

ALS Limited

ABN 92 009 657 489

**Interim Financial Report
for the Half Year Ended 30 September 2017
(including additional ASX Appendix 4D disclosures)**

ALS Limited and its subsidiaries

Interim Financial Report for the Half Year Ended 30 September 2017

Contents

- Results for announcement to the market (including required Appendix 4D information)
- Directors' half year report
- Consolidated interim financial report for the half year ended 30 September 2017

The attached Interim Financial Report for the half year ended 30 September 2017 forms part of this document. This half yearly report is to be read in conjunction with the ALS Limited 2017 Annual Financial Report and the notes contained therein.

ALS Limited and its subsidiaries

Results for announcement to the market

For the half year ended 30 September 2017

Appendix 4D

(Previous corresponding period: half year ended 30 September 2016 - restated)

\$M				
Revenue from ordinary activities	Up	13.3%	to	761.4
Underlying net profit after tax * attributable to members	Up	17.6%	to	70.1
Profit/(loss) from ordinary activities after tax attributable to members	Down	118.3%	to	(8.9)
Net profit/(loss) for the period attributable to members	Down	118.3%	to	(8.9)

Dividends

	Amount per ordinary share	Franked amount per ordinary share
Interim dividend	8.0 cents	3.2 cents
Previous corresponding period	5.5 cents	3.3 cents

Record date for determining entitlements to the interim dividend: 30 November 2017

Dividend Reinvestment Plan (DRP) election date: N/A

In light of the Company's plans to undertake an on-market share buyback program (refer Subsequent Events note 12 to the financial statements) the dividend reinvestment plan will not operate for the FY2018 interim dividend.

Additional dividend information:

Details of dividends declared or paid during or subsequent to the half year ended 30 September 2017 are as follows:

Record date	Payment date	Type	Amount per ordinary share	Total dividend	Franked amount per ordinary share	Conduit foreign income per ordinary share
8 June 2017	3 July 2017	Final 2017	8.0 cents	\$40.3m	3.2 cents	4.8 cents
30 Nov 2017	18 Dec 2017	Interim 2018	8.0 cents	\$40.3m	3.2 cents	4.8 cents

Other financial information:

	Current period	Previous corresponding period
Basic underlying * earnings per ordinary share	13.9 cents	11.8 cents
Basic earnings per ordinary share	(1.8) cents	9.7 cents
Net tangible assets per ordinary share	45.1 cents	53.4 cents

* Refer to page 3 of the attached Interim Financial Report for a reconciliation of Underlying net profit after tax to Statutory net profit after tax.

Additional Appendix 4D disclosure requirements can be found in the Directors' Report and the 30 September 2017 Interim Financial Report. The unqualified review report of the company's auditors, KPMG, is attached to this document and highlights no areas of dispute.

Sign here:



Company Secretary
Tim Mullen

Date: 20/11/2017



ALS Limited

ABN 92 009 657 489

**Interim Financial Report
for the Half Year Ended 30 September 2017**

ALS Limited and its subsidiaries

Directors' Report

For the half year ended 30 September 2017

The directors present their report together with the consolidated interim financial report for the half year ended 30 September 2017 and the auditor's review report thereon.

Directors

The directors of the Company at any time during or since the end of the half year are:

BRUCE PHILLIPS B Sc (Hons) (Geology)

Chairman and Independent Non-Executive Director Age 62

Appointed a director 2015 and appointed Chairman 2016.

RAJ NARAN B Sc (Chemistry), B A (Mathematics)

Managing Director and Chief Executive Officer Age 56

Appointed Managing Director and Chief Executive Officer on 20 July 2017.

MEL BRIDGES B AppSc, PhD, FAICD

Independent Non-Executive Director Age 67

Appointed 2009.

GRANT MURDOCH M Com (Hons), FAICD, FCA

Independent Non-Executive Director Age 66

Appointed 2011.

JOHN MULCAHY PhD, BE (Civil Eng) (Hons), FIE Aust

Independent Non-Executive Director Age 67

Appointed 2012.

CHARLIE SARTAIN B Eng (Hons) (Mining), FAUSIMM, FTSE

Independent Non-Executive Director Age 56

Appointed 2015.

TONIANNE DWYER B Juris (Hons), LLB (Hons), GAICD

Independent Non-Executive Director Age 55

Appointed 2016.

GREG KILMISTER B Sc (Hons), FRACI, MAIG, CCEO

Former Managing Director and Chief Executive Officer

Appointed 2005, retired 20 July 2017.

ALS Limited and its subsidiaries

Directors' Report

For the half year ended 30 September 2017

Review and results of operations

Financial performance

The Group recorded underlying net profit after tax (attributable to equity holders of the Company, and excluding restructuring and other one-off items, divestment and impairment losses and amortisation of acquired intangibles) of \$70.1 million for the half year – at the lower end of the guidance range of \$70.0 million to \$75.0 million provided to the market at the Company's Annual General Meeting on 20 July 2017. It is 17.6% higher than the \$59.6 million underlying net profit earned in the previous corresponding period (pcp) primarily due to improvements in the performance of those businesses servicing mineral commodities markets.

