

29 February 2016

ALS announces debt reduction and likely impairment of oil and gas intangibles

- **ALS Limited (ASX Code: ALQ)** advises that in the period since its equity raising in December 2015 it has been successful in applying \$183 million of the \$317 million net proceeds raised to the repayment of short term and long term borrowings.
- The Company also advises that it is likely to incur a non-cash impairment charge of approximately \$330 million before tax in the current financial year ending 31 March 2016 in relation to intangible assets in its oil and gas services business. The impairment will have no impact on the Company's borrowing covenant levels or its ability to pay dividends.

Debt repayment

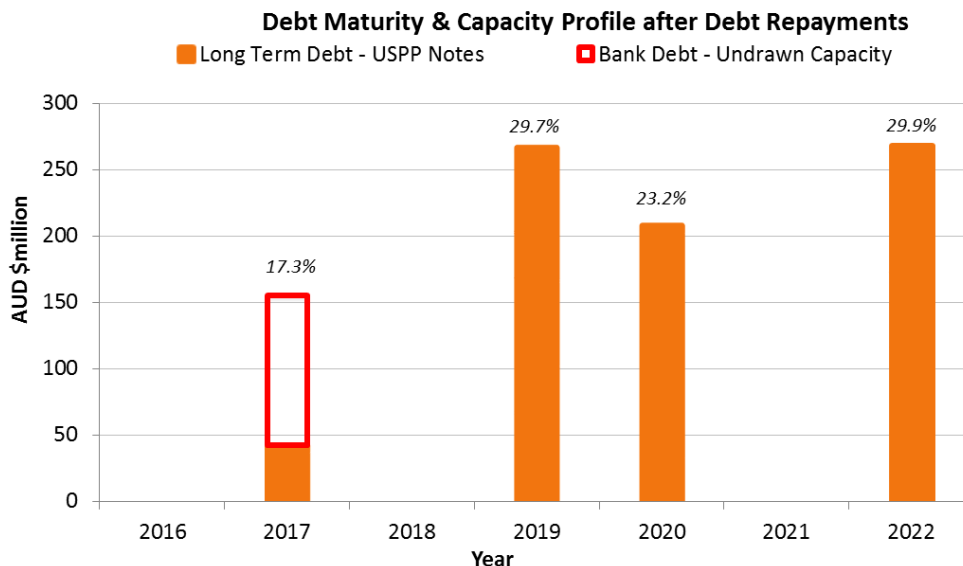
Repayments of debt have been made to both bank lenders (\$69 million in revolving bank debt) and US Private Placement investors (\$114 million in USPP notes). The negotiated redemptions of USPP notes, denominated in both US and Canadian dollars, were made on 24 February 2016 at the cost of a 1% premium to face value. Below is a summary of the amounts repaid.

	<u>Maturity</u>	<u>Amount repaid (AUD equivalent)</u>
Bank debt	October 2017	\$69 million
USPP notes	July 2019	\$36 million
USPP notes	December 2020	\$78 million

The Company's net debt stands at \$488 million following the repayments. The total debt reduction will save \$5.5 million in interest expense per annum.

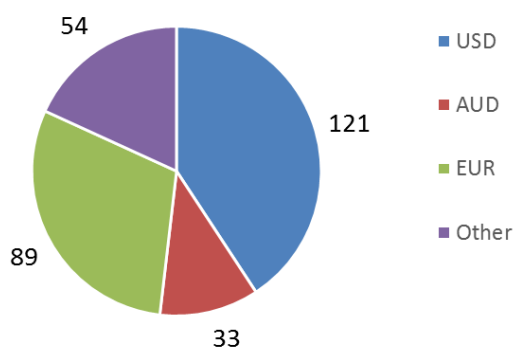
The balance of the proceeds from the equity raising has been placed on deposit and is available for pursuing growth opportunities primarily in Life Sciences, particularly in the food sector where ALS is in discussions with a select number of high quality bolt-on acquisition targets.

Further, in light of the availability of these funds the Company has reduced its committed bank debt facilities by USD160 million (AUD221.3 million) to USD80 million (AUD110.7 million) saving approximately \$1.3 million per annum in undrawn commitment fees. The current maturity profile of drawn and available debt facilities is depicted in the chart on the following page:



After making the repayments the Company’s cash holdings amount to \$297 million in AUD equivalent and are held in a number of major currencies as follows:

Cash Holdings by Currency in AUDm Equivalent



Likely impairment of oil and gas intangibles

As is the case for many companies in the oil and gas sector, ALS’ upstream oil and gas businesses continue to operate in a very challenging market where significantly reduced work volumes and prices are putting pressure on all service providers. The impairment testing to be conducted in finalising the March 2016 annual financial results will reflect this difficult trading environment and the expected depressed mid-term oil prices being forecast by commentators and analysts. Whilst ALS expects current restructuring activities will see



its Oil & Gas division generate a small profit in FY2017, the mid-term expected performance of the division will not likely support the carrying value of the intangibles in the division.

Subject to finalisation of year-end accounting and audit procedures, it is likely oil and gas intangible assets will be written down to nil, incurring a non-cash impairment charge of approximately \$330 million before tax. Any impairment charge will have no impact on the Company's borrowing covenant levels or its ability to pay dividends.

The Company's preliminary final results for the year ending 31 March 2016 (Appendix 4E) will be released to the market on 30 May 2016.

-ENDS-

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.