asx/media release

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- **ALS H1FY17 result within guidance**
- **Interim dividend 5.5 cents per share**
- **Significant Life Sciences acquisitions completed or in final stages**
- **H2FY17 underlying profit expected to be $50 – 60 million**

ALS Limited (**ASX Code: ALQ**) today announced an **underlying net profit** after tax[1] of $51.4 million for the half year ended 30 September 2016 (H1FY17) underpinned by solid performances of the Company's traditional business streams.

The result falls within the guidance range of AU$50 million to AU$55 million provided to the market at the Company's AGM on 26 July 2016. It is 17% lower than the AU$61.9 million underlying net profit earned in H12016, primarily due to losses recorded by the Oil and Gas services business (operating loss of $13.3 million cf. operating loss of $0.3 million pcp) over the six months to September 2016.

Half year **statutory net profit** after tax[2] attributable to equity holders of the Company of $48.7 million, was 15% down on the $57.1 million recorded in the six months to September 2015.

Revenue of $672 million was down 5.6% on the $712 million recorded in H12016. The decrease in revenue was mainly due to the $38.9 million (45%) fall in revenue experienced by the Oil and Gas businesses, which suffered from continued reduced activity and pricing pressures in the markets served.

The Oil and Gas business recorded an underlying loss for the six months to September 2016 of $13.3 million, significantly worse than the underlying loss of $0.3 million in the September 2015 half.

In light of the deteriorating oil price and ongoing challenges in global Oil & Gas markets, the Company has undertaken a strategic review of the sector and ALS' commitment to providing a broad range of technical services to that sector. That review has resulted in the Board taking a decision to divest ALS' Oil & Gas businesses excluding the Oil & Gas laboratory operations. To assist in this matter ALS has appointed Houston based investment bankers and advisers Simmons and Company, Energy Specialists of Piper Jaffray. Options are currently being considered. The Company intends to keep the Oil & Gas laboratory operations, including the Houston laboratory commissioned late last year. Whilst the laboratory operations are presently in a small loss making development phase, ALS is confident the innovative services being developed will see this business generate strong returns on invested capital in the near future.

1 attributable to equity holders of the Company, and excluding restructuring and other one-off items and amortisation of acquired intangibles
2 including restructuring and other one-off items and amortisation of acquired intangibles

The Chairman, Bruce Phillips said that "whilst the Company has made considerable progress in developing a balanced portfolio, the first half result reflected the ongoing commodity price uncertainty impacting companies exposed to the global resources sector".

"The decision to exit the broader oil and gas sector is in line with the Company's strategy to commit its resources to grow its core businesses, particularly in the Life Sciences sector where it has more of a strategic advantage and market- leading positions." Mr Phillips said.

Interim Dividend

Directors have declared an interim dividend of 5.5 cents per share partly franked to 60% payable on all ordinary shares (H1FY16: 7.5 cents, partly franked to 25%). This is in line with the Board's policy of paying out approximately 50% of underlying NPAT in the current operating environment.

The Record Date for entitlement to the dividend will be 6 December 2016, and will be paid on Wednesday 21 December 2016. The dividend will include conduit foreign income of 2.2 cents per share. The Company's dividend reinvestment plan (DRP) will operate for the interim dividend at no discount to the five-day VWAP from 8th to 14th December 2016, following the last DRP election date of the 7th December. New DRP Shares to be allotted will be purchased on-market.

Overview of H1FY17 Result

Commenting on the half year result, Managing Director, Greg Kilmister said that the Life Sciences businesses delivered a small improvement in revenue at a slightly reduced profit margin compared with the previous corresponding period, while the Commodities businesses (incorporating Geochemistry, Metallurgy, Inspection and Coal) were flat with the improved geochemistry sample flow being offset by small profit reductions in the coal, metallurgy and inspection businesses.

The Company's underlying financial performance by division for the half year to 30 September 2016 is summarised as follows:

Interim Financial Results	**Revenue**			**Underlying EBIT**		
In millions of AUD	**H1FY17**	**H1FY16**	**+/-**	**H1FY17**	**H1FY16**	**+/-**
Life Sciences	321.0	317.7	+1.0%	55.6	58.7	-5.3%
Commodities (inc Minerals & Coal)	203.9	213.7	-4.6%	39.8	39.7	+0.3%
Industrial	99.8	94.5	+5.6%	14.5	13.5	+7.4%
Oil & Gas	47.3	86.2	-45.1%	(13.3)	(0.3)	n/a
Total segments	672.0	712.1	**-5.6%**	96.6	111.6	**-13.4%**
Net financial costs				(14.1)	(17.2)	
Foreign exchange gains				1.3	4.4	
Other corporate expenses				(10.2)	(9.4)	
Income tax expense				(21.9)	(26.2)	
Net profit attributable to minority interests				(0.3)	(1.3)	
Underlying * net profit after tax				**51.4**	**61.9**	**-17.0%**

* *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 Life Sciences businesses delivered a relatively flat revenue performance, however difficult market conditions and internal issues in North and South America resulted in underlying contribution falling by 5.3%.

