

## Appendix 4D

### Sims Metal Management Limited ABN 69 114 838 630 Half Year Report

#### Results for announcement to the market

**Current period: Half year ended 31 December 2017**

Prior corresponding period: Half year ended 31 December 2016

<b>Results</b>				<b>A\$m</b>
Revenue from ordinary activities	Up	24.8%	to	2,981.8
Profit after tax attributable to members	Up	14.4%	to	91.5
Net profit for the period attributable to members	Up	14.4%	to	91.5

Dividends (A¢)	Cents per Security	% Franked per Security
2017 Final Dividend (paid 20 October 2017) (1)	20.0	100%
2017 Special Dividend (paid 20 October 2017) (1) (2)	10.0	0%
2018 Interim Dividend (1)	23.0	100%
Record date for interim dividend	14 March 2018	
Payment date for interim dividend	28 March 2018	
(1) The Board has determined that the dividend reinvestment plan will not operate in relation to this dividend.		
(2) The whole of the unfranked amount of the special dividend was declared to be conduit foreign income. As a result, the dividend paid to a non-resident was not subject to Australian withholding tax.		

<b>Net tangible assets (A\$)</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
Net tangible asset per security	9.28	8.76

For further explanation of the above figures, please refer to the Directors' Report and the consolidated financial report, press release and market presentations filed with the Australian Securities Exchange Limited ("ASX").

The remainder of the information required by Listing Rule 4.2A is contained in the attached additional information.

The accompanying half year financial report has been reviewed by Deloitte Touche Tohmatsu. A signed copy of their review report is included in the financial report.

## CONTENTS

	<u>Page</u>
<b>Directors' Report</b>	<b>1</b>
<b>Auditor's Independence Declaration</b>	<b>8</b>
<b>Consolidated Income Statements</b>	<b>9</b>
<b>Consolidated Statements of Comprehensive Income</b>	<b>10</b>
<b>Consolidated Statements of Financial Position</b>	<b>11</b>
<b>Consolidated Statements of Changes in Equity</b>	<b>12</b>
<b>Consolidated Statements of Cash Flows</b>	<b>13</b>
<b>Notes to the Consolidated Financial Report</b>	<b>14</b>
<b>Directors' Declaration</b>	<b>24</b>
<b>Independent Auditor's Review Report</b>	<b>25</b>

## DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (referred to hereafter as the “Group”) consisting of Sims Metal Management Limited (the “Company”) and the entities it controlled at the end of, or during, the half year ended 31 December 2017 (“HY18”).

### PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year comprised (1) the buying, processing and selling of ferrous and non-ferrous recycled metals and (2) the provision of environmentally responsible solutions for the disposal of post-consumer electronic products, including IT assets recycled for commercial customers. The Group offers fee-for-service business opportunities in the environmentally responsible recycling of negative value materials including electrical and electronic equipment. The Group’s principal activities remain unchanged from the previous financial year.

### DIRECTORS

The following persons listed below were Directors of the Company during the half year and up to the date of this report:

<u>Name</u>	<u>Title</u>
<b>Managing Director:</b>	
Alistair Field <sup>1</sup>	Managing Director and Group Chief Executive Officer
Galdino Claro <sup>3</sup>	Former Managing Director and Group Chief Executive Officer
<b>Non-Executive Directors:</b>	
Geoffrey N Brunson	Chairperson and Independent Non-Executive Director
Robert J Bass	Independent Non-Executive Director
John T DiLacqua <sup>2</sup>	Independent Non-Executive Director
Georgia Nelson <sup>2</sup>	Independent Non-Executive Director
Deborah O’Toole <sup>2</sup>	Independent Non-Executive Director
Heather Ridout <sup>2</sup>	Independent Non-Executive Director
Tamotsu Sato	Non-independent Non-Executive Director
James T Thompson	Independent Non-Executive Director

<sup>1</sup> Mr Field was appointed to the Board of Directors on 3 August 2017.

<sup>2</sup> Mr DiLacqua, Ms Nelson, Ms O’Toole and Mrs Ridout were re-elected as Independent Non-Executive Directors at the Company’s annual general meeting on 8 November 2017.

<sup>3</sup> Mr Claro resigned from the Board of Directors on 3 August 2017.

### OPERATING AND FINANCIAL REVIEW

#### Sensitivity to movements in foreign exchange rates

The principal currencies in which the Group’s subsidiaries conduct business are United States (“US”) dollars, Australian dollars (“A\$”), Euros, and British pounds sterling. Although the Group’s reporting currency is the Australian dollar, a significant portion of the Group’s sales and purchases are in currencies other than the Australian dollar. In addition, significant portions of the Group’s net assets are denominated in currencies other than the Australian dollar.

The Group’s consolidated financial position, results of operations and cash flows may be materially affected by movements in the exchange rate between the Australian dollar and the respective local currencies to which its subsidiaries are exposed.

Some of the results discussed below are presented on a “constant currency” basis, which means that the current period results are translated into Australian dollars using applicable exchange rates in the prior year comparable period. This allows for a relative performance comparison between the two periods before the translation impact of currency fluctuations.

Foreign exchange rates compared with the prior corresponding periods for the major currencies that affect the Group’s results are as follows:

	Average rate			Closing rate – as at		
	HY18	HY17	% Change	31 December 2017	30 June 2017	% Change
US dollar	0.7791	0.7536	3.4	0.7801	0.7686	1.5
Euro	0.6624	0.6872	(3.6)	0.6503	0.6729	(3.4)
Pounds sterling	0.5914	0.5905	0.2	0.5773	0.5901	(2.2)

## Summary

Sales revenue of A\$2,977.0 million in HY18 was up 24.8% compared to sales revenue of A\$2,384.7 million in the half year ended 31 December 2016 (“HY17”). At constant currency, sales revenue was up 26.9% to A\$3,026.3 million due to higher average sales prices and higher sales volumes. Sales volumes were 4.8 million tonnes in HY18 versus 4.4 million tonnes in HY17.

Statutory net profit after tax (“NPAT”) in HY18 was A\$91.5 million. Underlying NPAT was A\$81.3 million in HY18 compared to A\$60.0 million in HY17. See the *Reconciliation of Statutory Results to Underlying Results* included herein for more information.

Statutory earnings before interest, tax, depreciation and amortisation (“EBITDA”) in HY18 was A\$178.6 million compared to A\$153.3 million in HY17. Underlying EBITDA of A\$179.7 million was A\$46.8 million higher than HY17. The increase in underlying EBITDA was primarily due to higher operating income in the NAM and ANZ segments and higher income from joint ventures. This was partially offset by lower underlying EBITDA from the Europe Metals and Global E-Recycling segments. See further discussion below for results by operating segment.

Statutory diluted earnings per share was 44.8 cents in HY18 compared to 40.2 cents in HY17. Underlying diluted earnings per share was 39.8 cents in HY18 compared to 30.1 cents in HY17.

