

Bruce Phillips  
Chairman  
ALS Limited

Annual General Meeting  
10:00am on 20 July 2017

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In my first year as Chairman, I have endeavoured to better understand and appreciate ALS's history and the culture driving our organisation.

In the historical sense, today is clearly a watershed for the Company with the retirement of our long-standing, and very successful CEO, Greg Kilmister, and the appointment of Raj Naran as our new CEO ..... but more on that later.

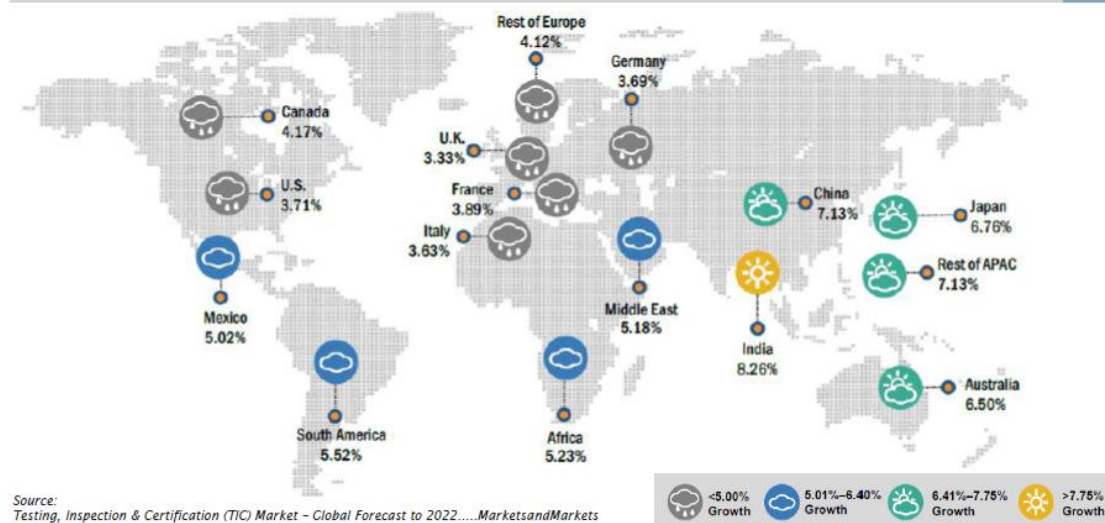
In the cultural sense, it is clear to me that everyone at ALS strives to quietly achieve Excellence in all they do. We believe that Integrity must be what the ALS brand stands for, because it is fundamental to our business purpose of Assuring the communities in which we operate.

As the current custodians of ALS, one of your board's primary goals is to ensure this core culture survives and thrives.

In a broad Testing Inspection and Certification (TIC) market sense, the last year was one of improving conditions for those businesses exposed to the mineral commodities cycle - particularly in the second half of the year – and a year of further expansion in the less cyclical Life Sciences operations.

In a Company sense, we had a very busy year. We developed a new five year strategic plan, moved to divest our Oil & Gas business, made several bolt-on acquisitions, appointed a new Chairman, transitioned to a new CEO, made significant progress on internationalising the governance of the Company, and delivered an increase in Underlying Profit.

## Expected TIC CAGR by Geography



Source: Testing, Inspection & Certification (TIC) Market - Global Forecast to 2022.....MarketsandMarkets

With respect to strategy, during the second half of the year, we undertook a major review of ALS and the global TIC sector, resulting in a new five-year strategic plan.

The future focus will be on building and expanding our highly successful existing businesses, with a particular emphasis on high margin business streams with testing at their core.

Our incoming Managing Director and CEO, Raj Naran, will have more to say on the Company's forward strategy in his address to shareholders later in the meeting.

One of the early strategic initiatives was to divest our Oil and Gas operations, except for its Laboratory testing business stream.

Earlier in the week we announced a deal to sell that business for AUD\$109 million, recording a small profit on the sale. Greg Kilmister will provide a further update a little later in his address to the meeting.

It was also announced in June this year that the Company was evaluating strategic options for its Asset Care business as part of our strategy to move more towards laboratory testing businesses and away from non-core, lower margin technical services.

## Acquisitions completed during the year



*\*most completed in the later part of FY17 - little benefit to the FY17 financial results reported*

During the year, the Company carried out several “bolt-on” acquisitions to help sustain ALS’s growth over the longer term, predominately in the Food & Pharmaceutical, but also the Environmental testing sector.

We expanded our footprint via the acquisition of ALcontrol in the UK, Bactereco, Sanidad and Leochimica in mainland Europe and EMICAL and TECAM in South America.