The half year statutory result was a net loss after tax attributable to equity holders of the Company (including restructuring and other one-off items, divestment and impairment losses and amortisation of acquired intangibles) of \$8.9 million, compared with a net profit of \$48.7 million recorded in the half year to September 2016. In recognition of uncertain market conditions being experienced in the sectors serviced by the Coal and Industrial businesses, goodwill impairment charges amounting to \$63 million have been taken in respect of these cash generating units (refer note 10): Coal - \$40 million and Industrial - \$23 million. Refer to page 3 for a detailed summary and reconciliation of results.

As previously announced, the Group sold the majority of its Oil & Gas technical services business in July 2017 (disclosed in the financial statements as discontinued operations) retaining only the laboratory testing component. The divestment resulted in a gain on sale after tax of \$0.9 million and recognition in the profit and loss statement of foreign exchange losses (relating to inter-company balances previously recorded in the foreign currency translation reserve) of \$11.1 million after tax. Refer note 9.

On 20 November 2017, the Directors have announced an on-market share buyback of up to \$175 million. Following the divestment of its Oil & Gas business and review of ongoing capital requirements, the Directors have determined that an on-market share buyback is the most efficient means to return excess capital to shareholders.

Revenue of \$761.4 million was up 13.3% on the \$672.0 million recorded in the previous corresponding period. This reflects strong organic growth in the Commodities business and acquired and organic revenue gains in Life Sciences. The recovery being experienced in mineral commodities markets helped to push revenue in that segment up 22.3% over the pcp at an improved contribution margin of 21.7%. While revenue in Life sciences grew by 13.9% competitive pressures in Europe and North America saw contribution margin soften to 15.3%. Despite a flat revenue outcome in the Industrial segment strong cost disciplines resulted in the business recording a 3.5% improvement in contribution compared with the pcp.

The Group remains focused on being ready to take advantage of future opportunities by targeting organic and acquired growth in the more stable food safety and pharmaceutical testing sectors (Life Sciences) and by maintaining its assets, market share and reputation in the Commodities division in order to support its markets as they recover.

Directors have declared an interim dividend of 8 cents per share partly franked to 40%, payable on all ordinary shares (2016: 5.5 cents, partly franked to 60%). It will be paid on 18 December 2017 on all shares registered in the Company's register at the close of business on 30 November 2017. In light of the Company's plans to undertake an on-market share buyback program the dividend reinvestment plan will not operate for the FY2018 interim dividend.

ALS Limited and its subsidiaries

Directors' Report

For the half year ended 30 September 2017

Review and results of operations (continued)

The Group's financial performance for the half year to 30 September 2017 is summarised as follows:

2017 \$m	Underlying results (1)		Restructuring & other one- off items	Divestments & impairments	Amortisation of intangibles	Statutory result
	Continuing operations	Discontinued operations(2)				
Revenue	721.6	39.8	-	-	-	761.4
EBITDA (3)	144.8	3.8	(6.7)	0.9	-	142.8
Foreign exchange losses transferred from FCTR (2)	-	-	-	(11.1)	-	(11.1)
Impairments (note 10)	-	-	-	(63.0)	-	(63.0)
Depreciation & amortisation	(34.6)	(3.5)	-	-	(1.2)	(39.3)
EBIT (3)	110.2	0.3	(6.7)	(73.2)	(1.2)	29.4
Interest expense	(13.1)	-	-	-	-	(13.1)
Tax expense	(26.1)	(0.1)	1.9	-	-	(24.3)
	71.0	0.2	(4.8)	(73.2)	(1.2)	(8.0)
Non-controlling interests	(0.9)	-	-	-	-	(0.9)
Net profit / (loss) after tax (NPAT)	70.1	0.2	(4.8)	(73.2)	(1.2)	(8.9)
Basic EPS (cents)	13.9					(1.8)
Diluted EPS (cents)	13.8					(1.8)

2016*	Underlying results (1)		Restructuring & other one- off items	Divestments & impairments	Amortisation of intangibles	Statutory result
\$m	Continuing operations	Discontinued operations(2)				
Revenue	630.2	41.8	-	-	-	672.0
EBITDA (3)	131.0	(3.9)	(2.9)	-	-	124.2
Depreciation & amortisation	(33.1)	(6.3)	-	-	(0.7)	(40.1)
EBIT (3)	97.9	(10.2)	(2.9)	-	(0.7)	84.1
Interest expense	(14.1)	-	-	-	-	(14.1)
Tax expense	(23.9)	2.0	0.9	-	-	(21.0)
	59.9	(8.2)	(2.0)	-	(0.7)	49.0
Non-controlling interests	(0.3)	-	-	-	-	(0.3)
Net profit / (loss) after tax (NPAT)	59.6	(8.2)	(2.0)	-	(0.7)	48.7
Basic EPS (cents)	11.8					9.7
Diluted EPS (cents)	11.8					9.6

*restated

- (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.
- (2) On 31 July 2017 the Group divested the majority of its assets in the Oil & Gas technical services sector. The Group retained the laboratory services component of that division. Refer note 9.
- (3) EBITDA = EBIT plus depreciation, amortisation, divestment gains/(losses), and impairments. 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.