## External Operating Environment

Market conditions during HY18 continued to improve across both ferrous and non-ferrous markets. Increased global steel consumption and greater demand for high-grade steelmaking raw materials, particularly in China, has contributed to higher prices for ferrous scrap metal. East Coast US export ferrous heavy melting steel (“HMS”) prices improved 35%, while certain grades of busheling and bundled ferrous scrap increased an even greater 44% on average during HY18 over HY17<sup>1</sup>.

Strong demand for steel in China, in combination with a coordinated plan to close inefficient steel mill capacity, led steel export volumes to further decline. Steel exports from China, previously a significant headwind against ferrous scrap demand and prices, declined a further 31% during calendar year 2017<sup>2</sup>. This lower export of steel from China, particularly related to semi-finished steel production, has contributed to increased demand for ferrous scrap across electric arc furnace (“EAF”)-based steelmakers outside China.

Global demand for non-ferrous secondary metals also meaningfully improved during HY18. Prices for copper and aluminium rose by 31% and 23% respectively compared to HY17<sup>3</sup>.

<sup>1</sup> Source: American Metal Market (“AMM”)

<sup>2</sup> Source: Bloomberg

<sup>3</sup> Source: London Metals Exchange (“LME”)

Higher prices for ferrous and non-ferrous metals has further enhanced the economic incentive for secondary metal collection in all operating regions. Yet while volumes have improved moderately in the United States, collection rates remain at low levels relative to the long-term average.

*North American intake and demand is slowly improving*

Higher metal prices and improved demand both domestically and in export markets, motivated an increase in US secondary metal volumes over the past six month period. Total US export of ferrous scrap metal increased 20% in HY18 over the prior corresponding period<sup>4</sup>. Similarly, US exports of copper and aluminium scrap metals also rose during HY18, lifting 2% and 21% respectively over the prior year<sup>5</sup>. Overall, generation and collection of secondary metal in North America has shown signs of improvement, led by demand in export markets. On a trailing 12-month basis, at the end of October 2017, total US ferrous scrap collection volumes were 51 million tonnes<sup>6</sup>. While this is up slightly from recent lows, this remains down 28% since early 2012.

*Australian construction activity supporting domestic steel demand and production*

Sustained high levels of spending related to infrastructure and multi-residential construction continues to support strong domestic demand and production for steel in Australia. Correspondingly, this has stimulated robust demand for ferrous scrap from domestic steel mills. In addition to healthy domestic demand, export demand has improved since the start of 2017. Based on Australian customs statistics, the export of ferrous secondary metals increased approximately 10% in HY18 over the prior corresponding period. This early positive trend follows a period of declining exports from late-2015.

More broadly, business conditions in Australia appear positive, driven by strong public infrastructure spending. This is offset slightly by a softer outlook for household consumption, in part due to elevated rates of household debt constraining disposable income. While September quarter GDP growth slowed to 0.6%, from 0.9% in the June quarter, annual GDP growth remained healthy at 2.8%.

*United Kingdom (“UK”) metal recycling activity firm, despite slowing growth in broader economy*

The pace of economic growth in the UK economy has slowed to the lowest level since 2013, with annual GDP growth dropping to 1.5% in the December quarter of 2017. The decline primarily related to weakness earlier in the calendar year, with improved economic activity, particularly in the manufacturing sector, during the final six months of the year.

Compared to the US dollar, the pound sterling strengthened over the course of HY18, dampening some of the positive benefits for export material. This was offset by stronger demand for ferrous metal from domestic steel mills, where crude steel production has begun to increase. Relative to the prior corresponding period, UK crude steel production increased 5% during HY18<sup>7</sup>.

*Electronics recycling benefit from copper prices offset by lower material yields*

Copper and precious metals, including gold, comprise the two primary commodities recovered from the electronics recycling process. During HY18, the price of copper improved significantly lifting 31% over the prior corresponding period, while average gold prices held steady<sup>8</sup>. The benefit from improved commodity prices has been offset by lower material yields due to a lower composition of metals within end-of-life IT intake. This dynamic is an ongoing evolving process, and is expected to return into balance through normal intake pricing adjustment mechanisms.

Beyond commodity price movements, competitive and regulatory issues continue to be the primary driver for local market dynamics. In this regard, governmental sponsors and the regulatory environment for electronics recycling in the European Union, where the Group maintains the majority of its e-waste related operations, remain supportive advocates for the industry.

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<sup>4</sup> Source: US Census Bureau

<sup>5</sup> Source: US Commerce Department

<sup>6</sup> Source: US Geological Survey

<sup>7</sup> Source: World Steel Association

<sup>8</sup> Source: LME

## Segment Results

### North America Metals ("NAM")

A\$m	HY18	HY17	Variance %
Sales revenue	1,515.7	1,111.0	36.4
Underlying EBITDA	96.0	61.7	55.6
Underlying EBIT	65.0	30.7	111.7
Sales tonnes (millions)	3.059	2.735	11.8
Underlying EBIT margin	4.3%	2.8%	

Sales revenue for NAM of A\$1,515.7 million in HY18 was 36.4% higher compared to HY17. At constant currency, sales revenue was up 41.0% to A\$1,566.9 million compared to HY17. The increase was primarily due to higher average sales prices and an 11.8% increase in sales volumes.

Underlying EBIT was A\$65.0 million in HY18 compared to A\$30.7 million in HY17. At constant currency, underlying EBIT was A\$67.1 million. HY18 results for NAM were significantly better than HY17 due to higher average sales prices, sales volumes and income from joint ventures. On a constant currency basis, this led to a 21.3% improvement in metal margin. The increase in sales volumes also resulted in higher controllable costs, which increased 14.0% on a constant currency basis. In addition, on a constant currency basis, income from joint ventures was A\$16.5 million higher in HY18 compared to HY17.

### Australia New Zealand ("ANZ") Metals

A\$m	HY18	HY17	Variance %
Sales revenue	529.0	491.6	7.6
Underlying EBITDA	58.9	39.9	47.6
Underlying EBIT	44.2	25.9	70.7
Sales tonnes (millions)	0.891	0.862	3.4
Underlying EBIT margin	8.4%	5.3%	

Sales revenue for ANZ Metals of A\$529.0 million in HY18 was 7.6% higher compared to HY17. The increase was primarily due to higher average sales prices and a 3.4% increase in sales volumes.

Underlying EBIT of A\$44.2 million in HY18 was 70.7% higher compared to HY17. The impact of higher sales volumes and higher average sales prices led to a 20.8% increase in metal margin. This was partially offset by a 9.7% increase in controllable costs as a result of the increase in sales volumes.

### Europe Metals

A\$m	HY18	HY17	Variance %
Sales revenue	542.0	414.9	30.6
Underlying EBITDA	18.8	22.1	(14.9)
Underlying EBIT	12.6	15.8	(20.3)
Sales tonnes (millions)	0.811	0.763	6.3
Underlying EBIT margin	2.3%	3.8%	

Sales revenue for Europe Metals of A\$542.0 million in HY18 was 30.6% higher compared to HY17. At constant currency, sales revenue was up 30.8% to A\$542.7 million compared to HY17. The increase was primarily due to higher average sales prices and a 6.3% increase in sales volumes.