In June, we also completed the acquisition of Marshfield Food Safety in the USA and finalised the acquisition of the Tribology business, Oilcheck in Brazil.

Now I'd like to give you an overview of the past year's financial results.

## Full Year FY17 Financial Summary



Full Year	FY16 (\$mn)	Full Year FY17 (\$mn)					
	Underlying*	Underlying*	Discontinued Operations	Impairment Charges	Restructuring & other one off items	Amortisation of Intangibles	Statutory Results
Revenue	1,239.0	1,272.3	93.3	-	-	-	1,365.6
EBITDA	258.0	253.1	(2.7)	-	(19.1)	-	231.3
Depreciation & amortisation	(69.1)	(67.0)	(11.8)	-	-	(1.5)	(80.3)
EBIT	188.9	186.1	(14.5)	-	(19.1)	(1.5)	151.0
Interest expense	(34.5)	(27.3)	-	-	-	-	(27.3)
Tax expense	(45.0)	(44.9)	0.2	-	3.8	-	(40.9)
Non-controlling interests	(1.0)	(1.2)	-	-	-	-	(1.2)
NPAT	108.4	112.7	(14.3)	-	(15.3)	(1.5)	81.6
EPS (basic – cents per share)	23.7	22.4					16.2
Dividend (cents per share)	13.5	13.5					

\* continuing operations

The Company achieved an underlying net profit after tax from continuing operations of \$112.7 million for the year ended 31 March 2017.

This underlying net profit excluded those Oil and Gas operations which are 'held for sale', restructuring and other one-off items, amortisation of acquired intangibles, and impairment charges.

The result was 4% higher than the underlying profit achieved last year.

Revenue from continuing operations was \$1.27 billion, up nearly 3% on the \$1.24 billion recorded the previous year.

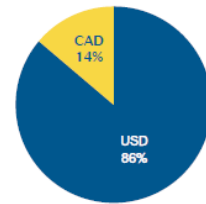
The statutory result was a net profit after tax of \$81.6 million, after allowing for discontinued operations and restructuring costs of \$29.6 million.

## Debt Metrics

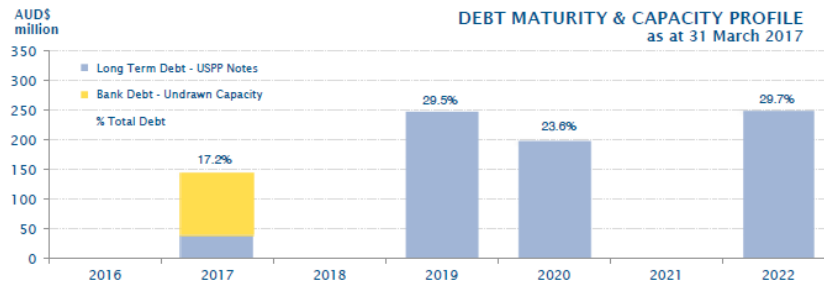
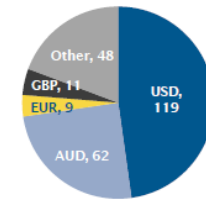


	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17
<b>STATISTICS</b>					
Gearing Ratio (comfort 45%)	29%	34%	38%	27%	29%
Leverage (net debt/ EBITDA; max 3.00)	1.0	2.2	2.5	1.7	2.1
EBITDA interest cover (min 3.75)	21.0	12.2	9.1	7.7	8.5
<b>BALANCE SHEET MEASURES</b>					
Total Equity (AUD mn)	997	1419	1228	1186	1185
Net Debt (AUD mn)	400	722	762	438	485

### Debt Denomination



### Cash Holdings AUD\$m

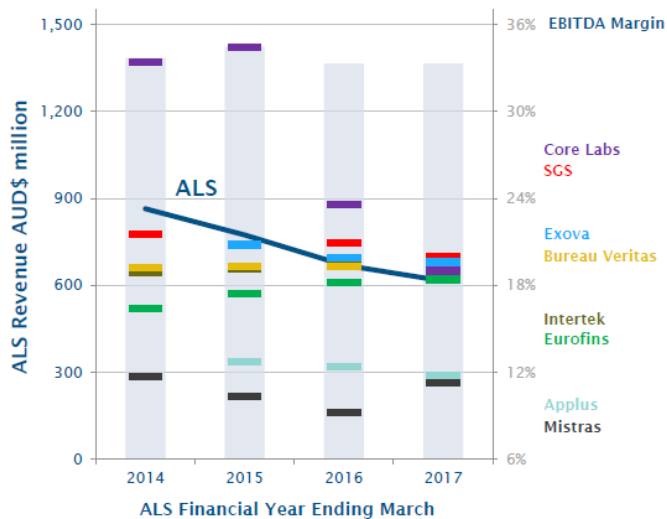


The Company saw a minor increase in net debt during the year, but the Group remains committed to its strategy of maintaining a strong balance sheet throughout economic cycles.