ALS Limited and its subsidiaries

Directors' Report

For the half year ended 30 September 2017

Review and results of operations (continued)

Following a change in management reporting structure, effective 1 April 2017 the Group's Oil & Gas Laboratory operations were transferred from the former Oil & Gas Laboratories segment and combined with the Commodities segment as summarised:

Former segments	Revised segments
Life Sciences	Life Sciences (unchanged)
Industrial	Industrial (unchanged)
Commodities	Commodities (including Oil & Gas Laboratories)
Oil & Gas Laboratories	

Contributions from business segments are set out below. Prior period comparative figures have been amended to reflect the revised segments (refer note 6).

Life Sciences	2017 \$M	2016 \$M	Increase
Revenue	365.7	321.0	13.9%
Segment contribution	53.1	54.9	
Restructuring and related costs	2.8	0.7	
Underlying segment contribution	55.9	55.6	0.5%
Margin (underlying segment contribution to revenue)	15.3%	17.3%	
Underlying segment EBITDA	74.9	72.6	3.2%

All regions of the Life Sciences segment experienced revenue growth compared with the pcp. Successful cost management and rationalisation led to improved underlying EBIT contributions from most regions, though competitive pressures in the US and UK resulted in lower earnings in North America and Europe. Pleasingly the resolution of management issues and successful business development initiatives in both Canada and Latin America led to turnarounds in the performance of those regions.

Both of the key Life Sciences business streams (Environmental and Food/Pharmaceutical) achieved solid revenue gains compared with the September 2016 half. While the Food/Pharma business delivered an underlying EBIT improvement of 27%, increased price competition in environmental testing markets produced a flat half-on-half underlying profit performance for that business stream.

The half year results of the UK Life Sciences group were impacted by the Alcontrol integration (acquired December 2016). Operational site combinations were completed during the September quarter and the final cost and process optimisation stages of the integration will run through to March 2018.

ALS Limited and its subsidiaries

Directors' Report

For the half year ended 30 September 2017

Review and results of operations (continued)

Industrial	2017 \$M	2016 \$M	Increase/ Decrease)
Revenue	99.7	99.8	(0.1%)
Segment contribution	14.7	14.4	
Restructuring and related costs	0.3	0.1	
Underlying segment contribution	15.0	14.5	3.5%
Margin (underlying segment contribution to revenue)	15.0%	14.5%	
Underlying segment EBITDA	18.0	17.6	2.3%

Revenue remained flat in the Industrial division, with gains from the Tribology business stream offset by the effects of softening market conditions for the Asset Care operations in both Australia and the US. A continued focus on cost base across the segment has delivered a small improvement in contribution margin.

In June this year the Company announced that following the receipt of inbound enquiries it was evaluating strategic options for the Asset Care business stream within the Industrial division. Following this review, which resulted in the Company receiving non-binding expressions of interest from a number of parties, directors have resolved to retain the Asset Care business. The Company remains supportive of the strategic growth plans of Asset Care and the Industrial division, including continued capital investment, geographic expansion and further development of technical and systems capabilities.

Successful Asset Care business development efforts have largely replaced Australian LNG construction revenue with maintenance-related services to the oil & gas, mining and water sectors. However, work volumes in the power station maintenance sector were affected by short-term delays with clients' outage programs. While the US Asset Care operations delivered a small profit contribution, turning around a loss position in the September 2016 half, the business continues to be affected by weaker than expected activity levels in the downstream oil & gas sector. The Tribology business continued to grow profitably, with underlying contribution margin remaining above 24%.

In recognition of the softening market conditions being experienced by the division, leading to an increased uncertainty in earnings projections, a goodwill impairment charge of \$23 million has been taken against the Industrial cash generating unit.

Commodities (now includes Oil & Gas Laboratories)	2017 \$M	2016* \$M	Increase
Revenue	256.2	209.4	22.3%
Segment contribution	54.3	35.3	
Restructuring and related costs	1.4	1.4	
Underlying segment contribution	55.7	36.7	51.8%
Margin (underlying segment contribution to revenue)	21.7%	17.5%	
Underlying segment EBITDA	67.9	49.3	37.7%

*Restated

Commodities recorded much improved financial results over the half year to September 2017 as Geochemistry sample flows increased globally. Established mining clients continued to lift their spending on existing brownfield sites even in the higher risk countries and junior explorers have started to increase activity.

Sample flow into the Geochemistry business stream was 34% higher than in the pcp which translated into a 51% improvement in underlying contribution at an underlying margin of 27%. While cost management remained a focus for the Geochemistry business, equal attention was paid to productivity and the timely injection of human and capital resources to service the increasing workloads. Management remains optimistic about a continued recovery and the likely demand for services and therefore is investing in capacity as required to ensure turnaround times meet or exceed client expectations.

ALS Limited and its subsidiaries

Directors' Report

For the half year ended 30 September 2017

Review and results of operations (continued)

While competitive pricing and reduced activity in the exploration and resource definition sectors of the coal market continue to impact the Coal business stream, the Superintending service line has however maintained consistent work volumes and revenues versus pcp. ALS Coal continues to manage its cost base well in a difficult operating environment. The first half was affected significantly by Cyclone Debbie in Queensland and continued price volatility and market uncertainty across the industry.

