



ASX & MEDIA RELEASE

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1H FY19 Preliminary Earnings Update and Changes to Segments and Reporting

1H FY19 Preliminary Earnings Update

Sims Metal Management Limited (the “Company”) today announced it expects 1H FY19 underlying EBIT of approximately \$110 million, based on preliminary results that are still subject to management sign off, Board sign off, and audit review. Further detail by business segment is available in Attachment 1.

Commenting on the preliminary result, Alistair Field, CEO and Managing Director, said “the first half has been challenging for all recycling companies globally and will continue to be so for the near future. We are meeting these challenges and will maintain our focus on capitalising on our strengths and on improving underperforming businesses. I am confident that our strategy of producing high quality products that better meet the needs of our customers is key to our long term success.”

Changes to Segments and Reporting

The Company also announced that it is enhancing financial disclosure by providing greater transparency over its North America Metals and Global Trading segments, as well as presenting underlying results to exclude the impact of financial hedges that do not qualify for hedge accounting (“non-qualifying hedges”).

North America Metals

North America Metals is currently impacted by the results of Sims Municipal Recycling (“SMR”) and Global Ferrous Trade. These results have been moved to Corporate & Unallocated and Global Trading segments, respectively.

Global Trading

Global Trading comprises the Company’s ferrous and non-ferrous marketing entities that coordinate sales of ferrous and non-ferrous scrap metal for the Company and its joint ventures. Global Trading incorporates Global Ferrous Trade, which had previously been shown within North America Metals, and Global Non-ferrous Trade, previously shown within Corporate & Unallocated.

Non-qualifying Hedges

Certain Company subsidiaries enter into financial hedges to help mitigate against some foreign currency movements and price fluctuations in some commodities. A number of these hedges do not qualify for hedge accounting treatment under relevant accounting standards. This results in profits and losses for a particular reporting period that are timing in nature and potentially distort the underlying results, both positively and negatively.

Previously disclosed results adjusted to reflect the new segments and remove the impact of non-qualifying hedges are available in Attachment 2.

The Company will release its results for 1H FY19 on 20 February 2019.

About Sims Metal Management

Sims Metal Management is one of the world's largest metal and electronics recyclers with over 250 facilities, including joint ventures operations, in 18 countries, and more than 5,000 employees globally. The Company's ordinary shares are listed on the Australian Securities Exchange (ASX: SGM) and its American Depositary Shares are quoted on the Over-the-Counter market in the United States (USOTC: SMSMY).

Please visit our website (www.simsmm.com) for more information on the Company and recent developments.

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Attachment 1

The following table provides underlying EBIT and sales volumes by segment. Note these results should be considered as approximate and are subject to both management and Board sign off, and audit review.

	1H FY18	1H FY19	% Change
Underlying EBIT (\$m)			
North America Metals	34.7	33.1	(4.6)
Australia/New Zealand ("ANZ") Metals	44.2	43.6	(1.4)
Europe Metals	11.6	1.4	(87.9)
Global E-Recycling	6.5	6.2	(4.6)
SA Recycling	25.1	16.8	(33.1)
Global Trading	5.5	9.4	70.9
Corporate & Unallocated	(2.6)	(0.7)	(73.1)
Underlying EBIT	125.0	109.8	(12.2)
Sales Volumes ('000 tonnes)			
North America Metals	2,361	2,540	7.6
ANZ Metals	891	937	5.2
Europe Metals	811	770	(5.1)
Global Trading	698	671	(3.9)
Sales Volumes	4,761	4,918	3.3
SA Recycling sales volumes (100%)	1,471	1,679	14.1

North America Metals

Despite a lower AUD/USD exchange rate, North America Metals experienced some EBIT contraction in 1H FY19 compared to 1H FY18 driven by an increase in internal recharges and several external factors:

- Internal recharges from Group corporate overhead and services provided by Global Trading increased across all operating businesses in the first fiscal half. For North America Metals, these internal recharges were \$8.3 million higher in 1H FY19 compared to 1H FY18.
- Volatility in the market has steadily increased over 1H FY19 due to the uncertainty surrounding tariffs, trade wars and Turkey's position in the market. While over the medium term, the Company's operating businesses should be relatively neutral to this volatility, over shorter timeframes there can be an impact on margins. This occurred in October and, to some extent, November in 1H FY19 where, following some sales, the market spiked higher, which increased the purchase price for scrap

to fulfil those sales, resulting in a lower margin than expected. While some of this was recouped in December as the market fell, it was not as much as management had anticipated.

- The level of competitor activity at selected sites for purchasing scrap increased. While this is not unusual, it was particularly strong at those sites over the second quarter of 1H FY19.