Underlying EBIT was A\$12.6 million in HY18 compared to A\$15.8 million in HY17. At constant currency, underlying EBIT was A\$12.7 million. The decrease in underlying EBIT was due to higher controllable costs, which increased 3.9% as a result of higher sales volumes.

#### *Global E-Recycling*

<b>A\$m</b>	<b>HY18</b>	<b>HY17</b>	<b>Variance %</b>
Sales revenue	365.0	353.9	3.1
Underlying EBITDA	10.6	15.4	(31.2)
Underlying EBIT	6.5	11.1	(41.4)
Underlying EBIT margin	1.8%	3.1%	

Sales revenue for Global E-Recycling of A\$365.0 million in HY18 was 3.1% higher compared to HY17. At constant currency, sales revenue was up 1.6% to A\$359.4 million compared to HY17.

Underlying EBIT was A\$6.5 million in HY18 compared to A\$11.1 million in HY17. At constant currency, underlying EBIT was A\$6.4 million. The lower profitability of Global E-Recycling in HY18 was primarily due to lower operating income from Continental Europe where, on a constant currency basis, metal margins declined by 13.5%. This was partially offset by higher operating income from the US where, on a constant currency basis, metal margins improved by 4.3% and controllable costs decreased by 4.0%.

#### **Reconciliation of Statutory Results to Underlying Results**

<b>A\$m</b>	<b>EBITDA<sup>1</sup></b>		<b>EBIT</b>		<b>NPAT</b>	
	<b>HY18</b>	<b>HY17</b>	<b>HY18</b>	<b>HY17</b>	<b>HY18</b>	<b>HY17</b>
Reported earnings	<b>178.6</b>	153.3	<b>122.4</b>	97.4	<b>91.5</b>	80.0
<b>Other significant items:</b>						
Reversal of impairment of property, plant and equipment	<b>(0.6)</b>	(2.3)	<b>(0.6)</b>	(2.3)	<b>(0.6)</b>	(1.8)
Net benefit related to lease settlements/onerosus leases	<b>(4.4)</b>	-	<b>(4.4)</b>	-	<b>(3.7)</b>	-
Redundancies	<b>5.4</b>	3.2	<b>5.4</b>	3.2	<b>3.4</b>	3.1
Gain on sale of property	-	(24.3)	-	(24.3)	-	(24.3)
Yard closure costs and dilapidation provisions	<b>0.7</b>	2.0	<b>0.7</b>	2.0	<b>0.5</b>	2.0
Other	-	1.0	-	1.0	-	1.0
Impact of US Tax Reform	-	-	-	-	<b>(9.8)</b>	-
<b>Underlying results<sup>2</sup></b>	<b><u>179.7</u></b>	<b><u>132.9</u></b>	<b><u>123.5</u></b>	<b><u>77.0</u></b>	<b><u>81.3</u></b>	<b><u>60.0</u></b>

<sup>1</sup> EBITDA is a measurement of non-conforming financial information. See table below that reconciles EBITDA to statutory net profit.

<sup>2</sup> Underlying result is a non-IFRS measure that is presented to provide an understanding of the underlying performance of the Group. The measure excludes the impacts of impairments, disposals as well as items that are subject to significant variability from one period to the next. The reconciling items above (before tax) have been extracted from the unaudited interim financial statements.

## Reconciliation of Statutory NPAT to EBITDA

A\$m	<u>HY18</u>	<u>HY17</u>
Statutory net profit after tax	91.5	80.0
Depreciation and amortisation	56.2	55.9
Interest expense, net	4.4	5.0
Income tax expense	26.5	12.4
Statutory EBITDA	<u>178.6</u>	<u>153.3</u>

## Cash flow and borrowings

Cash flow from operating activities of A\$131.2 million in HY18 increased by A\$17.2 million versus HY17 primarily from higher EBITDA. Capital expenditures were A\$84.7 million during HY18 compared to capital expenditures of A\$67.9 million in HY17. Capital expenditures during HY18 were primarily related to investments in NAM. The Group also generated A\$8.6 million of cash from the sale of property, plant and equipment and assets held for sale in HY18 versus A\$50.4 million of cash from the sale of property, plant and equipment and assets held for sale in HY17. During HY18, the Group paid cash dividends of A\$60.3 million compared to A\$23.7 million in HY17. Cash received from share option exercises was A\$24.2 million in HY18 compared to A\$2.5 million in HY17.

At 31 December 2017, the Group had a net cash position of A\$389.5 million compared to a net cash position of A\$373.0 million at 30 June 2017. The Group calculates net cash as cash balances less total borrowings and reflects total borrowings as if borrowings were reduced by cash balances as a pro forma measurement as follows:

A\$m	<u>As at 31 December 2017</u>	<u>As at 30 June 2017</u>
Total cash	393.9	378.5
Less: total borrowings	(4.4)	(5.5)
Net cash	<u>389.5</u>	<u>373.0</u>

## Strategic Developments

### *Near-term strategic priorities to accelerate internal investment in capital, people, and processes*

Over the next twelve months the Company's strategic priorities will be focused on five core deliverables: 1) accelerating internal investments in high-returning capital projects, 2) strengthening internal functions and processes, 3) focusing on investing in the people, culture, and leadership capabilities of the business, 4) establishing a culture of Continuous Improvement, and 5) developing a detailed plan for sustainable long-term growth. These objectives are designed to set the platform for future success, as the Company moves into the next stage of executing on its long-term goals of sustainable growth and expanding return on capital for shareholders through the cycle.

### *Strong balance sheet to support internal capital initiatives*

The Company's continued improved performance has built and sustained an attractive balance sheet with a net cash position of A\$390 million as at 31 December 2017. The Company's capital allocation strategy balances immediate returns to shareholders with the need for business reinvestment to support the Company's strategy.

In addition to sustaining business projects and funding working capital, there are a range of internal growth initiatives either underway or in the planning stages. During HY18, the Company had A\$85 million in capital expenditures on sustaining and growth projects. This represented a 25% increase on the prior half year as capital was reinvested back into the business to improve operating efficiency and drive growth.

For the full year ending 30 June 2018 ("FY18"), the Company has allocated total capital spending of A\$180 million to A\$200 million. The Company will also consider external growth opportunities that fit into the Company's strategy, complement its core competencies, and enhance returns.



*On track to achieve FY18 return on capital target of 10%<sup>9</sup>*

The Company remains committed to the goal that all operations must generate greater than cost of capital returns. Due to the progress achieved through its streamline and optimise initiatives, the Company's underlying return on capital reached 10.5% in HY18, the highest return since the start of the five-year strategic plan. The internal initiatives of the past four years have now been embedded into the business, and the additional initiatives over the next year are expected to drive progressively stronger returns.

Based on current market conditions and benefits anticipated from internal initiatives, the Company expects to exceed its long-standing target of underlying return on capital of 10% for FY18.