While export demand levels are likely to be maintained over the short to medium term, there is significant uncertainty regarding future levels of domestic coal consumption as the emphasis continues to shift towards greater reliance on renewable and sustainable energy sources. In light of the impact of this increasing uncertainty on internal earnings projections, a goodwill impairment charge of \$40 million has been taken against the Coal cash generating unit.

Oil & Gas (discontinued)	2017 \$M	2016* \$M	(Decrease)
Revenue	39.8	41.8	(4.8%)
Segment contribution	0.3	(10.5)	
Restructuring and related costs	-	0.3	
Underlying segment contribution	0.3	(10.2)	n/a
Margin (underlying segment contribution to revenue)	0.8%	(24.4%)	
Underlying segment EBITDA	3.8	(3.9)	n/a

*Restated

The Group divested the majority of its assets in the Oil & Gas technical services sector on 31 July 2017. Refer to note 9. The residual Oil & Gas Laboratories are now reported as part of the Commodities segment.

Events subsequent to balance date

Capital management

On 20 November 2017, the Directors have announced an on-market share buyback of up to \$175 million. Following the divestment of its Oil & Gas business and review of ongoing capital requirements, the Directors have determined that an on-market share buyback is the most efficient means to return excess capital to shareholders.

Other than the matters discussed above, there has not arisen in the interval between the end of the half year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

ALS Limited and its subsidiaries Directors' Report

For the half year ended 30 September 2017

Lead auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 22 and forms part of the Directors' Report for the half year ended 30 September 2017.

Rounding off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that Instrument, amounts in the financial report and directors' report have been rounded off to the nearest one hundred thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors:



Bruce Phillips
Chairman

Brisbane
20 November 2017



Raj Naran
Managing Director

Brisbane
20 November 2017

ALS Limited and its subsidiaries

Consolidated interim statement of profit and loss and Other Comprehensive Income

For the half year ended 30 September 2017

In millions of AUD	Note	30 September 2017	Restated * 30 September 2016
Continuing operations			
Revenue		721.6	630.2
Expenses	10	(647.1)	(502.9)
Share of profit of equity-accounted investees, net of tax		0.6	1.1
Profit before financing cost, depreciation and amortisation		75.1	128.4
Amortisation and depreciation		(35.8)	(33.8)
Profit before net financing costs (EBIT)		39.3	94.6
Finance income		1.8	1.7
Finance cost		(14.9)	(15.8)
Net financing costs		(13.1)	(14.1)
Profit before tax		26.2	80.5
Income tax expense		(24.2)	(23.0)
Profit from continuing operations		2.0	57.5
Discontinued operations			
Loss of discontinued operations, net of tax	9	(10.0)	(8.5)
(Loss)/Profit for the period		(8.0)	49.0
(Loss)/Profit attributable to:			
Equity holders of the Company		(8.9)	48.7
Non-controlling interest		0.9	0.3
(Loss)/Profit for the period		(8.0)	49.0
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to the profit and loss (net of tax)</i>			
Foreign exchange translation		41.9	(17.4)
Gain/(Loss) on hedge of net investments in foreign subsidiaries, net of tax		(2.9)	0.3
Gain on cash flow hedges taken to equity, net of tax		(0.6)	0.3
Other comprehensive income for the period, net of tax		38.4	(16.8)
Total comprehensive income for the period		30.4	32.2
Total comprehensive income attributable to:			
Equity holders of the company		29.5	31.9
Non-controlling interest		0.9	0.3
Total comprehensive income for the period		30.4	32.2
Basic earnings per share attributable to equity holders		(1.77)c	9.66c
Diluted earnings per share attributable to equity holders		(1.77)c	9.63c
Basic earnings per share attributable to equity holders from continuing operations		0.22c	11.34c
Diluted earnings per share attributable to equity holders from continuing operations		0.22c	11.32c

*See discontinued operations note 9

The interim profit and loss statement is to be read in conjunction with the notes to the interim financial report set out on pages 12 to 18.

ALS Limited and its subsidiaries

Consolidated interim balance sheet

As at 30 September 2017

In millions of AUD	Note	30 September 2017	31 March 2017
Current Assets			
Cash and cash equivalents		294.1	249.3
Trade and other receivables		293.3	250.2
Inventories		75.1	67.2
Other assets		33.6	33.6
Assets held for sale		-	109.7
Total current assets		696.1	710.0
Non-current assets			
Investment property		10.3	10.4
Deferred tax assets		22.0	20.5
Property, plant and equipment		409.6	395.5
Intangible assets		949.0	981.8
Other assets		47.7	31.4
Total non-current assets		1,438.6	1,439.6
Total assets		2,134.7	2,149.6
Current Liabilities			
Bank overdraft		0.8	0.4
Trade and other payables		151.1	140.1
Loans and borrowings	7	38.6	40.2
Employee benefits		43.9	41.0
Other liabilities		3.8	-
Liabilities held for sale		-	14.9
Total current liabilities		238.2	236.6
Non-current liabilities			
Loans and borrowings	7	688.3	700.9
Deferred tax liabilities		8.9	9.0
Employee benefits		7.9	8.0
Other		14.8	9.9
Total non-current liabilities		719.9	727.8
Total liabilities		958.1	964.4
Net assets		1,176.6	1,185.2
Equity			
Share capital		1,454.9	1,453.4
Reserves		(40.2)	(77.6)
Retained earnings		(249.3)	(200.2)
Total equity attributable to equity holders of the company		1,165.4	1,175.6
Non-controlling interest		11.2	9.6
Total equity		1,176.6	1,185.2

The interim balance sheet is to be read in conjunction with the notes to the interim financial statements set out on pages 12 to 18.

