30 May 2016

ALS FY2016 result underpinned by strong Life Sciences performance

Final dividend 6.0 cents per share

ALS Limited (**ASX Code: ALQ**) today announced an underlying net profit after tax[1] of $99.5 million for the year ended 31 March 2016.

Revenue from continuing operations of $1,365 million was down 4% on the $1,422 million recorded in FY2015. Revenue and Operating Profit in the Company's largest division, Life Sciences, reached record highs. However the Company's resources facing businesses continued to be impacted by lower pricing and volumes. Underlying EBIT was 19.9% lower than FY2015 driven primarily by ongoing volatility in the commodity and Oil & Gas end markets that adversely impacted the results of the Minerals and Energy divisions.

Underlying NPAT was $99.5 million and the FY2016 statutory result was a net loss after tax[2] attributable to equity holders of the Company of $240.7 million. The statutory loss was primarily due to non-cash impairment charges of $314.0 million after tax against the Company's oil and gas investments, consistent with the disclosure provided to the market on 29 February 2016.

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

Dividend

Directors have declared a final partly franked (40%) dividend for the year of 6.0 cents per share on the increased share base following the entitlements issue of ordinary shares in December 2015 (2015: 10.0 cents, 25% franked). Together with the interim dividend of 7.5 cents per share (25% franked) the total partly franked dividend for the year will be 13.5 cents per share (2015: 21.0 cents).

The Record Date for entitlement to the dividend will be 9 June 2016, expected to be paid on Friday 1 July 2016. The dividend will include conduit foreign income of 3.6 cents per share. The Company's dividend reinvestment plan (DRP) will not operate for the final 2016 dividend.

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

Overview of FY2016 Result

The Chairman, Nerolie Withnall said that whilst the Company has made considerable progress in developing a balanced portfolio the FY2016 result reflected the ongoing commodity price uncertainty impacting a number of companies and sectors globally.

Commenting on the full year result, Managing Director, Greg Kilmister said that the Life Sciences Division was successful in growing revenue in all regions as a result of consistent investment and market share growth. The Industrial Division was relatively stable through the year, with the Tribology business growing strongly in line with previous years and the Australian Asset Care business being impacted by the unwinding of CAPEX projects in the resources sector partially offset by OPEX related activity in the sector remaining strong. ALS's Minerals and Energy Divisions were faced with further reductions in exploration and development activity coupled with aggressive cost cutting initiatives from producers, leading to a lower overall profit margin for the Company.

The Company's underlying financial performance by division for the year to 31 March 2016 is summarised as follows:

Financial Results	**Revenue**			**Underlying EBIT**		
In millions of AUD	**FY16**	**FY15**	**+/-**	**FY16**	**FY15**	**+/-**
Life Sciences	633.5	557.4	+13.7%	110.0	98.1	+12.1%
Minerals	343.0	367.4	-6.6%	59.1	73.4	-19.5%
Energy	202.8	307.4	-34.0%	(8.3)	36.9	-122.5%
Industrial	185.6	190.0	-2.3%	25.1	28.3	-11.3%
Reward Distribution **	-	70.5	n/a	-	1.3	n/a
Total segments	**1,364.9**	**1,492.7**	**-8.6%**	**185.9**	**238.0**	**-21.9%**
Net financial costs				(34.5)	(33.1)	
Foreign exchange gains				4.2	5.9	
Other corporate expenses				(12.2)	(20.6)	
Income tax expense				(42.9)	(53.0)	
Net profit attributable to minority interests				(1.0)	(1.8)	
Underlying * net profit after tax				**99.5**	**135.4**	**-26.5%**

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

*** The Reward Distribution business was divested in October 2014.*

Divisional overview

Life Sciences

The Life Sciences Division now accounts for 46% of ALS revenue and was successful in growing revenue in all regions, which is consistent with the multiyear trend in the division. The majority of these gains came from market share growth, confirming ALS' position as the world's premier provider of environmental analytical services. Global revenue increased by

14% compared to the previous year and underlying EBIT increased by 12%. Aggressive execution of growth plans and a competitive pricing environment led to a small contraction in underlying EBIT margin to 17.4%. Significant revenue gains were delivered by both the Environmental and Food/Pharmaceutical business units, particularly in the regions of Europe, Asia and South America.

The ALS Food & Pharmaceutical business delivered strong growth in revenue and earnings in mainland Europe with ControlVet, acquired in Portugal in April 2015, contributing significantly to improved performance in the region. The business was integrated successfully during the year and will provide the platform for future organic and acquired growth across mainland Europe. Continued organic growth in UK/Ireland reflected a focus on developing brand recognition, whilst small acquisitions were made in Eastern Europe and the Nordic region. Organic revenue growth in Life Sciences in the Nordic Region was 9.0%, whilst revenue in the UK and Ireland environmental business grew organically by 34.3% resulting in a 690bps improvement in operating margin. Whilst still below ALS margin expectation, the improvement maintains the previous year's momentum.

