2017.

This full year result was assisted by a second half underlying result of $53.1 million (excluding non-laboratory operations of Oil & Gas), which is within the guidance range of $50 to $60 million (excluding Oil & Gas) announced to the market in November 2016.

The result was 4.0% higher than the $108.4 million comparative (also excluding non- laboratory operations of Oil & Gas) underlying net profit after tax for FY2016. Revenue from **continuing operations** of $1,272 million was 2.7% up on the $1,239 million recorded from the same businesses in the previous year.

The FY2017 **statutory result** from all operations was a net profit after tax[2] attributable to equity holders of the Company of $81.6 million compared with the net loss after tax of $240.7 million recorded in FY2016. Total revenue from all operations was $1,366 million, virtually unchanged from the $1,365 million generated in FY2016.

As announced in November 2016 following a strategic review, the Company intends to divest the majority of its assets in the Oil & Gas technical services sector. Simmons & Company International, energy specialists of Piper Jaffray, were engaged to advise the Group on options to transact the divestment and they are currently assessing a number of offers to acquire the business. It is the Company's intention to retain the laboratory services component. The Oil & Gas businesses being divested incurred underlying losses of $14.5 million during the year as the markets they service continued to suffer from reduced exploration and production activity, whilst the Oil & Gas laboratories not being divested delivered an underlying operational loss of $6.3 million.

A full reconciliation from underlying net profit after tax to statutory net profit after tax is provided in the attached appendix.

Final Dividend

Directors have declared a final partly franked (40%) dividend for the year of 8.0 cents per share (2016: 6.0 cents, 40% franked). Together with the interim dividend of 5.5 cents per share (60% franked) the total partly franked dividend for the year will be 13.5 cents per share (2016: 13.5 cents).

The dividend is in line with the Board's policy of paying out at the upper end of its 50-60% range of underlying NPAT in a market where the Commodities sector is cycling up.

The Record Date for entitlement to the final dividend will be 8 June 2017, and will be paid on 3 July 2017. The dividend will include conduit foreign income of 4.8 cents per share. The Company's dividend reinvestment plan (DRP) will operate for the 2017 final dividend at no discount to the five trading days VWAP from 13 June – 19 June 2017, following the last DRP election date of the 9 June 2017. New DRP shares to be allotted will be purchased on-market.

1 attributable to equity holders of the Company, and excluding those Oil & Gas operations which are "held for sale", restructuring and other one-off items, amortisation of acquired intangibles and impairment charges

2 including those Oil & Gas businesses classified as "held for sale", restructuring and other one-off items, amortisation of acquired intangibles and impairment charges

Overview of FY2017 Result

The Chairman, Bruce Phillips said the underlying result in relation to continuing operations represented a sound performance assisted by the continuing recovery in mineral resource exploration and development in many parts of the world.

"The Commodities division of ALS (now incorporating the Coal services operations) delivered an underlying contribution growth of 28.1% with improved geochemistry sample flow being partially offset by small profit reductions in the coal, metallurgy and inspection businesses.

"The Industrial Division delivered relatively flat performance while Life Sciences suffered a decline in profitability as a result of issues experienced in North and South America, and higher carrying costs associated with the integration of ALcontrol in the UK."

Commenting on the full year result, Managing Director Greg Kilmister said that during the year the company maintained margin protection, continued aggressive cost management, and prescribed a stronger focus on cash/debtor management.

"As announced previously, following the strategic review conducted in October 2016, a decision was taken to divest all of the non-laboratory operations of the Oil & Gas business. The sale process is well advanced with a binding Sale and Purchase Agreement anticipated in the current quarter."

Contributions from the Company's business segments for the full year to 31 March 2017 are summarised below. Prior period comparative figures have been amended to reflect the revised segments.

Full year Financial Results (from continuing operations)	**Revenue**			**Underlying EBIT***		
In millions of AUD	**FY17**	**FY16**	**+/-**	**FY17**	**FY16**	**+/-**
Life Sciences	641.6	633.5	+1.3%	99.8	110.0	-9.3%
Commodities (inc Minerals & Coal)	427.2	401.8	+6.3%	86.1	67.2	+28.1%
Industrial	192.7	185.6	+3.8%	26.5	25.1	+5.6%
Oil & Gas (Laboratory services only)	10.8	18.1	-40.3%	(6.3)	(5.4)	-16.7%
Total segments (from continuing operations)	1,272.3	1,239.0	+2.7%	206.1	196.9	+4.7%
Net financing costs				(27.3)	(34.5)	
Foreign exchange gains				1.2	4.2	
Other corporate expenses				(21.2)	(12.2)	
Income tax expense				(44.9)	(45.0)	
Net profit attributable to minority interests				(1.2)	(1.0)	
Underlying* net profit after tax (from continuing operations)				**112.7**	**108.4**	**+4.0%**

* *attributable to equity holders of the Company, and excluding amortisation of acquired intangibles, restructuring and other one-off items.*

Operating Businesses overview

Life Sciences

The division's financial performance for FY2017 fell short of expectations, with total revenue virtually unchanged from the previous year and underlying EBIT margin contracting to 15.6%. Difficult market conditions and some internal issues led to reduced revenue and profit margins in North and South America. Europe performed well overall though the fourth quarter results of the established UK businesses were adversely impacted by disruptions relating to the integration of ALcontrol with higher operating costs incurred as capacity was replicated to ensure high quality service to our new customers prior to rationalising the ALcontrol sites. These issues were partially offset by strong growth in the Asian and Australian regions. It is anticipated that ALcontrol will be fully integrated by July 2017.