## **DIVIDENDS**

Since the end of the half year, the Directors have declared an interim dividend of 23.0 cents per share (100% franked) for the half year ended 31 December 2017. The dividend will be payable on 28 March 2018 to shareholders on the Company's register at the record date of 14 March 2018. The Directors have determined that the dividend reinvestment plan will not operate in relation to this dividend.

## **AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8 and forms part of the Directors' Report for the half year ended 31 December 2017.

## **ROUNDING OF AMOUNTS**

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest tenth of a million dollars, unless otherwise indicated.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Board of Directors.



G N Brunsdon  
Chairperson  
Sydney  
16 February 2018



A Field  
Managing Director and Group CEO  
New York  
15 February 2018

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<sup>9</sup> Return on Capital = (Underling EBIT – Tax at effective tax rate of 30%) / (Net Assets + Net Debt)

The Board of Directors  
Sims Metal Management Limited  
555 Theodore Fremd Avenue, Suite C300  
Rye, NY 10580  
United States

16 February 2018

Dear Board Members

**Sims Metal Management Limited**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Sims Metal Management Limited.

As lead audit partner for the review of the financial statements of Sims Metal Management Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Don Pasquariello  
Partner  
Chartered Accountants

**Sims Metal Management Limited**  
**Consolidated Income Statements**  
**For the half year ended 31 December 2017**

		<b>Half year ended 31 December</b>	
	<b>Note</b>	<b>2017 A\$m</b>	<b>2016 A\$m</b>
<b>Revenue</b>	2	<b>2,981.8</b>	2,389.5
Other income	4	<b>6.6</b>	35.3
Raw materials used and changes in inventories		<b>(2,016.5)</b>	(1,556.1)
Freight expense		<b>(237.4)</b>	(188.7)
Employee benefits expense		<b>(292.1)</b>	(286.9)
Depreciation and amortisation expense	4	<b>(56.2)</b>	(55.9)
Repairs and maintenance expense		<b>(49.1)</b>	(42.2)
Other expenses		<b>(245.2)</b>	(213.3)
Finance costs		<b>(5.2)</b>	(5.6)
Share of results of joint ventures		<b>31.3</b>	16.3
<b>Profit before income tax</b>		<b>118.0</b>	92.4
Income tax expense	5	<b>(26.5)</b>	(12.4)
<b>Profit for the half year</b>		<b>91.5</b>	80.0
		<b>A¢</b>	<b>A¢</b>
<b>Earnings per share</b>			
Basic	6	<b>45.7</b>	40.5
Diluted	6	<b>44.8</b>	40.2

The consolidated income statements should be read in conjunction with the accompanying notes.

**Sims Metal Management Limited**  
**Consolidated Statements of Comprehensive Income**  
**For the half year ended 31 December 2017**

	<b>Half year ended 31 December</b>	
<b>Note</b>	<b>2017 A\$m</b>	<b>2016 A\$m</b>
<b>Profit for the half year</b>	<b>91.5</b>	80.0
<b>Other comprehensive (loss)/income:</b>		
<i>Items that may be reclassified to profit or loss</i>		
Changes in the fair value of cash flow hedges, net of tax	-	(1.1)
Foreign currency translation differences arising during the period, net of tax	(2.6)	15.8
<i>Items that will not be reclassified to profit or loss</i>		
Re-measurements of defined benefit plans, net of tax	<u>(0.1)</u>	<u>(5.2)</u>
<b>Other comprehensive (loss)/income for the half year, net of tax</b>	<u><b>(2.7)</b></u>	<u>9.5</u>
<b>Total comprehensive income for the half year</b>	<u><b>88.8</b></u>	<u>89.5</u>

The consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

**Sims Metal Management Limited**  
**Consolidated Statements of Financial Position**  
**As at 31 December 2017**

	<b>Note</b>	<b>31 December 2017 A\$m</b>	<b>30 June 2017 A\$m</b>
<b>Current assets</b>			
Cash and cash equivalents		393.9	378.5
Trade and other receivables		345.5	423.0
Inventory		526.5	402.7
Other financial assets		15.5	13.6
Assets classified as held for sale	8	6.1	9.9
<b>Total current assets</b>		<u>1,287.5</u>	<u>1,227.7</u>
<b>Non-current assets</b>			
Investments in joint ventures		222.6	204.0
Other financial assets		12.8	10.9
Property, plant and equipment		995.5	970.9
Retirement benefit assets		4.8	4.7
Deferred tax assets		137.8	166.4
Other intangible assets		159.2	158.4
<b>Total non-current assets</b>		<u>1,532.7</u>	<u>1,515.3</u>
<b>Total assets</b>		<u>2,820.2</u>	<u>2,743.0</u>
<b>Current liabilities</b>			
Trade and other payables		532.9	458.7
Borrowings		2.1	2.1
Other financial liabilities		7.3	2.5
Current tax liabilities		10.2	17.7
Provisions		74.3	112.6
<b>Total current liabilities</b>		<u>626.8</u>	<u>593.6</u>
<b>Non-current liabilities</b>			
Payables		11.6	8.5
Borrowings		2.3	3.4
Deferred tax liabilities		68.1	84.5
Provisions		78.3	81.4
Retirement benefit obligations		3.2	4.0
<b>Total non-current liabilities</b>		<u>163.5</u>	<u>181.8</u>
<b>Total liabilities</b>		<u>790.3</u>	<u>775.4</u>
<b>Net assets</b>		<u>2,029.9</u>	<u>1,967.6</u>
<b>Equity</b>			
Contributed equity	7	2,756.7	2,733.8
Reserves	7	68.4	60.1
Retained deficit		(795.2)	(826.3)
<b>Total equity</b>		<u>2,029.9</u>	<u>1,967.6</u>

The consolidated statements of financial position should be read in conjunction with the accompanying notes.

**Sims Metal Management Limited**  
**Consolidated Statements of Changes in Equity**  
**For the half year ended 31 December 2017**

	<u>Note</u>	<u>Contributed equity A\$m</u>	<u>Reserves A\$m</u>	<u>Retained deficit A\$m</u>	<u>Total equity A\$m</u>
<b>Balance at 1 July 2016</b>		2,737.3	68.3	(973.1)	1,832.5
Profit for the half year		-	-	80.0	80.0
Other comprehensive income		-	14.7	(5.2)	9.5
<b>Total comprehensive income for the half year</b>		-	14.7	74.8	89.5
<b>Transactions with owners in their capacity as owners:</b>					
Dividends paid	3	-	-	(23.7)	(23.7)
Buy-back of ordinary shares	7	(13.4)	-	-	(13.4)
Share options exercised	7	2.5	-	-	2.5
Share-based payments expense, net of tax		-	6.9	-	6.9
		(10.9)	6.9	(23.7)	(27.7)
<b>Balance at 31 December 2016</b>		<u>2,726.4</u>	<u>89.9</u>	<u>(922.0)</u>	<u>1,894.3</u>
<b>Balance at 1 July 2017</b>		2,733.8	60.1	(826.3)	1,967.6
Profit for the half year		-	-	91.5	91.5
Other comprehensive loss		-	(2.6)	(0.1)	(2.7)
<b>Total comprehensive income for the half year</b>		-	(2.6)	91.4	88.8
<b>Transactions with owners in their capacity as owners:</b>					
Dividends paid	3	-	-	(60.3)	(60.3)
Share options exercised	7	22.9	-	-	22.9
Share-based payments expense, net of tax		-	10.9	-	10.9
		22.9	10.9	(60.3)	(26.5)
<b>Balance at 31 December 2017</b>		<u>2,756.7</u>	<u>68.4</u>	<u>(795.2)</u>	<u>2,029.9</u>

The consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

**Sims Metal Management Limited**  
**Consolidated Statements of Cash Flows**  
**For the half year ended 31 December 2017**

		<b>Half year ended</b>	
		<b>31 December</b>	
	<b>Note</b>	<b>2017</b>	<b>2016</b>
		<b>A\$m</b>	<b>A\$m</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of goods and services tax)		<b>3,102.1</b>	2,539.7
Payments to suppliers and employees (inclusive of goods and services tax)		<b>(2,951.4)</b>	(2,421.6)
Interest received		<b>0.8</b>	0.6
Interest paid		<b>(4.0)</b>	(4.7)
Dividends received from joint ventures		<b>11.2</b>	6.5
Insurance recoveries		-	0.1
Income taxes paid		<b>(27.5)</b>	(6.6)
<b>Net cash inflows from operating activities</b>		<b><u>131.2</u></b>	<u>114.0</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		<b>(84.7)</b>	(67.9)
Payments for businesses, net of cash acquired	9	<b>(1.4)</b>	-
Payments for other financial assets		<b>(2.0)</b>	(0.6)
Loans to third parties		-	(0.1)
Proceeds from sale of property, plant and equipment		<b>3.9</b>	4.2
Proceeds from assets held for sale		<b>4.7</b>	46.2
Proceeds from sale of businesses		-	5.1
Proceeds from repayment of third party loans		-	0.2
Proceeds from sale of other financial assets		<b>1.1</b>	0.6
<b>Net cash outflows from investing activities</b>		<b><u>(78.4)</u></b>	<u>(12.3)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		<b>160.6</b>	236.7
Repayment of borrowings		<b>(160.6)</b>	(234.1)
Repayment of finance leases		<b>(1.1)</b>	(1.0)
Proceeds from issue of shares		<b>24.2</b>	2.5
Payments for shares bought back	7	-	(13.4)
Dividends paid	3	<b>(60.3)</b>	(23.7)
<b>Net cash outflows from financing activities</b>		<b><u>(37.2)</u></b>	<u>(33.0)</u>
 Net increase in cash and cash equivalents		 <b>15.6</b>	 68.7
 Cash and cash equivalents at the beginning of the half year		 <b>378.5</b>	 248.3
Effects of exchange rate changes on cash and cash equivalents		<b>(0.2)</b>	0.6
<b>Cash and cash equivalents at the end of the half year</b>		<b><u>393.9</u></b>	<u>317.6</u>

The consolidated statements of cash flows should be read in conjunction with the accompanying notes.

**Sims Metal Management Limited**  
**Notes to the Consolidated Financial Report**  
**For the half year ended 31 December 2017**

**Note 1 – Summary of significant accounting policies**

Sims Metal Management Limited (the “Company”) is a for-profit company incorporated and domiciled in Australia. The consolidated financial statements for the half year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in joint ventures and joint operations.

**Basis of preparation**

This general purpose financial report:

- has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (“AASB”) and the *Corporations Act 2001*;
- does not include all notes of the type normally included within the annual financial report. As a result, it should be read in conjunction with annual financial report of the Group for the year ended 30 June 2017, together with any announcements made by the Group during the half year ended 31 December 2017;
- has been prepared on the basis of historical cost, except for certain financial assets and liabilities which have been measured at fair value (refer to Note 12);
- complies with International Financial Reporting Standards as issued by the International Accounting Standards Board;
- is presented in Australian Dollars;
- presents all values as rounded to the nearest tenth of a million dollars, unless otherwise stated under ASIC Corporations (rounding in Financials/Directors’ Reports) Instrument 2016/191, dated 24 March 2016;
- adopts all new and amended Australian Accounting Standards and Interpretations issued by the AASB that are relevant to the Group and effective for reporting periods beginning on or after 1 July 2017, all of which did not have a material impact on the financial statements.

**New accounting standards not yet applicable**

*AASB 9 Financial Instruments*

- AASB 9 introduces new requirements for the classification, measurement and derecognition of financial assets and financial liabilities and sets out new hedge accounting requirements. An initial assessment has been conducted and the standard is not expected to materially impact the financial statements. The Group will continue to assess the impact of the standard to ensure readiness for the implementation of the new standard in advance of its effective date. AASB 9 is effective for the Group on 1 July 2018.

*AASB 15 Revenue from Contracts with Customers*

- AASB 15 establishes a new, single revenue accounting model which replaces existing revenue recognition guidance. The concept of transfer of risks and rewards is replaced with the notion that revenue is recognised when a customer obtains control of a good or service, that is, when the customer has the ability to direct the use of and obtain the benefits from the good or service. Additionally, the standard introduces requirements regarding variable consideration, allocation of transaction price based on relative standalone selling price and the time value of money with respect to longer-term contracts. An initial assessment has been conducted and has focused on understanding the key terms and conditions of contracts for the Group’s primary revenue streams. To date, no significant differences have been identified.

The Group sells a significant portion of its export ferrous material on CFR or CIF Incoterms. Under these arrangements, the Group is responsible for providing shipping services after the date at which control of the goods passes to the customer at the loading port. Under AASB 118, the Group recognises such shipping revenue and associated costs upon loading the material. Under AASB 15, the Group may be required to recognise such shipping revenue over time. However, the impact of this is not expected to be material.



**Sims Metal Management Limited**  
**Notes to the Consolidated Financial Report**  
**For the half year ended 31 December 2017**

**Note 1 – Summary of significant accounting policies (continued)**

*AASB 15 Revenue from Contracts with Customers (continued)*

The Group continues to assess the impact of the standard to ensure readiness for the implementation of the new standard in advance of its effective date. AASB 15 is effective for the Group on 1 July 2018. The Group expects to adopt the modified transitional approach to implementation where any transitional adjustment is recognised in retained earnings at the date of implementation of the standard without restatement of prior balances. AASB 15 will only be applied to contracts that remain in force at the transition date.

*AASB 16 Leases*

- AASB 16 will primarily affect the accounting treatment of leases by lessees and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases. The standard provides certain exemptions from recognising leases on the balance sheet, including where the underlying asset is of a low value or the lease term is less than 12 months.

Under AASB 16, the Group will be required to:

- (a) recognise right of use lease assets and lease liabilities on the balance sheet;
- (b) recognise depreciation of right of use lease assets and interest on lease liabilities over the lease term; and
- (c) separately present the principal amount of cash paid and interest in the cash flow statement as a financing activity.