ALS Limited and its subsidiaries

Consolidated interim statement of changes in equity

For the half year ended 30 September 2017

In millions of AUD	Note	Share Capital	Foreign Currency Translation	Other reserves	Employee share-based awards	Retained earnings	Total	Non-controlling Interest	Total Equity
Balance 1 April 2017		1,453.4	(85.4)	3.7	4.1	(200.2)	1,175.6	9.6	1,185.2
(Loss)/profit for the period		-	-	-	-	(8.9)	(8.9)	0.9	(8.0)
Other comprehensive income		-	39.0	(0.6)	-	-	38.4	-	38.4
Total comprehensive income for the period		-	39.0	(0.6)	-	(8.9)	29.5	0.9	30.4
Transactions with owners in their capacity as owners:									
Dividends provided for or paid		-	-	-	-	(40.3)	(40.3)	-	(40.3)
Issue of ordinary shares		-	-	-	-	-	-	-	-
Equity-settled performance rights awarded and vested		1.5	-	-	(1.0)	0.1	0.6	-	0.6
Total contributions and distributions to owners		1.5	-	-	(1.0)	(40.2)	(39.7)	-	(39.7)
Changes in ownership interests									
Acquisition of non-controlling interest without change in control		-	-	-	-	-	-	-	-
Non-controlling interest ownership of subsidiary acquired		-	-	-	-	-	-	0.7	0.7
Total changes in ownership interests		-	-	-	-	-	-	0.7	0.7
Total transactions with owners		1.5	-	-	(1.0)	(40.2)	(39.7)	0.7	(39.0)
Balance at 30 September 2017		1,454.9	(46.4)	3.1	3.1	(249.3)	1,165.4	11.2	1,176.6
Balance 1 April 2016		1,452.7	(57.4)	3.6	2.4	(224.3)	1,177.0	8.6	1,185.6
Profit or (loss) for the period		-	-	-	-	48.7	48.7	0.3	49.0
Other comprehensive income		-	(17.1)	0.3	-	-	(16.8)	-	(16.8)
Total comprehensive income for the period		-	(17.1)	0.3	-	48.7	31.9	0.3	32.2
Transactions with owners in their capacity as owners:									
Dividends to equity holders		-	-	-	-	(30.2)	(30.2)	-	(30.2)
Issue of ordinary shares		-	-	-	-	-	-	-	-
Equity-settled performance rights awarded and vested		0.3	-	-	0.6	0.3	1.2	-	1.2
Total contributions and distributions to owners		0.3	-	-	0.6	(29.9)	(29.0)	-	(29.0)
Changes in ownership interests									
Acquisition of non-controlling interest without change in control		-	-	-	-	-	-	-	-
Non-controlling interest ownership of subsidiary acquired		-	-	-	-	-	-	-	-
Total changes in ownership interests		-	-	-	-	-	-	-	-
Total transactions with owners		0.3	-	-	0.6	(29.9)	(29.0)	-	(29.0)
Balance at 30 September 2016		1,453.0	(74.5)	3.9	3.0	(205.5)	1,179.9	8.9	1,188.8

The interim statement of changes in equity is to be read in conjunction with the notes to the interim financial statements set out on pages 12 to 18.

ALS Limited and its subsidiaries

Consolidated interim statement of cash flows

For the half year ended 30 September 2017

In millions of AUD	30 September 2017	30 September 2016
Cash flows from operating activities		
Cash receipts from customers	802.2	742.5
Cash paid to suppliers and employees	(710.6)	(629.0)
Cash generated from operations	91.6	113.5
Interest paid	(14.9)	(15.9)
Interest received	1.8	1.7
Income taxes paid	(20.9)	(20.6)
Net cash from operating activities	57.6	78.7
Cash flows from investing activities		
Payments for property, plant and equipment	(39.2)	(28.3)
Payments for net assets on acquisition of businesses and subsidiaries (net of cash acquired)	(17.9)	-
Payment for minority interest	-	(20.9)
Net proceeds from the sale of the Oil & Gas operations	79.5	-
Loan repayments/(advances) from/(to) associates	(0.3)	(0.1)
Dividend from associate	1.2	1.8
Proceeds from sale of other non-current assets	3.7	3.4
Net cash used in investing activities	27.0	(44.1)
Cash flows from financing activities		
Proceeds from borrowings	-	-
Repayment of borrowings	-	-
Proceeds from issue of new issued capital	-	-
Lease payments	(0.3)	(1.2)
Dividends paid	(40.3)	(30.2)
Net cash from (used in)/from financing activities	(40.6)	(31.4)
Net movement in cash and cash equivalents	44.0	3.2
Cash and cash equivalents at 1 April	248.9	297.9
Effect of exchange rate fluctuations on cash held	0.4	(2.2)
Cash and cash equivalents at 30 September	293.3	298.9

The interim statement of cash flows is to be read in conjunction with the notes to the interim financial statements set out on pages 12 to 18.