The Group's leverage ratio was 2.1 times Net Debt over EBITDA at year end, slightly up from 1.7 times last year.

Our robust balance sheet provides flexibility for investment for future growth, both organically and via acquisitions mainly in the Food & Pharma sectors.

## Margin Strong at the Bottom of the Commodities Cycle



EBITDA Margin for Core Labs, SGS, Intertek, Bureau Veritas, Eurofins, Applus, & Exova is for previous Calendar Year and Mistras year ending May previous year.

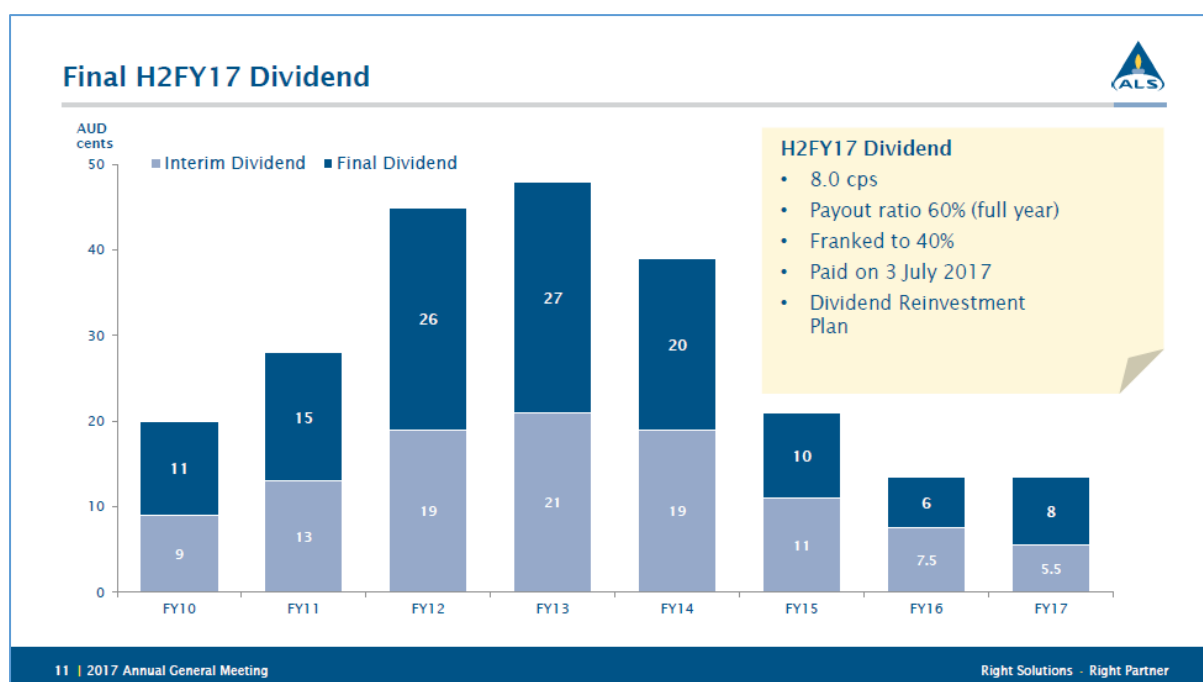
ALS EBITDA includes all Oil & Gas operations. EBITDA is underlying EBITDA for all companies.

During the 2017 financial year, the Company maintained margin protection, continued its aggressive cost management, and prescribed a stronger focus on cash & debtor management.

With the exception of the Oil and Gas operations, all businesses delivered a sound financial performance compared to our competitors.

It is particularly pleasing to note the improvement in the performance of the Geochemistry business stream which experienced better operating conditions.

However, parts of the Life Sciences and Industrial Divisions experienced the continuation of a challenging economic climate.



A final dividend of 8 cents per share, franked to 40 percent, was paid earlier this month on the 3rd of July. This brought the total dividend paid for the year to 13.5 cents per share, representing a full year payout of 60 per cent of underlying net profit after tax. This is consistent with our stated policy to payout approximately 50-60 per cent of underlying net profit after tax, and paying out all Franking Credits in the year they become available.

The Company's dividend reinvestment plan (or DRP) was in operation for the final dividend with the DRP shares, which were bought on-market, allocated at \$6.97 per share at no discount to the volume weighted average price of ALS shares sold over the 5 trading days from 13 June to 19 June inclusive.