The new standard is expected to have a significant impact on the amounts recognised in the Group's consolidated statement of financial position. The Group is currently assessing the potential impact of the new leasing standard on its consolidated financial statements. Initial assessment activities have been undertaken on the Group's current leases, however the impact of the standard will depend on the leases in place on transition. Detailed review of contracts, financial reporting impacts and system requirements will continue. AASB 16 is effective for the Group on 1 July 2019.

*IFRIC 23 Uncertainty over Income Tax Treatments*

- IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. This interpretation requires an entity to determine if uncertain tax positions are assessed separately or as a group and then assess whether it is probable that a tax authority would accept an uncertain treatment utilised in the Company's income tax filings. The Group has not yet performed a detailed assessment of this standard. However, this standard is not expected to be material to the Group. It is not practicable to provide a reasonable estimate of the financial effect until the Group completes the review. IFRIC 23 is effective for the Group on 1 July 2020.

**Sims Metal Management Limited**  
**Notes to the Consolidated Financial Report**  
**For the half year ended 31 December 2017**

**Note 2 – Segment information**

**(a) Description of segments**

Operating segments have been identified based on separate financial information that is regularly reviewed by the Group CEO, the Chief Operation Decision Maker (“CODM”).

The Group operates in four principal operating segments: North America Metals, Australia/New Zealand Metals, Europe Metals and Global E-Recycling. The segments are based on a combination of factors including geography, products and services. All other operating segments are included within the “Unallocated” segment. Details of the segments are as follows:

- **North America Metals (“NAM”)** – comprising subsidiaries and joint ventures in the United States of America and Canada which perform ferrous and non-ferrous secondary recycling functions and the Group’s ferrous trading entity.
- **ANZ Metals (“ANZ”)** – comprising subsidiaries and joint arrangements in Australia, New Zealand and Papua New Guinea which perform ferrous and non-ferrous secondary recycling functions.
- **Europe Metals (“Europe”)** – comprising subsidiaries in the United Kingdom which perform ferrous and non-ferrous secondary recycling functions.
- **Global E-Recycling (“SRS”)** – comprising subsidiaries which provide electronic recycling solutions in the following countries: Australia, Austria, Belgium, Czech Republic, Dubai, Germany, India, Ireland, Netherlands, New Zealand, Norway, Poland, Republic of South Africa, Singapore, Sweden, the United Kingdom and the United States of America.
- **Unallocated** – comprising unallocated corporate costs, interests in a joint venture in Australia, and the Group’s non-ferrous trading entity.

The Group also reports revenues by the following product groups:

- **Ferrous secondary recycling** – comprising the collection, processing and trading of iron and steel secondary raw material.
- **Non-ferrous secondary recycling** – comprising the collection, processing and trading of other metal alloys and residues, principally aluminum, lead, copper, zinc and nickel bearing materials.
- **Recycling solutions** – comprising the provision of environmentally responsible solutions for the disposal of post-consumer electronic products, including IT assets recycled for commercial customers. The Group offers fee-for-service business opportunities in the environmentally responsible recycling of negative value materials including electrical and electronic equipment.
- **Secondary processing and other services** - comprising the recycling of municipal curbside materials, stevedoring, and other sources of service based revenue.

**(b) Sales revenue by product**

	<b>Half year ended</b>	
	<b>31 December</b>	
	<b>2017</b>	<b>2016</b>
	<b>A\$m</b>	<b>A\$m</b>
Ferrous secondary recycling	<b>1,962.3</b>	1,461.5
Non-ferrous secondary recycling	<b>603.2</b>	525.4
Recycling solutions	<b>365.0</b>	353.9
Secondary processing and other services	<b>46.5</b>	43.9
<b>Total sales revenue</b>	<b><u>2,977.0</u></b>	<b><u>2,384.7</u></b>

**Sims Metal Management Limited**  
**Notes to the Consolidated Financial Report**  
**For the half year ended 31 December 2017**

**Note 2 – Segment information (continued)**

**(c) Information about reportable segments**

The following is an analysis of the Group's assets and liabilities by reportable operating segment:

	<b>NAM A\$m</b>	<b>ANZ A\$m</b>	<b>Europe A\$m</b>	<b>SRS A\$m</b>	<b>Unallocated A\$m</b>	<b>Total A\$m</b>
<b>As at 31 December 2017</b>						
Assets	1,177.5	545.9	338.1	402.5	356.2	2,820.2
Liabilities	276.2	120.3	103.0	159.1	131.7	790.3
<b>Net assets</b>	<b>901.3</b>	<b>425.6</b>	<b>235.1</b>	<b>243.4</b>	<b>224.5</b>	<b>2,029.9</b>
<b>As at 30 June 2017</b>						
Assets	1,141.7	542.5	329.2	382.1	347.5	2,743.0
Liabilities	232.3	122.4	119.9	149.3	151.5	775.4
<b>Net assets</b>	<b>909.4</b>	<b>420.1</b>	<b>209.3</b>	<b>232.8</b>	<b>196.0</b>	<b>1,967.6</b>

The following is an analysis of the Group's revenue and results by reportable operating segment:

	<b>NAM A\$m</b>	<b>ANZ A\$m</b>	<b>Europe A\$m</b>	<b>SRS A\$m</b>	<b>Unallocated A\$m</b>	<b>Total A\$m</b>
<b>Half year ended 31 December 2017</b>						
Total sales revenue	1,515.7	529.0	542.0	365.0	25.3	2,977.0
Other revenue	2.4	0.7	-	-	1.7	4.8
<b>Total segment revenue</b>	<b>1,518.1</b>	<b>529.7</b>	<b>542.0</b>	<b>365.0</b>	<b>27.0</b>	<b>2,981.8</b>
<b>Segment EBIT</b>	<b>64.7</b>	<b>42.8</b>	<b>16.6</b>	<b>7.5</b>	<b>(9.2)</b>	<b>122.4</b>
Interest income						0.8
Finance costs						(5.2)
<b>Profit before income tax</b>						<b>118.0</b>
<b>Half year ended 31 December 2016</b>						
Total sales revenue	1,111.0	491.6	414.9	353.9	13.3	2,384.7
Other revenue	2.4	0.7	-	0.1	1.6	4.8
<b>Total segment revenue</b>	<b>1,113.4</b>	<b>492.3</b>	<b>414.9</b>	<b>354.0</b>	<b>14.9</b>	<b>2,389.5</b>
<b>Segment EBIT</b>	<b>50.4</b>	<b>25.5</b>	<b>15.8</b>	<b>12.7</b>	<b>(7.0)</b>	<b>97.4</b>
Interest income						0.6
Finance costs						(5.6)
<b>Profit before income tax</b>						<b>92.4</b>

**Sims Metal Management Limited**  
**Notes to the Consolidated Financial Report**  
**For the half year ended 31 December 2017**

**Note 3 – Dividends**

Details of dividends paid are as follows:

	Cents per share	Franked %	Half year ended 31 December	
			2017 A\$m	2016 A\$m
Final 2017	20.0	100%	40.2	-
Special 2017	10.0	0%	20.1	-
Final 2016	12.0	100%	-	23.7
<b>Total dividends paid</b>			<b>60.3</b>	<b>23.7</b>

Since the end of the half year, the Directors have declared an interim dividend of 23.0 cents per share (100% franked). The dividend will be payable on 28 March 2018 to shareholders on the Company's register at the record date of 14 March 2018. The estimated dividends to be paid, but not recognised as a liability at the end of the reporting period, is approximately A\$46.4 million.