ALS Life Sciences continues to build on its capabilities to provide clients with a broad range of solutions and services, delivered with the superior turnaround time and quality which has underpinned ALS' reputation. Development of ALS' 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. ALS achieved revenue growth of 34.0% for the year in its Food/Pharma business stream.

Minerals

The Minerals Division proved resilient through the first half of the year, however the impacts of faltering Chinese metal demand and ongoing reduction in global exploration expenditure impacted second half performance. The division was able to respond by calibrating its cost base to move in line with declining volumes and revenues, demonstrating the flexible nature of its operating model. When combined with service optimisation and strategic business development, this allowed the business to deliver sound profit margins.

Whilst global exploration fell by 19% in CY2015 compared to CY2014, ALS geochemical sample volume was down by only 2% for the same period, driven by market share growth and regional exits by smaller competitors. Importantly, trends are showing signs of improvement with year to date sample volume in CY2016 ahead of both the previous two years. Cost control remained a priority for Geochemistry and while prices per unit of sales declined, the underlying operating margin remained in excess of 19%. The Company maintained its geochemistry footprint and coupled with its significant market share is well positioned to leverage the upturn in the cycle.

The Minerals Inspection business unit recorded both revenue and EBIT growth achieving the strongest margins in the Division. The UK global hub operation processed record sample numbers and is recognised for its quality, reliability, competitive turnaround time, and strong technical performance. Capital investment together with increased headcount and shift pattern optimisation were instituted in this business in order to keep pace with sample volumes and maintain service levels.

Energy

Over the course of FY2016 the oil and gas sector and oilfield services in particular have continued to be affected by the ongoing decline in global oil prices: from US$55 per barrel at 31 March 2015, Brent Crude fell to US$48 at 30 September 2015 and US$40 at 31 March 2016 (after reaching a low for the current downturn of US$29 per barrel in January 2016). The resultant collapse of industry activity levels and global uncertainty surrounding oil price expectations has led the Company to recognise a significant non-cash impairment against the carrying value of its oil and gas investments. The impairment is in line with the disclosure made to the market on 29th February this year.

The global oil and gas industry has suffered a reduction of approximately 36% in the number of operational rigs and wells over the course of calendar 2015, leading to a fall of 30% or US$100 billion in global drilling expenditure over that period. ALS' Oil and Gas business stream was severely affected by these market conditions with revenue and underlying contribution falling $101 million and $44 million respectively in FY2016 compared with the previous financial year.

While ALS Oil & Gas continues to experience project delays and cancellations across its business lines, it is concentrating on "bidding to win" in the current price-driven environment to build additional market share by taking advantage of the shrinking pool of service suppliers. The major hub laboratory in Houston was opened in November 2015 and is focussed on promoting its market-leading technologies such as hyperspectral imaging. At the same time ALS is undertaking a critical evaluation of all components of its Oil & Gas operations to ensure the business is matched to the current environment. A major element of the review is to reset the underlying cost base including the closure of some facilities and the complete exit of some markets where recovery is not expected in the short to mid term. In response to the declining activity in the Oil & Gas sector, ALS has already reduced headcount in this business stream from 859 in April 2015 to 578 in April 2016.

Difficult market conditions in the energy industry extended to the Coal sector which experienced a number of mine closures and an effective halt on exploration activities and therefore bore core testing programs. Excluding the Canadian operation which was closed during the year, ALS Coal's revenue fell just 1.6% during FY2016 and was able to achieve an underlying EBIT margin of 15%. As a positive for ALS, strong production and export volumes supported the Australian based ALS Coal Superintending business. The Australian region which contributes 93% of ALS' global coal revenue retained market share in the order of 60%, across all service lines – exploration, production and superintending. The Company withdrew from the Canadian coal market during the year, closing the Richmond laboratory in British Columbia as a result of a very poor outlook for the industry in that region.

Industrial

Industrial Division revenue fell slightly during the year primarily in the Australian Asset Care operations which were impacted by the continued contraction of capital expenditure across the energy and resources sectors. The Tribology business was successful in delivering year-on-year growth in revenue and operating profit margins in all regions.

The Asset Care business witnessed further weakening in the Australian energy and resources industries as mining, power and oil & gas sectors maintained their focus on cost management and project deferral. However, ALS Asset Care's involvement at the Wheatstone project in Western Australia ramped up and is expected to continue through FY2017. LNG plant maintenance-related work continued to be performed for APLNG and QCLNG and the business also secured an important maintenance contract with Chevron covering operating assets in Western Australia. While ALS' presence in the North American Asset Care market is in its infancy, the business delivered very strong organic growth from a small base during the year. This will be boosted further by the acquisition of Maverick Testing in Texas, USA in February 2016. The business provides materials engineering, welder qualification and mechanical testing services predominantly to the downstream oil & gas and petrochemical industries in the Gulf Coast of the USA. Since acquiring Maverick, ALS has established a similar business in Lake Charles, Louisiana to access an additional part of the downstream Oil & Gas sector across the Gulf States.