Turning now to People and Culture which are central to ALS's success.

With over 13,000 people employed globally in the Group, we continue to focus on diversity and employee engagement to attract and retain talented employees.

During the year, the Company increased its global staff engagement measures and rolled out significant leadership and organisational development initiatives to support the Company's growth ambitions.

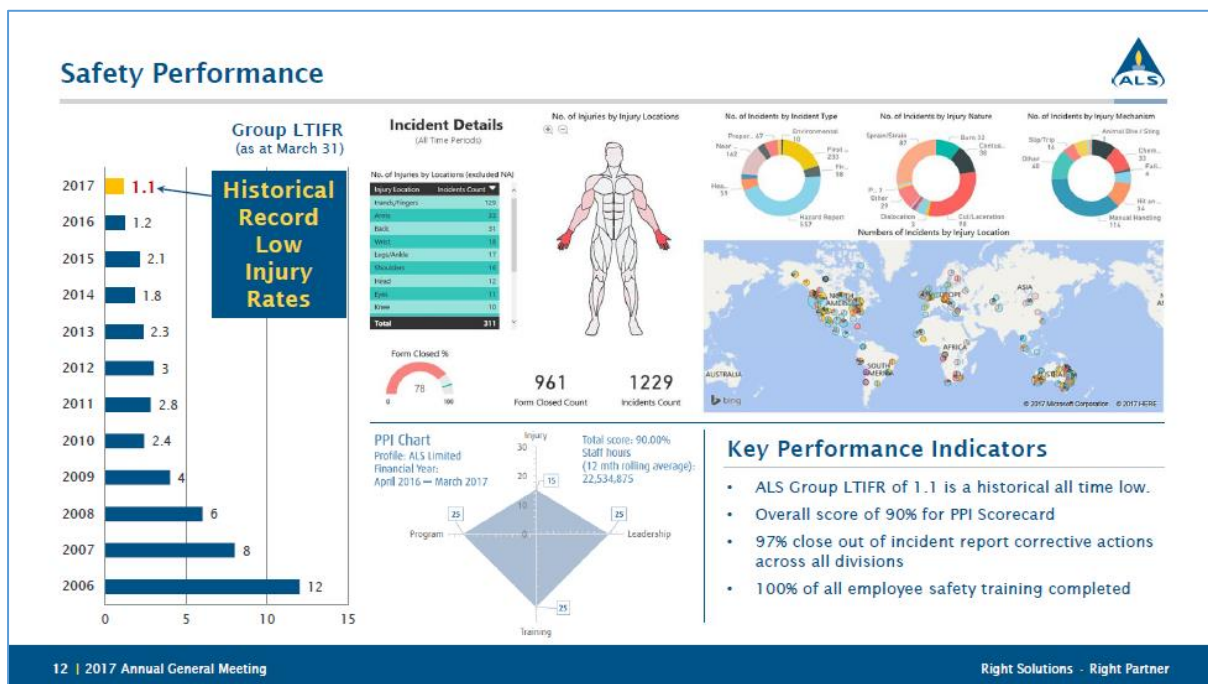
I am personally delighted that ALS has made progress on increasing the representation of women in our senior leadership pipelines, with the appointment of females into professional roles reaching above 50 per cent for the first time.

This is another good step towards achieving our overall goal of a merit-based, and diverse work force at all levels of the organisation.

The Company is also committed to provide a safe, healthy and secure work environment for its employees.

It was pleasing to see that in the financial year just ended, the Company recorded its best safety performance on record, with a Lost Time Injury Frequency Rate of 1.1 per million hours worked, compared to the previous year's figure of 1.2.

However, the other major measure of safety performance - Total Recordable Incident Frequency Rate - which measures incidents of lesser harm but have the potential for harm, saw an increase from 3.2 to 4.1 over last year, reminding us of the need for continual focus and discipline on our safety commitment.



ALS has always been committed to operating in a responsible and sustainable manner.

This year we have published for the first time a comprehensive Sustainability Report which sets out our commitment and progress in the areas of safety, environment, community, our customers and our people; and the measures we have undertaken to maintain a sustainable business.

I encourage all our stakeholders to read the report and share our vision of ALS's sustainable future.

The Company's Remuneration Report, on pages 21 to 39 of the 2017 Annual Report, sets out what the Board believes is a very balanced and measured set of remuneration outcomes that align with the strategy and performance of the Company and the role and contribution of our executives.

For the year ended March 2017, executives were not paid any increases in fixed remuneration.