**Note 4 – Items included in profit before income tax**

Profit before income tax includes the following items whose disclosures are relevant to explaining the financial performance of the Group:

	Half year ended 31 December	
	2017 A\$m	2016 A\$m
<b>(a) Other income</b>		
Net foreign exchange gain	0.2	1.6
Net gain on disposal of property, plant and equipment	1.8	25.9
Net gain on sale of businesses	-	3.8
Insurance recoveries	-	0.1
Government grants	0.2	0.2
Third party commissions	0.5	0.5
Other	3.9	3.2
	<b>6.6</b>	<b>35.3</b>
<b>(b) Specific expenses</b>		
Depreciation and amortisation:		
Depreciation expense	52.2	51.2
Amortisation expense	4.0	4.7
	<b>56.2</b>	<b>55.9</b>
Net loss on commodity derivatives	20.3	2.2
Net loss on currency derivatives	0.4	-
Equity-settled share-based payments expense	11.9	6.8
Cash-settled share-based payments expense	(0.1)	2.4

**Sims Metal Management Limited**  
**Notes to the Consolidated Financial Report**  
**For the half year ended 31 December 2017**

**Note 4 – Items included in profit before income tax (continued)**

**(c) Significant items**

	<b>Half year ended 31 December</b>	
	<b>2017</b>	<b>2016</b>
	<b>A\$m</b>	<b>A\$m</b>
Impairments:		
Reversal of impairment of property, plant and equipment <sup>1</sup>	<b>(0.6)</b>	(2.3)
Redundancies <sup>2</sup>	<b>5.4</b>	3.2
Reversal of provisions recorded for onerous leases <sup>3</sup>	<b>(4.4)</b>	-
Yard closure costs and dilapidation provisions	<b>0.7</b>	2.0

<sup>1</sup> Amount represents the reversal of previously recorded impairments of property, plant and equipment as a result of the sale of certain assets for an amount greater than the impaired value.

<sup>2</sup> Redundancies include A\$3.5 million of termination benefits made to Galdino Claro, the former Managing Director and Group Chief Executive Officer, and Fred Knechtel, the former Group Chief Financial Officer.

<sup>3</sup> During the period, the Group settled onerous leases for less than amounts previously provided.

**Note 5 – Income taxes**

The prima facie income tax on profit before income tax differs from the income tax in the consolidated income statement and is reconciled as follows:

	<b>Half year ended 31 December</b>	
	<b>2017</b>	<b>2016</b>
	<b>A\$m</b>	<b>A\$m</b>
<b>Profit before income tax</b>	<b><u>118.0</u></b>	<b><u>92.4</u></b>
Tax at the standard Australian rate of 30%	<b>35.4</b>	27.7
Effect of tax rates in other jurisdictions	<b>(0.4)</b>	0.2
Deferred tax assets not recognised	<b>0.9</b>	0.4
Recognition of tax effect of previously unrecognised tax losses	<b>(2.2)</b>	(15.6)
Non-deductible expenses	<b>1.2</b>	0.6
Remeasurement of US net deferred tax liabilities	<b>(8.4)</b>	-
Share of net results of joint ventures	<b>(1.9)</b>	(1.7)
Non-assessable income	<b>(0.1)</b>	(0.5)
Other	<b><u>2.0</u></b>	<b><u>1.3</u></b>
<b>Income tax expense recognised in profit or loss</b>	<b><u>26.5</u></b>	<b><u>12.4</u></b>

The Group has not recognised deferred tax assets totaling A\$20.4 million (30 June 2017: A\$29.3 million) as it is not probable that they will be realised. A portion of the unrecognised deferred tax asset relates to unused tax losses of A\$11.2 million (30 June 2017: A\$12.3 million) due to either a history of tax losses or it is not considered probable that there will be sufficient future taxable profits to realise the benefit of deferred tax assets within certain subsidiary entities. Unrecognised tax losses include A\$6.8 million (30 June 2017: A\$11.6 million) of tax losses that will expire in 5 to 20 years. Other unused tax losses may be carried forward indefinitely.

*US Tax Cuts and Jobs Act*

On 22 December 2017, the US enacted the Tax Cuts and Jobs Act (the “TCJA”). Among other things, the TCJA reduces the US federal corporate tax rate from 35% to 21% percent effective on 1 January 2018. The rate change is administratively effective at the beginning of our next fiscal year, using a blended rate for the annual period. The blended federal statutory tax rate for the Group’s US subsidiaries for fiscal 2018 is 28%.

**Sims Metal Management Limited**  
**Notes to the Consolidated Financial Report**  
**For the half year ended 31 December 2017**

**Note 5 – Income taxes (continued)**

The Group calculates the tax provision based upon a cut-off method within AASB 112, therefore, the Group will utilise a 35% federal income tax rate for the first six months and a 21% federal income tax rate for the second six months of fiscal year 2018. The Group remeasured its US deferred tax asset and liability balances at 31 December 2017 based on the rates at which they are expected to reverse in the future, which is 21%. As a result, the Group recorded a tax benefit of A\$9.8 million due to the remeasurement of the Group's net US deferred tax liabilities. In addition, the Group recorded a tax charge of A\$5.1 million to other comprehensive income related to the remeasurement of the Group's US deferred tax assets on post-employment benefits and on share-based compensation plans. The Group is still analysing certain aspects of the TCJA and refining its calculations, which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts.

The amounts recorded represents the Group's current best estimates. The amounts incorporate assumptions made based upon the Group's current interpretation of the TCJA and may change as additional clarification and implementation guidance is issued. Additionally, the Group will continue to monitor various US state law changes in reaction to the TCJA as changes are enacted.

**Note 6 – Earnings per share**

	<b>Half year ended 31 December</b>	
	<b>2017</b>	<b>2016</b>
<b>Basic earnings per share (in A¢)</b>	<b>45.7</b>	40.5
<b>Diluted earnings per share (in A¢)</b>	<b>44.8</b>	40.2
<b>Weighted average number of shares used in the denominator ('000)</b>		
Basic shares	200,179	197,623
Dilutive effect of share-based awards	4,215	1,472
<b>Diluted shares</b>	<b>204,394</b>	199,095

**Note 7 – Equity**

**(a) Contributed equity**

Movements in the ordinary share balance were as follows:

	<b>Half year ended 31 December 2017</b>		<b>Half year ended 31 December 2016</b>	
	<b>Number of shares</b>	<b>A\$m</b>	<b>Number of shares</b>	<b>A\$m</b>
On issue per share register at the beginning of the period	198,156,400	2,733.8	197,685,163	2,737.3
Shares bought-back	-	-	(1,420,727)	(13.4)
Issued under long-term incentive plans	3,450,949	22.9	1,152,712	2.5
<b>On issue per share register at the end of the period</b>	<b>201,607,349</b>	<b>2,756.7</b>	<b>197,417,148</b>	<b>2,726.4</b>

On 4 December 2017, the Company announced a share buy-back program for 12 months with a maximum number of shares that can be purchased of approximately 20.1 million. The Company has not purchased any ordinary shares under this buy-back program as of the date of this report. During the half year ended 31 December 2016, the Company purchased 1,420,727 ordinary shares for total consideration of A\$13.4 million under its prior buy-back programs.