The Tribology business delivered revenue and EBIT growth in all three markets – North America, Australia and South America. North American growth came from increased revenue from major accounts, specialist testing and an increase in market share. A well-managed capital upgrade program is continuing to positively impact both turnaround time and quality. Australian performance was underpinned by operational efficiencies and a diverse revenue mix, offsetting price pressure in the mining sector. In September 2015, ALS acquired 51% of Tribolab in São Paulo, Brazil. Tribolab provides an opportunity to better serve and expand testing services to clients in Brazil. Implementation of the new generation global WebTrieve™ was rolled out to clients in FY2016. A new industry leading mobile app is expected to be made available to clients later this year.

Outlook for FY2017

The Company is confident that the quality of its platform, its operating model, and its strategic focus, will see it continue to increase its client penetration and market share despite the challenges of current conditions.

The Company continues 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 in Europe and North America. ALS expects that Life Sciences contribution to the overall business will continue to increase at a strong pace, with revenues growing in the high single digit percentage through the next few years.

ALS Minerals is focused on growing organically in the Inspection service sector by delivering quality, innovation and value to new and existing clients. The resilience that the Division exhibited in FY2016 is expected to improve margins in spite of market conditions. Ongoing market share growth through technology leadership, quality, and innovative service delivery remains a firm objective. The business remains well positioned to leverage the upturn in the cycle.

The Energy operations are undergoing a critical evaluation of all components to ensure the business is matched to the current environment. A major element of the review is to rebase the operating model to reduce the cost base to sustainable levels. The objective is to get the Oil & Gas business to a breakeven point by September this year under current very poor market conditions. The Company expects short to mid-term market conditions to remain challenging and unpredictable until the oil price stabilizes.

Australian market conditions for ALS Industrial are expected to remain flat. Market share growth is the priority focus in the mining and Oil & Gas maintenance sectors. In North America, revenue growth is expected in the context of robust downstream Oil & Gas and petrochemical sectors. The Industrial Division is strongly focused on business development and is well positioned to increase market share.

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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 where it can take a leadership position.

APPENDIX

2016 $m	Continuing operations	Discontinued operations	**Underlying operating result (1)**	Impairment charges	Restructuring & other one-off items (1)	Amortisation of intangibles	**Statutory result**
Revenue	1,364.9	-	**1,364.9**	-	-	-	**1,364.9**
EBITDA (2)	264.3	-	**264.3**	-	(13.9)	-	**250.4**
Impairments (2)	-	-	-	(317.9)	-	-	**(317.9)**
Depreciation & amortisation	(86.4)	-	**(86.4)**	-	-	(15.2)	**(101.6)**
EBIT (2)	177.9	-	**177.9**	(317.9)	(13.9)	(15.2)	**(169.1)**
Interest expense	(34.5)	-	**(34.5)**	-	-	-	**(34.5)**
Tax expense	(42.9)	-	**(42.9)**	3.9	2.9	-	**(36.1)**
	100.5	-	**100.5**	(314.0)	(11.0)	(15.2)	**(239.7)**
Non-controlling interests	(1.0)	-	**(1.0)**	-	-	-	**(1.0)**
Net profit / (loss) after tax (NPAT)	99.5	-	**99.5**	(314.0)	(11.0)	(15.2)	**(240.7)**
Basic EPS (cents)			**21.7**				**(52.5)**
Diluted EPS (cents)			**21.7**				**(52.5)**

2015 $m	Continuing operations	Discontinued operations	**Underlying operating result (1)**	Impairment charges (3)	Restructuring & other one-off items (1)	Amortisation of intangibles	**Statutory result**
Revenue	1,422.2	70.5	**1,492.7**	-	-	-	**1,492.7**
EBITDA (2)	305.4	1.6	**307.0**	-	(6.8)	-	**300.2**
Impairments (3)	-	-	-	(292.1)	-	-	**(292.1)**
Depreciation & amortisation	(83.4)	(0.3)	**(83.7)**	-	-	(12.1)	**(95.8)**
EBIT (2)	222.0	1.3	**223.3**	(292.1)	(6.8)	(12.1)	**(87.7)**
Interest expense	(33.1)	-	**(33.1)**	-	-	-	**(33.1)**
Tax expense	(52.6)	(0.4)	**(53.0)**	1.5	(0.4)	-	**(51.9)**
	136.3	0.9	**137.2**	(290.6)	(7.2)	(12.1)	**(172.7)**
Non-controlling interests	(1.6)	(0.2)	**(1.8)**	-	-	-	**(1.8)**
Net profit / (loss) after tax (NPAT)	134.7	0.7	**135.4**	(290.6)	(7.2)	(12.1)	**(174.5)**
Basic EPS (cents)			**31.9**				**(41.1)**
Diluted EPS (cents)			**31.9**				**(41.1)**

(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 Company from period to period. The calculations thereof are based on non-IFRS information and are unaudited.

(2) 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 Company'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) Impairment charges in FY2015 include a divestment loss and relate to both continuing and discontinued operations.