ALS Limited and its subsidiaries

Condensed notes to the consolidated interim financial report

For the half year ended 30 September 2017

1. Reporting entity

ALS Limited (the “Company”) is a company domiciled in Australia. The interim financial report of the Company as at and for the six months ended 30 September 2017 comprises the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates and jointly controlled entities.

The consolidated annual financial report of the Group as at and for the year ended 31 March 2017 is available upon request from the Company’s registered office at Level 2, 299 Coronation Drive, Milton Qld 4064 or at www.alsglobal.com.

2. Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 31 March 2017.

This consolidated interim financial report was approved by the Board of Directors on 20 November 2017.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest one hundred thousand dollars, unless otherwise stated.

3. Significant accounting policies

The accounting policies applied by the Group in this interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 31 March 2017.

4. Estimates

The preparation of the interim financial report 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 expenses. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 31 March 2017.

5. Financial risk management

The Group’s financial risk management objectives and policies are consistent with those disclosed in the consolidated financial report as at and for the year ended 31 March 2017.

Fair values of financial instruments

The Group’s financial assets and liabilities are included in the balance sheet at amounts that approximate fair values with the exception of fixed rate debt (carrying value \$726.9m) which has a fair value of \$750.3m (March 2017: \$775.2m). The fair value at 30 September of derivative assets held for risk management purposes, which are the Group’s only financial instruments carried at fair value, was an asset of \$9.8m (March 2017: \$6.1m) measured using Level 2 valuation techniques as defined in the fair value hierarchy. The Group does not have any financial instruments that are categorised as Level 1 or Level 3 in the fair value hierarchy.

ALS Limited and its subsidiaries

Condensed notes to the consolidated interim financial report

For the half year ended 30 September 2017

5. Financial risk management (continued)

Fair value hierarchy

In valuing financial instruments, the Group uses the following fair value measurement hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

6. Segment reporting

Following a change in management reporting structure, effective 1 April 2017 the Group's Oil & Gas Laboratory operations were transferred from the former Oil & Gas Laboratories segment and combined with the Commodities segment as summarised:

Former segments	Revised segments
Life Sciences	Life Sciences (unchanged)
Industrial	Industrial (unchanged)
Commodities	Commodities (including Oil & Gas Laboratories)
Oil & Gas Laboratories	

The Group's reportable segments are described below, representing distinct strategic business units each of which is managed separately and offers different products and services. For each of the strategic business units, the CEO reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- Life Sciences - provides analytical testing data to assist consulting and engineering firms, industry, and governments around the world in making informed decisions about environmental, food and pharmaceutical, electronics, and animal health testing matters.
- Industrial - provides the energy, resources and infrastructure sectors with asset care and tribology testing services.
- Commodities (including Oil & Gas Laboratories) - provides assaying and analytical testing services and metallurgical services for mining and mineral exploration companies and provides specialist services to the coal industry such as coal sampling, analysis and certification, formation evaluation services, and hydrocarbon analytical testing services.

Discontinued segment:

- Oil & Gas - provides specialist services to the oil and gas industries such as coring, analysis and certification, hydrocarbon formation evaluation services and specialist well services.

ALS Limited and its subsidiaries

Condensed notes to the consolidated interim financial report

For the half year ended 30 September 2017

6. Segment reporting (continued)

2017

In millions of AUD

	Life Sciences	Industrial	Commodities	Other ¹	Total Continuing Operations	Discontinued (Oil & Gas)	Consolidated
Revenue	365.7	99.7	256.2	-	721.6	39.8	761.4
Underlying EBITDA ²	74.9	18.0	67.9	(16.0)	144.8	3.8	148.6
Depreciation and amortisation	(19.0)	(3.0)	(12.2)	(0.4)	(34.6)	(3.5)	(38.1)
Underlying EBIT ²	55.9	15.0	55.7	(16.4)	110.2	0.3	110.5
Restructuring & other one-off items	(2.8)	(0.3)	(1.4)	(2.2)	(6.7)	(10.2) ³	(16.9)
Amortisation of intangibles	-	-	-	(1.2)	(1.2)	-	(1.2)
Impairment	-	(23.0)	(40.0)	-	(63.0)	-	(63.0)
Net financing costs	-	-	-	(13.1)	(13.1)	-	(13.1)
Statutory profit before income tax	53.1	(8.3)	14.3	(32.9)	26.2	(9.9)	16.3
<i>Underlying EBIT margin ²</i>	<i>15.3%</i>	<i>15.0%</i>	<i>21.7%</i>			<i>0.8%</i>	
Segment assets	807.5	233.2	730.1	47.8	1,818.6	-	1,818.6
Cash and cash equivalents							294.1
Tax Assets							22.0
Total assets per the balance sheet							2,134.7
Segment liabilities	(90.9)	(35.4)	(69.5)	(21.9)	(217.7)	-	(217.7)
Loans, borrowings & bank overdraft							(727.7)
Tax liabilities							(12.7)
Total liabilities per the balance sheet							(958.1)

¹ Represents unallocated corporate costs. Net expenses of \$16.4 million in 2017 comprise net foreign exchange losses of \$4.0 million and other corporate costs of \$12.4 million.