It is pleasing to report significant revenue gains in all regions of the food and pharmaceutical testing business. Further food testing acquisitions in Europe and North America are planned for FY2018 with the aim of growing annualised revenue to $200 million by this time next year, up from the current proforma run-rate of $154 million.

The environmental business recorded revenue and contribution gains in all regions except North and South America. The best performing environmental locations were Australia and Asia where improving revenues resulted in both regions achieving underlying contribution margins in excess of 25%. Difficulties were experienced in the Canadian and South American environmental operations – both businesses were impacted by weakness in demand for environmental services in the resources industry (mining, oil & gas) and by internal management issues. Improvements are expected in these locations during the next twelve months through a combination of organisational restructures and business development initiatives focussing on diversification of revenue sources outside mining and oil & gas.

The general economic environment continues to be very price-sensitive requiring the business to make the cost adjustments necessary to continue its growth in existing markets. ALS Life Sciences is enhancing its capabilities to provide clients with a broad range of solutions and services, delivered with the superior turnaround time, innovation, and quality on which ALS has built its reputation.

Industrial

Revenue growth in the Industrial division was delivered by strong work volumes in both the USA and Australia, particularly in the power generation, oil & gas and mining sectors.

Successful business development efforts have largely replaced Australian LNG construction revenue with maintenance-related services to the oil & gas, mining and water sectors. A continued focus on cost base discipline in Australia has delivered improved contribution margin. This was partially offset by lower earnings in the USA which has been affected by stalled activity levels in the downstream oil & gas sector. US management has responded by focusing attention on business development efforts and cost base adjustments including site closures and relocations.

Business development strategies are being directed to grow market share in civil infrastructure, water, rail, oil & gas and mining sectors. This has led to recent success in the USA with a major contract being won on the strength of ALS' performance on LNG projects in Australia.

The Tribology business continues to yield strong profitably, with underlying contribution margin remaining above 24%. It is benefitting from its joint marketing and tendering efforts with the Asset Care business unit.

Commodities (formerly Minerals & Coal)

Commodities recorded much improved financial results over FY2017, particularly during the second half as Geochemistry sample flows increased globally. Established mining clients started to increase their spending on existing brownfield sites even in higher risk countries and in the latter part of the year junior explorers started to increase activity.

Sample flow into the Geochemistry business was 22% higher than in the previous year which translated into a 43% improvement in underlying contribution and a 464 basis points lift in underlying operating margin to 23.7%. While cost management remained a focus for the Geochemistry business, the emphasis has shifted toward productivity and the timely injection of human and capital resources to service increasing workloads. Management remains optimistic about a continued recovery and the likely demand for services and therefore is investing in capacity to ensure turnaround times meet or exceed client expectations.

ALS Coal continues to operate well in a constrained environment. While competitive pricing and reduced activity in the exploration and resource definition sectors of the coal market continue to impact the Coal business, the Superintending service line has maintained consistent work volumes. Overall the Coal business stream revenue was down on the previous year, however excellent cost base management and productivity initiatives underpinned improved profitability. Recent stability in both coking and thermal coal prices is expected to result in growth in exploration and resource definition activity, enabling the business to benefit from these productivity initiatives. The business was re-awarded a number of key contracts with major clients during the second half of the year.

Oil & Gas

As noted earlier, the Group has decided to divest the majority of its assets in the Oil & Gas sector, retaining only the laboratory services component.

Global oil and gas markets continue to suffer from reduced exploration and production activity. These conditions have had a marked impact on ALS Oil and Gas with total revenue and underlying contribution falling $39.9 million and $4.4 million respectively compared with the previous year.

Whilst activity levels increased through the second half, the market remains extremely price competitive as operators chase ever-lower production costs. ALS Oil & Gas has adjusted its cost base downward to match the conditions and adopted a strategy of “bidding to win” as opportunities arise.

Acquisitions during FY2017

During the year, the Group continued its strategy of business expansion and diversification in Life Sciences testing services.

Specifically, the Company expanded and diversified its technical service capabilities through acquisitions in food and environmental testing in the UK, mainland Europe and South America.