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 26%. Difficulties were experienced in the Canadian and South American environmental operations – both businesses were impacted by weakness in the resources industry (mining, oil and gas) and by internal management issues. Improvements are expected in these locations during the second half of the financial year through a combination of organisational restructures and winning new business contracts.

ALS' global food and pharmaceutical testing business achieved organic revenue growth of 9% compared with the pcp. This business stream delivered strong growth in the United Kingdom, Ireland and South America which contributed to improvements in underlying contribution margins. The fledgling consumer testing and electronics businesses both recorded growth in revenue and underlying earnings, as the Group's presence in these sectors continues to expand.

Commodities (incorporating Minerals and Coal)

ALS' Commodities businesses recorded a steady performance over the half year, characterised by productivity and efficiency initiatives and increasing sample flow into the Geochemistry business stream.

Sample volumes processed by the Geochemistry business trended up throughout the half underpinned by both market share growth and increasing activity. Sample flow was 13% higher than the pcp which translated into a 15% improvement in operating profit and a 200 basis points lift in underlying business unit operating margin to 23.2%. Whilst cost management remains a focus for the Geochemistry business, the emphasis is shifting toward productivity and the timely injection of human and capital resources to service increasing workloads.

While competitive pricing and reduced activity in the exploration and resource definition sectors of the coal market continue to pressure the ALS Coal business unit, the Superintending service line has maintained consistent work volumes. Overall Coal business stream revenue was down 10% on the pcp, however excellent cost base management and productivity initiatives underpinned improved profitability with the underlying EBIT margin improving by 76bps. Recent strong increases in both coking and thermal coal prices are expected to result in growth in exploration and resource definition activity, enabling the business to benefit from these productivity initiatives.

First half revenue for the Metallurgy business was down as a result of a reduced large scale piloting activities, the flow-on of which impacted profitability. As with Geochemistry, activity in the Metallurgy business stream improved in the second quarter of the half year - particularly in Australia, and that momentum has continued through October and November of this year.

Oil & Gas

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 revenue and underlying contribution falling $38.9 million and $13.0 million respectively compared with the pcp.

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 its strategy of “bidding to win” has seen a slight improvement in revenue over the second quarter of FY17.

As noted earlier, the Board has decided to divest the majority of its assets in the Oil & Gas technical services sector.

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 falling activity levels in the downstream oil and gas sector. US management has responded by focusing attention on business development efforts and cost base adjustments.

The Tribology business continues to yield strong profitability, with underlying contribution margin remaining above 24%.

Acquisitions

In November 2015, ALS undertook a Capital Raising in part to provide funding for acquisitions in the non-cyclical sectors of its businesses.

Tomorrow, the Company expects to settle the acquisition of ALcontrol UK Limited. ALcontrol UK provides food and environmental analytical services in the United Kingdom; employing 650 staff and with revenues of $49 million. The acquisition will be fully integrated into ALS' existing hub and spoke service model in the UK and once fully integrated is expected to deliver in excess of $10 million in EBITDA per annum and position ALS as the largest provider of both food and environmental/water services in the region.

ALS has completed the acquisition of EMICAL a food safety laboratory in Colombia as part of its 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 are one of the largest food manufacturers in the United Kingdom and have taken a decision to divest and outsource their 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.

The company is also in exclusive final acquisition negotiations or due diligence with food safety laboratories in the USA, Italy, Turkey, Spain, Poland and Brazil, as well as acquisitions in the tribology sector in North and South America.

If as is expected, all acquisitions are completed by March 2017, then the Company will have invested $122 million to generate $130 million in revenue and $19 million in EBITDA in the first year following integrations.

Mr Kilmister stated, "The Company has always taken a disciplined approach to both the strategic benefit and the initial valuation of any acquisition. 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 will have exceeded our initial revenue target for our Food Safety business of $200 million per annum."

Outlook for the Second Half

The underlying fundamentals around most ALS business streams continue to improve and it is expected that the Company will have a much stronger second half than the second half of last year.

ALS will continue to pursue its multi-year strategy of growing non-cyclical business streams to provide reliable underlying earnings as well as maintain geographical scale and market position in cyclicals to provide leverage and outperformance as the cycle turns to growth. The Company remains focused on pursuing growth opportunities in all its business streams, and whilst market conditions are improving, the Company will not take its focus off ensuring as low a cost base as is possible.

Sample flows into ALS' geochemical laboratories continue to increase, with financial year to date sample volumes at the end of October being up 16% compared to last year. Importantly that growth has been seen across Australia, Eastern Canada, West Africa and more recently South America, although to date the growth has favored brown field over green field activities. The growth is expected to continue as markets move from the bottom of the cycle and green field exploration is expected to recover more strongly. Some early signs of recovery in the metallurgical sector have also been seen over more recent months.

Activity levels in Mineral Inspection, Coal, Asset Care and Tribology businesses are expected to be similar to the second half last year.

The Food business is expected to maintain the growth seen over more recent years and the Environmental business is expected to outperform what was a poorer performance in the second half of last year.

Group after tax underlying profit in the second half of the current financial year excluding Oil & Gas is expected to be in the range of $50 to $60 million based on current market trends and subject to no material changes in the operating or economic environment, compared to $49.3 million last year on a like for like basis.

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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.