

16 July 2013

ALS announces acquisition of Reservoir Group and Earth Data

Highlights:

- ALS Limited (ASX: ALQ) (“ALS” or the “Company”) has agreed to acquire Reservoir Group (“Reservoir”) from SCF Partners, Reservoir management and other shareholders for a total consideration of approximately US\$533 million¹ (AU\$579 million²)
- Reservoir is a global provider of specialist oil and gas services and equipment with a portfolio of market leading brands, operational experience in over 60 countries and long-term relationships with national and international oil companies, independent oil companies and global service providers to the oil and gas industry
- The combined platform of Reservoir with ALS’ proven laboratory testing capabilities is expected to, over time, generate significant revenue synergies in a relatively fragmented and large market
- The Reservoir acquisition is expected to be EPS accretive in FY2014 (pre-synergies)³
- Separately, ALS has also agreed to acquire Earth Data Pty Ltd (“Earth Data”) for AU\$18 million. Earth Data is an Australian-based provider of niche sampling and analysis services to Australia's oil, gas and coal industries

Overview

ALS announces that it has entered into an agreement to acquire **Reservoir** for US\$533 million¹ (9.6x Reservoir’s FY2013 EBITDA⁴). The transaction follows extensive due diligence undertaken by ALS on Reservoir as a part of an exclusive sale process.

Reservoir is a global provider of specialist oil and gas services and equipment that assists with the evaluation, development and optimisation of oil and gas discoveries. Reservoir operates five segments: Coring (49% of Reservoir’s FY2013 revenue⁵); Laboratory Analysis (4% of Reservoir’s FY2013 revenue⁵); Surface Logging (28% of Reservoir’s FY2013 revenue⁵); Downhole Tools (4% of Reservoir’s FY2013 revenue⁵) and Specialist Well Services (15% of Reservoir’s FY2013 revenue⁵). Services and equipment provided by Reservoir assist with understanding, planning, accessing and optimising reservoir potential. Reservoir has a global presence with major hub operations in Aberdeen, Dubai, Houston and Edmonton, operational infrastructure in approximately 40 sites covering key oil and gas provinces and over 900 employees. The business enjoys long-term relationships with a strong customer

¹ Inclusive of Reservoir net debt as at 31 March 2013.

² Based on an AUD/USD exchange rate of 0.92.

³ EPS accretion is before earnings contribution from Earth Data and excludes any potential amortisation of identifiable intangibles acquired as part of Reservoir.

⁴ Reservoir’s EBITDA is for the twelve months ending 31 March 2013 and is unaudited and pro forma to exclude unusual items and reflect historical acquisitions and divestitures by Reservoir as if they had occurred on 1 April 2012.

base of national and international oil companies, independent oil companies and global service providers to the oil and gas industry.

The existing senior management team of Reservoir has committed to continue in the business and is rolling over approximately 50% of their equity in Reservoir into ALS shares, which will result in Reservoir senior management having a 1.5% pro forma shareholding in ALS. Multi-year conditional escrow arrangements have been put in place for the two largest management shareholders and retention bonuses have been agreed with all key Reservoir senior management.

Separately, ALS has also agreed to acquire **Earth Data** for approximately AU\$18 million. Earth Data is an Australian-based provider of gas sampling and analysis services to Australia's oil and gas industries, and safety monitoring sampling and analysis for fugitive emissions to Australian coal mines. Earth Data operates laboratories in Brisbane and the Hunter Valley, and employs approximately 60 staff.

Completion of the acquisitions of Reservoir and Earth Data are subject to limited conditions precedent and are both expected to complete by early August 2013. The acquisition of Reservoir is conditional on ALS securing U.S. antitrust approval and no material adverse change in Reservoir.

Financial Profile

In the year ended 31 March 2013, Reservoir generated:

- US\$223 million in revenue⁵;
- US\$55 million in EBITDA⁵; and
- US\$44 million in EBITA⁵.

The acquisition of Reservoir is expected to be EPS accretive to ALS in FY2014 (pre-synergies)⁶.

Strategic Rationale

The acquisitions of Reservoir and Earth Data are consistent with ALS' strategy to build an integrated global oil and gas solution, will significantly increase ALS' presence in upstream oil and gas services, and will increase the Company's exposure to attractive, high growth conventional and unconventional oil and gas end-markets.

Reservoir delivers ALS an immediate and significant presence in upstream oil and gas services focusing on technology-based evaluation, development and optimisation of hydrocarbon reservoirs. Reservoir has built a strong reputation of technology innovation and development in order to capture critical data throughout the oil and gas production life cycle: exploration, development, production, optimisation and abandonment.

ALS Managing Director and Chief Executive Officer, Greg Kilmister, said:

"Reservoir's specialist services and equipment deliver high margin, technical and patented niche solutions. The business holds a leading position in the global coring market and is the leading surface logging provider in North America."

"The acquisition will considerably broaden our capabilities in upstream oil and gas and will strongly complement our existing laboratory services. ALS will now be able to offer clients a

⁵ Revenue, EBITDA and EBITA for Reservoir are unaudited and pro forma to exclude unusual items and reflect historical acquisitions and divestitures by Reservoir as if they had occurred on 1 April 2012.

⁶ EPS accretion is before earnings contribution from Earth Data and excludes any potential amortisation of identifiable intangibles acquired as part of Reservoir.

more integrated end-to-end service, which will enhance our market position and ability to compete for incremental work across the hydrocarbon reservoir value chain.”