² Underlying EBITDA = Underlying EBIT plus depreciation and amortisation. Underlying EBIT = Underlying 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.

³ Restructuring and other one-off items from discontinued operations includes gain on sale of \$0.9m and foreign exchange losses transferred from FCTR \$(11.1)m.

ALS Limited and its subsidiaries

Condensed notes to the consolidated interim financial report

For the half year ended 30 September 2017

6. Segment reporting (continued)

2016 (restated)

In millions of AUD

	Life Sciences	Industrial	Commodities	Other ¹	Total Continuing Operations	Discontinued (Oil & Gas)	Consolidated
Revenue	321.0	99.8	209.4	-	630.2	41.8	672.0
Underlying EBITDA ²	72.6	17.6	49.3	(8.5)	131.0	(3.9)	127.1
Depreciation and amortisation	(17.0)	(3.1)	(12.6)	(0.4)	(33.1)	(6.3)	(39.4)
Underlying EBIT ²	55.6	14.5	36.7	(8.9)	97.9	(10.2)	87.7
Restructuring & other one-off items	(0.7)	(0.1)	(1.4)	(0.4)	(2.6)	(0.3)	(2.9)
Amortisation of intangibles	-	-	-	(0.7)	(0.7)	-	(0.7)
Net financing costs	-	-	-	(14.1)	(14.1)	-	(14.1)
Statutory profit before income tax	54.9	14.4	35.3	(24.1)	80.5	(10.5)	70.0
<i>Underlying EBIT margin ²</i>	<i>17.3%</i>	<i>14.5%</i>	<i>17.5%</i>			<i>(24.4%)</i>	
Segment assets	686.9	236.8	759.0	28.8	1,711.5	96.5	1,808.0
Cash and cash equivalents							299.5
Tax Assets							31.1
Total assets per the balance sheet							2,138.6
Segment liabilities	(73.4)	(26.1)	(69.5)	(12.9)	(181.9)	(13.0)	(194.9)
Loans, borrowings & bank overdraft							(746.4)
Deferred tax liabilities							(8.5)
Total liabilities per the balance sheet							(949.8)

¹ Represents unallocated corporate costs. Net expenses of \$8.9 million in 2016 comprise net foreign exchange gains of \$1.3 million and other corporate costs of \$10.2 million.

² Underlying EBITDA = Underlying EBIT plus depreciation and amortisation. Underlying EBIT = Underlying 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.

ALS Limited and its subsidiaries

Condensed notes to the consolidated interim financial report

For the half year ended 30 September 2017

7. Loans and borrowings

In millions of AUD

	30 September 2017	31 March 2017
Current Liabilities		
Long term notes	38.4	39.7
Finance lease liabilities	0.2	0.5
	38.6	40.2
Non-current liabilities		
Long term notes	688.3	700.9
Finance lease liabilities	-	-
	688.3	700.9

Bank loans

Funding available to the Group from undrawn facilities at 30 September 2017 amounted to \$102.1 million (March 2017: \$104.7 million). During October 2017, the Group has finalised the negotiation of a series of bi-lateral, multi-currency debt facility agreements with three Australian and international banks to reduce the quantum of total available undrawn facilities down to USD40 million (AUD 51.1 million). These new facilities are due to mature in October 2018.

Long term notes

The Company's controlled entities ALS Group General Partnership and ALS Canada Ltd have previously issued long term, fixed rate notes to investors in the US Private Placement market which remain unpaid at balance date. All loan notes have total fixed interest coupons ranging between 3.40% - 4.79% and bullet maturity dates repayable at various intervals between December 2017 and July 2022.

The weighted average interest rate (incorporating the effect of interest rate contracts) for all bank loans and long term notes at balance date is 3.8% (March 2017: 3.8%).

8. Dividends

The following dividend was declared and paid by the Company during the half year:

In millions of AUD

	2017	2016
Final 2017 dividend paid 3 July 2017 (1 July 2016)	40.3	30.2

Since 30 September 2017, directors have declared an interim dividend of 8 cents per share (partly franked to 40% or 3.2 cents) amounting to \$40.3 million payable on 18 December 2017. The dividend is payable on all ordinary shares registered in the Company's register at the close of business on 30 November 2017. The financial effect of this dividend has not been brought to account in the financial report for the period ended 30 September 2017.