As promised last year, a new financial 'gateway' was implemented to prevent short term bonus payments being achieved from non-financial key performance indicators when Group financial performance hurdles were not met.

For the executives' long term incentive plan, relevant performance hurdles for the three-year period ended March this year were partially met, at the reduced rate of 37.5 per cent of the maximum potential.

The non-executive directors' overall fee pool remained unchanged during the year. Board sub-committees were restructured, necessitating an increased workload for directors without additional cost to shareholders.

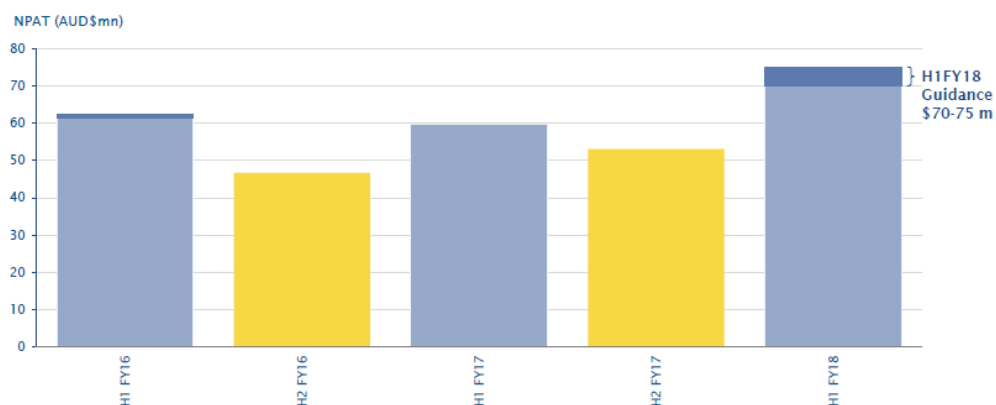
As you know, we acknowledged the retirement of Nerolie Withnall at the close of last years' AGM. At that time, we welcomed the appointment of Tonianne Dwyer to the Board. Tonianne is an internationally experienced independent company director and she has added great strength and depth of experience to the Board.

Resolutions will be proposed later in this meeting seeking your support for the re-elections of Grant Murdoch and John Mulcahy as non-executive directors for a further three-year term. The Board strongly supports their re-election, and we trust they have your support as well.

During the year, the Company also introduced minimum shareholding guidelines for non-executive directors who are now expected to build a minimum shareholding of the equivalent of 50 percent of one year's fees after tax.



## First Half FY18 guidance



*ALS expects that underlying NPAT from continuing operations for the half year ending 30 September 2017 will be in the range of AUD \$70 million to AUD \$75 million*

Past practice for ALS has been to provide half year guidance at the AGM, and whilst it is difficult in current market conditions, that is also our intention today.

We are seeing growth in our Environmental, Food, Pharmaceutical, Geochemistry and Tribology businesses. Profits from the other Commodities and Asset Care business units remain flat.

The Board expects first half underlying after tax profit from continuing operations to be in the range of \$70 to \$75 million, compared with \$60 million in the first half last year on a like for like basis. This guidance of course assumes no material change in market activity levels and foreign exchange rates and no material adverse events in the Group's business activities for the remainder of the first half to September 2017.

As previously noted, Greg Kilmister will be retiring as CEO and Managing Director following today's meeting. After conducting an extensive global search for his replacement, the board also previously announced that Raj Naran will be the Company's new CEO and MD.

I wish to acknowledge the great contribution that Greg has made over the past 36 years with the Company, especially the last 12 years as your MD and CEO.

When Greg took the reigns as CEO in 2005, ALS only had operations in 21 countries, 4,000 employees and its market capitalisation was \$380 million. Today it is an ASX100 Company, has operations in 65 countries, has over 13,000 employees and the company's market capitalisation is over \$3.8 billion..... Greg has witnessed, and played a pivotal role in ALS's remarkable transformation.

Greg, on behalf of the Board, management and the shareholders, I would like to thank you for your long service and distinguished contribution as an employee and as the CEO and Managing Director of the Company. We wish you all the very best on your retirement from the Company.

As noted, Raj Naran will be taking over from Greg following today's meeting. The board has every confidence in Raj's ability to carry out the Company's next 5-year strategic plan and believe that ALS is well positioned to grow over the longer term.

Finally, ladies and gentlemen, I would like to thank all of you, our shareholders, for your ongoing support; to Greg and his management team for their hard work and dedication in carrying out our strategies in a challenging environment; and to my fellow directors for their support over the past year.

I will now hand over to Greg to deliver his last address to you. Thank you.