

24 November 2014

ALS interim result ahead of guidance

ALS Limited (ASX Code: ALQ) today announced an **underlying net profit** after tax* of **\$67.7 million** for the half year ended 30 September 2014.

The result was ahead of guidance of \$64.0 million provided to the market on 22 September 2014 and is 33% behind the \$100.8 million underlying net profit of the previous corresponding period (PCP).

Half year **statutory net profit** after tax attributable to equity holders of the Company (including amortisation of acquired intangibles, restructuring and related costs, divestment write-downs and acquisition costs) was \$58.4 million, down 40% on the \$97.7 million recorded in the half year to September 2013.

Revenue of \$769.1 million was up 3% on the \$744.7 million recorded in the PCP, however reduced mineral exploration activity, pricing pressure and a changing revenue mix for the Group resulted in a lower overall profit margin.

ALS Chairman, Nerolie Withnall, said that trading during the period was impacted by continuing tight market conditions in all sectors.

“ALS Minerals experienced a 22% reduction in revenue compared with the September 2013 half with all geographic regions being affected.”

“All other ALS testing and inspection services divisions recorded revenue increases over the corresponding period last year. Pricing pressure for coal services and internal issues with parts of the Oil & Gas business led to ALS Energy’s underlying contribution margin falling from 25% to 11%.”

“The Group remains focused on cost management and right-sizing the businesses for the current market. This, together with the ongoing development and integration of the Oil & Gas business stream within ALS Energy, positions the Company strongly for future growth as markets recover.”

The Company divested its hospitality supplies business, Reward Distribution on 31 October 2014, generating approximately \$22 million in proceeds for the Group.

Interim Dividend

Directors have declared a partly franked (10%) interim dividend of 11.0 cents per share payable on all ordinary shares (2013: 19 cents, partly franked to 50%). It will be paid on 19 December 2014 on all shares registered in the Company’s register at the close of business on 4 December 2014. The Company’s dividend reinvestment plan will operate for the interim dividend at a 5.0% discount to market price. The Company noted that franking will likely increase to 30% partly franked for the final dividend for the current financial year.

* attributable to equity holders of the Company, and excluding amortisation of acquired intangibles, restructuring and related costs, divestment write-downs and acquisition costs

Results of each of the Company's business segments for the half year were:

Financial Results	Revenue			Underlying Contribution		
	H1FY15	H1FY14	+ / -	H1FY15	H1FY14	+ / -
<i>In millions of AUD</i>						
ALS Minerals	182.0	232.1	-21.6%	36.1	63.9	-43.5%
ALS Life Sciences	276.1	272.3	+1.4%	50.8	54.3	-6.4%
ALS Energy	152.3	90.9	+67.5%	17.3	23.0	-24.8%
ALS Industrial	99.9	89.3	+11.9%	16.6	13.7	+21.2%
Reward Distribution*	58.8	60.1	-2.2%	1.3	1.3	-
Total segments	769.1	744.7	+3.3 %	122.1	156.2	-21.8%
Net finance expense				(16.6)	(9.7)	
Foreign exchange gains				0.8	3.8	
Other corporate expenses				(12.6)	(11.9)	
Income tax expense				(25.1)	(36.6)	
Net profit attributable to minority interests				(0.9)	(1.0)	
Underlying ** net profit after tax				67.7	100.8	-32.8%

* Discontinued operations - Reward Distribution segment was divested on 31 October 2014.

** Attributable to equity holders of the Company, and excluding amortisation of intangibles, restructuring & related costs, acquisition costs and write-down of discontinued operations.

Divisional Performance

ALS Managing Director, Greg Kilmister commented on each division's performance for the half year ended 30 September 2014.

ALS Minerals experienced a further reduction in sample volumes during the period, in line with the fall in global exploration market expenditure. Geochemistry contribution margin fell to 22% as a percentage of revenue. Whilst this is below its target range, the business has maintained its focus on cost management and ensuring its facilities are well-equipped to manage work flow increases when market activity improves.

Two mine site laboratories were commissioned during the half year - providing "late stage" services to clients. Revenue from the Metallurgy business was down 20% on the PCP.

Sample flows in **ALS Life Sciences** increased over the PCP, however pricing pressure, particularly in Australia and Canada, resulted in revenue remaining flat. Average prices for environmental services in Australia have declined by 10 percent over the past 12 months. Upgraded and new environmental facilities recently established in Brazil, Chile, Peru, China and Indonesia will provide additional capacity for new project work.

Cost management initiatives are expected to result in improved margin performance in the second half. Development of ALS's global food and pharmaceutical testing business continues with the completion of new laboratories in England and Denmark together with implementation of its Laboratory Information Management System (LIMS) and client portal.

Whilst revenue in **ALS Energy** was 68% ahead of the PCP, segment contribution was lower than achieved last year. This was due to lower volumes and reduced pricing in the coal business, and market changes and internal issues in the Oil and Gas business stream.

A series of restructuring and refocusing initiatives were commenced in ALS Oil and Gas in the later months of the half-year. These include the centralisation of management in Houston Texas, the relocation and rationalisation of a number of operational sites and an accelerated integration of business processes within the broader ALS Group. Revised strategic development plans have been prepared and are currently being implemented for all components of the business. These initiatives will start delivering benefits prior to the end of the current financial year.

ALS Industrial achieved increased revenue and contribution from both the Asset Care and Tribology business streams. In the Asset Care business, peak Gladstone LNG construction and a strong first quarter outage program offset declining demand for services in the welding and fabrication sector. The Tribology business continued to grow profitably with revenue increasing 20% compared with the PCP. The Oilcheck and AIT acquisitions, made in October 2013, both contributed strongly to the result.

Outlook

Mr Kilmister said the Board once again did not intend to provide specific profit guidance for the full year to 31 March 2015, but has provided some comments around the third and fourth quarters of the ALS financial year.

"After tax group net profit for the December 2014 quarter is expected to be approximately \$40 million. This represents an improvement in performance over each of the first two quarters (\$30.0 million and \$37.7 million) of the current financial year.

The fourth quarter however remains difficult to forecast. The fourth quarter is the off season for global mineral exploration, and environmental activity in the northern hemisphere is reduced during the northern winter. Offsetting this, ALS expects to see the benefits of the restructuring and cost control initiatives undertaken during more recent months.

The Company also expects a better performance from its Oil & Gas businesses following the strategic review completed in October, as those plans are progressively executed. However, because of the ongoing volatility in end markets for the Company's services, we see it prudent not to provide full year guidance until markets settle into a more normal pattern."



“Overall, we remain confident that our current end market strategies, operating model, and focus on cost management and pursuing market share, position the Company for future growth.”

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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.