ALS Limited and its subsidiaries

Condensed notes to the consolidated interim financial report

For the half year ended 30 September 2017

9. Discontinued operations

On 31 July 2017, the Group sold its investment in the Oil & Gas technical services sector. Information attributable to discontinued operations is as follows:

<i>In millions of AUD</i>	2017	2016
Discontinued operations		
Revenue	39.8	41.8
Amortisation and depreciation	(3.5)	(6.3)
Other expenses	(36.0)	(46.0)
Results from operating activities	0.3	(10.5)
Income tax expense	(0.1)	2.0
Result from operating activities, net of income tax	0.2	(8.5)
Gain on sale of discontinued operations	0.9	-
Foreign exchange losses on inter-company balances, transferred from the foreign currency translation reserve on divestment of Oil & Gas subsidiaries	(11.1)	-
Loss of discontinued operations	(10.0)	(8.5)
Basic and diluted earnings per share from discontinued operations	(1.97)c	(1.69)c

10. Impairment of Goodwill

The goodwill within ALS Coal and ALS Industrial CGU's were impaired during the current financial period and accordingly their carrying values were written down as follows:

	Goodwill 1 April 2017	Impairment included in expenses	Goodwill 30 September 2017
ALS Coal CGU	77.6	(40.0)	37.6
ALS Industrial CGU	165.4	(23.0)	142.4
Total	243.0	(63.0)	180.0

The value in use calculations performed for all cash generating units use cash flow projections based on actual H1FY18 operating results, and forecasts drawn from FY2018 through to FY2022 which are based on management's estimates of underlying economic conditions, past financial results, and other factors anticipated to impact the CGU's performance. A discounted terminal cash flow value is calculated using a nominal growth rate of 2.75%. Terminal growth rates are consistent with the prior period. The Directors believe the terminal growth rate is an appropriate estimate of the long-term average growth rates achievable in the industries in which the Group participates. The nominal pre-tax discount rates have been used in discounting the projected cash flows: ALS Coal - 12.2% (2017: 12.2%), ALS Industrial 13.2% (2017: 13.2%). Changes in forecast growth rates have resulted in the impairments. Detail behind this change is included in the Directors Report - Review and results of operations.

The determination of the recoverable amounts of the Group's CGU's involves significant estimates and judgements and the results are subject to the risk of adverse and sustained changes in the key markets and/or geographies in which the Group operates.

ALS Limited and its subsidiaries

Condensed notes to the consolidated interim financial report

For the half year ended 30 September 2017

11. Share-based payments

Performance-hurdle rights granted

During the period the Group granted performance-hurdle rights under its Long Term Incentive (LTI) plan which is designed as a retention and reward tool for high performing personnel. Under the plan key employees may be granted conditional rights to receive ordinary shares in the Company at no cost to the employees (or in limited cases to receive cash-settled awards).

The terms and conditions of rights granted during the current and prior periods are set out below:

	Half year ended 30 Sept 2017	Half year ended 30 Sept 2016
Equity-settled		
Date of grant	20 July 2017	26 July 2017
Number of performance-hurdle rights	522,023	982,390
Weighted average fair value at date of grant of performance-hurdle rights	\$6.21	\$4.30
Testing date for performance hurdles	31 March 2020	31 March 2019
Vesting date and testing date for service condition	1 July 2020	1 July 2019
Cash-settled		
Date of grant	20 July 2017	26 July 2017
Number of performance-hurdle rights	40,974	37,356
Weighted average fair value at date of grant of performance-hurdle rights	\$6.21	\$4.30
Testing date for performance hurdles	31 March 2020	31 March 2019
Vesting date and testing date for service condition	1 July 2020	1 July 2019

The fair value of services received in return for performance rights issued in the current period is based on the fair value of the rights granted measured using Binomial Tree (EPS, EBITDA and RoCE hurdles) and Monte-Carlo Simulation (TSR hurdle) valuation methodologies.

Vesting conditions in relation to performance-hurdle rights issued in current period:

Employees must remain employed by the Group until vesting date. The rights vest only if underlying Earnings Per Share ("EPS"), relative underlying EBITDA margin, underlying Return on Capital Employed ("RoCE") or relative Total Shareholder Return ("TSR") hurdles are achieved by the Company over the specified performance period. Each employee's rights are subject to EPS, EBITDA, RoCE and TSR hurdles in equal measure.

12. Events subsequent to balance date

Capital management

On 20 November 2017, the Directors have announced an on-market share buyback of up to \$175 million. Following the divestment of its Oil & Gas business and review of ongoing capital requirements, the Directors have determined that an on-market share buyback is the most efficient means to return excess capital to shareholders.

Other than the matters discussed above, there has not arisen in the interval between the end of the half year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

ALS Limited and its subsidiaries

Directors' declaration

In the opinion of the directors of ALS Limited ("the Company"):

1. The financial statements and notes set out on pages 8 to 18, are in accordance with the *Corporations Act 2001* including:
 - a) giving a true and fair view of the Group's financial position as at 30 September 2017 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date: and
 - b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Bruce Phillips
Chairman

Brisbane
20 November 2017



Raj Naran
Managing Director

Brisbane
20 November 2017



Independent Auditor's Review Report

To the shareholders of ALS Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying **Interim Financial Report** of ALS Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of ALS Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 September 2017 and of its performance for the **Interim Period** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated interim balance sheet as at 30 September 2017
- Consolidated interim statement of profit or loss and other comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the Interim Period ended on that date
- Notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises ALS Limited (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The **Interim Period** is the 6 months ended on 30 September 2017.



Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- for such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 September 2017 and its performance for the interim period ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of ALS Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an Interim Period Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

Simon Crane
Partner

Brisbane
20 November 2017



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of ALS Limited

I declare that, to the best of my knowledge and belief, in relation to the review of ALS Limited for the half-year ended 30 September 2017 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Simon Crane
Partner

Brisbane
20 November 2017