“Reservoir provides a portfolio of eight distinct diversified technical services to the global oil and gas markets, for both conventional and unconventional resources. The missing piece to Reservoir’s service offering is a strong capability in laboratory services. ALS brings that capability to the services suite and the combined businesses will provide a compelling offering. ALS intends to build at least three oil and gas hub laboratories, strategically placed to service the global market.”

Reservoir’s platform, combined with ALS’ proven laboratory testing capabilities, is expected to, over time, generate revenue synergies in a relatively fragmented and large market.

Operational Update

ALS expects that underlying net profit after tax for the half year ending 30 September 2013 will be in the range of AU\$95 million and AU\$105 million, including AU\$4-5 million from the acquisitions of Reservoir and Earth Data (net of transaction and additional funding costs)⁷. This represents a mid-point decrease of 26% on the record underlying net profit after tax reported in H1 FY2013 and is in line with underlying net profit after tax reported in H1 FY2012 and H2 FY2013. Managing Director Greg Kilmister commented:

“Markets for the Company’s geochemical and coal services remain challenging, in an environment of falling commodity prices and a strong cost focus by most producers. Geochemical sample flows are down 33% YTD⁸ compared to the same period last year, with North America the most impacted as had been expected. EBIT margins however, remain in the targeted range as the Company takes advantage of the cost flexibility provided by its hub and spoke model.”

“Life Sciences YTD⁸ revenue is up 13% with encouraging signs of market conditions improving in the U.S. Coal YTD⁸ revenue is slightly down on last year in a market that continues to tighten and Industrial YTD⁸ revenue is slightly ahead of last year.”

This guidance assumes no material change in market activity levels and no material adverse events in ALS’ business activities for the remainder of first half FY2014.

-ENDS-

⁷ Excludes any potential amortisation of identifiable intangibles acquired as part of Reservoir and Earth Data.

⁸ YTD is the two months ended 31 May 2013.

APPENDIX

About Reservoir Group

Reservoir is a provider of coring, laboratory analysis, surface logging and specialist well services and a supplier of downhole tool products to the oil and gas industry. Reservoir was acquired in 2007 by U.S. private equity firm SCF Partners as part of a management buy-out from private equity firm 3i. Headquartered in Scotland, Reservoir has operational experience in over 60 countries through a number of individual operational brands including Corpro, Empirica, Kirk Petrophysics, Mudlogging Systems, Omega Well Monitoring, Wellvention, WellTools, and X Drilling Tools.

About Earth Data Pty Ltd

Earth Data is an Australian-based provider of gas sampling and analysis services to Australia's oil and gas industries, and safety monitoring sampling and analysis for fugitive emissions to Australian coal mines. Earth Data operates laboratories in Brisbane and the Hunter Valley, and employs approximately 60 staff.

Disclaimer

This announcement contains certain forward-looking statements. Forward-looking statements include those containing words such as “anticipate”, “believe”, “expect”, “project”, “forecast”, “estimate”, “likely”, “intend”, “should”, “could”, “may”, “target”, “plan”, “consider”, “foresee”, “aim”, “will” and other similar expressions. Any forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice and involve known and unknown risks and uncertainties and other factors which are beyond the control of ALS. This includes any statements about market and industry trends, which are based on interpretations of current market conditions. This announcement includes forward looking statements in relation to the acquisitions of Reservoir, Earth Data and ALS’ future financial results.

Actual results, performance or achievements may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. Readers are cautioned not to place undue reliance on forward-looking statements and ALS assumes no obligation to update such information.

This announcement includes unaudited financial information for Reservoir that has been extracted from Reservoir's management accounts and subjected to pro forma adjustments to reflect the effects of certain acquisitions and divestitures undertaken by Reservoir as if they had occurred on 1 April, 2012. Readers should note that this information has not been audited and is based on management accounts and not on financial statements prepared in accordance with applicable statutory requirements. In light of this basis of preparation, readers are cautioned not to place undue weight on this financial information. In addition, readers should note that none of the pro forma financial information included in this announcement purports to comply with Article 11 of Regulation S-X of the Rules of the U.S. Securities and Exchange Commission.

Certain financial data included in this announcement are ‘non-GAAP financial measures’ under Regulation G of the U.S. Securities Exchange Act of 1934, as amended. These measures include EBITDA, EBITA and underlying net profit after tax. The disclosure of such non-GAAP financial measures in the manner included in the announcement may not be permissible in a registration statement under the Securities Act. These non-GAAP financial measures do not have a standardised meaning prescribed by Australian Accounting



Standards and therefore may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Although ALS believes these non-GAAP financial measures provide useful information to users in measuring the financial performance and condition of its business, readers are cautioned not to place undue reliance on any non-GAAP financial measures included in this announcement.

This announcement contains forecast financial information which is based on measurement and recognition principles prescribed in Australian Accounting Standards which differ in certain respects from U.S. GAAP. The forecast financial information was not prepared with a view toward complying with the published guidelines of the U.S. Securities and Exchange Commission or guidelines established by the American Institute of Certified Public Accountants ("AICPA") with respect to the preparation and presentation of prospective financial information. The forecast financial information does not include presentation and disclosure of all information required by the AICPA guidelines on prospective or pro forma financial information. The forecast financial information may be materially different if it was prepared in accordance with U.S. GAAP. The forecast financial information is highly subjective and should not be relied upon as being necessarily indicative of future results. It has also not been audited.