**Sims Metal Management Limited**  
**Notes to the Consolidated Financial Report**  
**For the half year ended 31 December 2017**

**Note 7 – Equity (continued)**

**(b) Reserves**

	<b>Share-based payments A\$m</b>	<b>Cash flow hedging A\$m</b>	<b>Foreign currency translation A\$m</b>	<b>Total A\$m</b>
Balance at 1 July 2016	146.0	0.1	(77.8)	68.3
Equity-settled share-based payment expense	6.8	-	-	6.8
Revaluation – gross	-	(1.5)	-	(1.5)
Transfer to profit or loss – gross	-	(0.1)	-	(0.1)
Foreign currency translation differences	-	-	20.6	20.6
Deferred tax	0.1	0.5	(4.8)	(4.2)
Balance at 31 December 2016	<u>152.9</u>	<u>(1.0)</u>	<u>(62.0)</u>	<u>89.9</u>
Balance at 1 July 2017	175.9	1.0	(116.8)	60.1
Equity-settled share-based payment expense	11.9	-	-	11.9
Revaluation – gross	-	(1.4)	-	(1.4)
Transfer to profit or loss – gross	-	1.4	-	1.4
Foreign currency translation differences	-	-	(4.8)	(4.8)
Deferred tax	(1.0)	-	2.2	1.2
Balance at 31 December 2017	<u>186.8</u>	<u>1.0</u>	<u>(119.4)</u>	<u>68.4</u>

**Note 8 – Assets classified as held for sale**

	<b>31 December 2017 A\$m</b>	<b>30 June 2017 A\$m</b>
<b>Assets classified as held for sale</b>		
Property, plant and equipment	<u>6.1</u>	<u>9.9</u>
	<u>6.1</u>	<u>9.9</u>

Assets held for sale at 31 December 2017 represents property and equipment in the US and Australia which the Group expects to sell within the next twelve months. During the half year ended 31 December 2017, the Group received A\$4.7 million of cash from the sale of property that was classified as held-for-sale at 30 June 2017.

**Sims Metal Management Limited**  
**Notes to the Consolidated Financial Report**  
**For the half year ended 31 December 2017**

**Note 9 – Business acquisitions**

During the half year ended 31 December 2017, the Group acquired two businesses, both in the NAM segment. On a combined basis, had the acquisitions all occurred on 1 July 2017, there would not have been a significant change to the Group's revenue and net profit. Additionally, revenue and net profit contribution by the businesses acquired to the Group post-acquisition was not significant.

Details of the aggregate purchase consideration and cash outflow, assets and liabilities arising from the acquisitions and goodwill recognised from the acquisitions are as follows:

	<u>A\$m</u>
Property, plant and equipment	2.6
Inventories	0.1
Identified intangible assets	<u>3.4</u>
Net identifiable assets acquired	6.1
Goodwill on acquisition	<u>-</u>
Total consideration	6.1
Deferred consideration	<u>(4.7)</u>
<b>Net cash outflow</b>	<b><u>1.4</u></b>

The initial accounting for the acquisitions has only been provisionally determined.

**Note 10 – Business disposals**

During the half year ended 31 December 2016, the Group sold businesses, some of which were previously included in assets classified as held for sale. The net book value of the assets of these businesses sold was A\$19.4 million, resulting in a net gain on the sale of A\$3.8 million. The gain on the sale was calculated as follows:

	<u>A\$m</u>
Cash consideration related to assets previously classified as held for sale	18.5
Cash consideration for other assets sold	5.1
Deferred consideration	<u>0.2</u>
Total consideration received	23.8
Transaction costs associated with disposals	<u>(0.6)</u>
Net consideration received	23.2
Net carrying value of disposed assets	<u>(19.4)</u>
Gain on sale	<b><u>3.8</u></b>

**Note 11 – Contingencies**

The Group has given guarantees in respect of the performance of contracts entered into in the ordinary course of business. The amounts of these guarantees provided by the Group, for which no amounts are recognised in the consolidated financial statements, as at 31 December 2017 was A\$38.1 million (30 June 2017: A\$34.7 million).

**Note 12 – Fair value of financial instruments**

The fair value measurement principles adopted in this report are consistent with those applied in the Company's annual financial report for the year ended 30 June 2017.

The carrying amounts and estimated fair values of the Group's financial assets and liabilities are materially the same.



**Sims Metal Management Limited**  
**Notes to the Consolidated Financial Report**  
**For the half year ended 31 December 2017**

**Note 12 – Fair value of financial instruments (continued)**

The fair value of financial instruments traded on active markets (such as publicly traded derivatives and investments in marketable securities) is based on quoted market prices at the reporting date. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (such as forward foreign exchange contracts) is determined using readily observable broker quotes. These instruments are included in level 2.

There were no transfers between levels during the year.

Financial instruments carried at fair value are classified by valuation method using the following hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group also has financial assets and liabilities which are not measured at fair value. For cash and cash equivalents, trade and other receivables, trade and other payables and current borrowings, the fair value of the financial instruments approximates their carrying value as a result of the short maturity periods of these financial instruments. The fair value of non-current borrowings approximates their carrying value as all the borrowings have floating interest rates. The fair value of loans to third parties approximate their carrying value using current interest rates.

**Note 13 – Subsequent events**

On 1 February 2018, the Group renewed its loan facilities, which among other things, reduced the maximum amount of credit available, extended the maturity date through 31 October 2020 and amended certain loan covenants. As a result, the Group's commitment fees will be lower.

## **Sims Metal Management Limited**

### **Directors' Declaration**

In the directors' opinion:

- (a) the financial statements and notes set out on pages 9 to 23 are in accordance with the *Corporations Act 2001*, including:
  - i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - ii. giving a true and fair value view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half year ended on that date, and
- (b) there are reasonable grounds to believe that Sims Metal Management Limited will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors.



G N Brunsdon  
Chairperson  
Sydney  
16 February 2018



A Field  
Managing Director and Group CEO  
New York  
15 February 2018

## **Independent Auditor's Review Report to the Members of Sims Metal Management Limited**

We have reviewed the accompanying half-year financial report of Sims Metal Management Limited, which comprises the statement of financial position as at 31 December 2017, and the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 24.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sims Metal Management Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Sims Metal Management Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Sims Metal Management Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Don Pasquariello  
Partner  
Chartered Accountants  
Sydney, 16 February 2018