The Company has completed the acquisition of EMICAL in Colombia and TECAM in Brazil as part of its food safety laboratory growth strategy in South America. In addition, the Company has acquired BioCity, the internal Food Microbiology Laboratory of the 2 Sisters Food Group. 2 Sisters Food Group is one of the largest food manufacturers in the United Kingdom and has taken a decision to divest and outsource its non-core laboratory in Nottingham. The Nottingham laboratory currently tests approximately 8,000 samples a week, covering a wide variety of ready-to-eat and ready-to-cook products from 2 Sisters manufacturing sites all over the UK. 2 Sisters Food Group has entered a seven-year service contract with ALS.

Mr Kilmister stated, "The acquisitions presently being worked on are aligned both geographically and in end markets with the Company's stated growth strategy and represent solid value in the short-term with significant further growth also available. In particular, we are targeting revenue for our Food Safety business of $200 million in FY2018."

Outlook for FY2018

During FY2018 the Company will be rolling out its new five-year strategic plan under the stewardship of Raj Naran in his new role of Managing Director and CEO, commencing in July 2017.

The Group is confident that the quality of its assets, its operating model, and its strategic disciplined focus, will see it continue to increase its market share despite the challenges of current conditions.

ALS will continue to pursue growth opportunities in Life Sciences; particularly in the food sector where it is evaluating a select number of high quality bolt-on acquisition targets.

The Group remains focused on being ready to take advantage of future opportunities by targeting organic and acquired growth in the more stable Environmental and Food sectors (Life Sciences) and by maintaining its assets, market share and reputation in the more cyclical Commodities division so as to continue responding quickly as those markets recover further.

The Company is comfortable with current analyst consensus for FY2018. The Company intends to follow its usual practice of providing formal guidance for the first half at the AGM on 20th July.

-ENDS-

Further information:

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About ALS Limited

ALS is a global Testing, Inspection & Certification business. The company's strategy is to broaden its exposure into new sectors and geographies where it can take a leadership position.

The Group's financial performance for the year to 31 March 2017 is summarised as follows:

2017 $m	Underlying results (1) Continuing operations	 Discontinued operations(2)	Restructuring & other one-off items (1)	Amortisation of intangibles	Impairment charges	Statutory result
Revenue	1,272.3	93.3	-	-	-	**1,365.6**
EBITDA (3)	253.1	(2.7)	(19.1)	-	-	**231.3**
Impairments	-	-	-	-	-	**-**
Depreciation & amortisation	(67.0)	(11.8)	-	(1.5)	-	**(80.3)**
EBIT (3)	186.1	(14.5)	(19.1)	(1.5)	-	**151.0**
Interest expense	(27.3)	-	-	-	-	**(27.3)**
Tax expense	(44.9)	0.2	3.8	-	-	**(40.9)**
	113.9	(14.3)	(15.3)	(1.5)	-	**82.8**
Non-controlling interests	(1.2)	-	-	-	-	**(1.2)**
Net profit / (loss) after tax (NPAT)	112.7	(14.3)	(15.3)	(1.5)	-	**81.6**
Basic EPS (cents)	22.4					**16.2**
Diluted EPS (cents)	22.3					**16.1**

2016 $m	Underlying results (1) Continuing operations	 Discontinued operations(2)	Restructuring & other one-off items (1)	Amortisation of intangibles	Impairment charges	Statutory result
Revenue	1,239.0	125.9	-	-	-	**1,364.9**
EBITDA (3)	258.0	6.3	(13.9)	-	-	**250.4**
Impairments	-	-	-	-	(317.9)	**(317.9)**
Depreciation & amortisation	(69.1)	(17.3)	-	(15.2)	-	**(101.6)**
EBIT (3)	188.9	(11.0)	(13.9)	(15.2)	(317.9)	**(169.1)**
Interest expense	(34.5)	-	-	-	-	**(34.5)**
Tax expense	(45.0)	2.1	2.9	-	3.9	**(36.1)**
	109.4	(8.9)	(11.0)	(15.2)	(314.0)	**(239.7)**
Non-controlling interests	(1.0)	-	-	-	-	**(1.0)**
Net profit / (loss) after tax (NPAT)	108.4	(8.9)	(11.0)	(15.2)	(314.0)	**(240.7)**
Basic EPS (cents)	23.7					**(52.5)**
Diluted EPS (cents)	23.6					**(52.5)**

(1) The terms Underlying Operating Result and Restructuring & Other One-off Items are non-IFRS disclosures. They have been presented to assist in the assessment of the relative performance of the Group from period to period. The calculations thereof are based on non-IFRS information and are unaudited. Restructuring & Other One-Off Items in 2017 include a foreign exchange loss of $5.5 million realised on restructuring of intra-group loan balances (2016: gain of $2.8 million).

(2) In November 2016 the Group announced its intention to divest the majority of its assets in the Oil & Gas technical services sector. It is the Group's intention to retain the laboratory services component of that division.

(3) EBITDA = EBIT plus depreciation and amortisation. EBIT = Earnings before interest and tax. The terms EBITDA and EBIT are non-IFRS disclosures. They have been presented to provide a measure of the Group's performance before the impact of depreciation and amortisation (i.e. non-cash items) as well as that of interest and tax expenses. The calculations thereof are based on non-IFRS information and are unaudited.