Europe Metals

Europe Metals experienced difficult trading conditions during 1H FY19, resulting in an approximate 88% reduction in underlying EBIT compared to 1H FY18. An increase in internal recharges to Europe Metals, accounted for \$2.5 million of the underlying EBIT reduction. However the more significant balance of the reduction was driven by three main factors.

- Historically, including in 1H FY18, Europe Metals' access to the deep sea Turkish market provided a premium price over other sales outlets, such as short sea, container, and domestic. Challenges in the Turkish economy have eradicated this premium in 1H FY19. Due to competitive pressure, the purchase price for scrap has not reduced to compensate for the lower premium, resulting in margin compression.
- In addition, there has been an increased requirement for higher quality ferrous scrap from Europe Metals' Turkish customers. Management has responded by implementing stricter controls on quality into sites. However, as a consequence some volume has been lost, with some competitors still willing to accept lower quality intake.
- Margins relating to non-ferrous products have also reduced for two main reasons. Firstly, the reduction in the sales price for Zorba and related products has not yet seen a commensurate reduction in the buy price for shredder feed in the UK Market, thereby compressing margins. Secondly, EBIT contribution in 1H FY18 from sales of items such as insulated copper wire and electric motors has fallen in 1H FY19, due to the "National Sword" initiative in China. While Europe Metals has responded to this issue by installing copper granulation plants, EBIT contribution from these investments is not expected until 2H FY19.

SA Recycling

SA Recycling also experienced difficult trading conditions during 1H FY19, resulting in a 33% reduction in underlying EBIT compared to 1H FY18.

Lower underlying EBIT primarily related to the fall in Zorba prices. SA Recycling has 13 shredders, and in many locations operates against competitors that perform rudimentary shredding that does not yield significant non-ferrous product. Therefore, when Zorba prices fell from as much as US\$0.65 per lb in 2H FY18 to as low as US\$0.40 per lb in 1H FY19, some competitors did not reduce the buy price for shredder feed. In order to protect volumes, SA Recycling had to pay this elevated price, which reduced margins.

In addition to margin compression on Zorba, 1H FY19 witnessed a general compression in ferrous margins. SA Recycling's volumes increased 14% in 1H FY19 over 1H FY18.

However, volumes in 1H FY19 decreased 10% over 2H FY18. Efforts to protect volumes in 1H FY19 resulted in higher purchase prices and corresponding margin compression.

Corporate & Unallocated

Corporate & Unallocated shows an underlying EBIT improvement of \$1.9 million. It is worth noting however that SMR, the Company's municipal recycling business, is contained within this segment and its underlying EBIT fell from approximately \$3 million underlying EBIT for 1H FY18 down to a loss of circa \$4 million for 1H FY19. This decline is materially explained by the collapse in waste paper pricing to below zero.

Attachment 2

Group

\$m	FY14	FY15	FY16	FY17	FY18	1H FY17	1H FY18
Sales Revenue	7,021.2	6,310.9	4,651.7	5,079.4	6,448.0	2,384.7	2,977.0
Statutory EBITDA	222.4	265.6	83.0	313.5	395.8	153.3	178.6
Underlying EBITDA	255.7	260.0	190.4	292.4	392.3	130.2	181.2
Depreciation	99.3	106.1	113.4	103.0	108.8	51.2	52.2
Amortisation	18.2	14.7	13.0	9.3	8.4	4.7	4.0
Statutory EBIT	76.9	144.8	(215.5)	201.2	278.6	97.4	122.4
Underlying EBIT	138.2	139.2	64.0	180.1	275.1	74.3	125.0
Assets	2,649.4	2,881.8	2,570.9	2,743.0	3,201.8	2,656.1	2,820.2
Intake Volumes (000's)	11,783	10,331	8,665	8,526	9,967	4,125	4,893
Sales Volumes (000's)	11,815	10,481	8,551	8,700	9,856	4,360	4,761
Employees	5,613	5,429	4,756	4,561	4,908	4,539	4,762

Underlying results amended for inclusion of non-qualified hedge normalisation in Europe Metals and Global Trading, respectively

North America Metals

\$m	FY14	FY15	FY16	FY17	FY18	1H FY17	1H FY18
Sales Revenue	3,358.4	2,916.4	1,942.5	1,984.0	2,607.1	913.5	1,177.4
Statutory EBITDA	46.4	66.2	35.2	106.0	121.0	62.1	61.0
Underlying EBITDA	60.6	60.0	57.1	89.9	130.2	42.4	61.3
Depreciation	43.7	47.4	51.9	45.0	46.9	22.0	22.7
Amortisation	14.5	13.0	11.7	8.9	7.9	4.5	3.9
Statutory EBIT	(12.0)	5.8	(35.1)	52.1	66.2	35.6	34.4
Underlying EBIT	2.4	(0.4)	(6.4)	36.0	75.4	15.9	34.7
Assets	945.8	970.6	910.7	904.4	1,070.4	936.6	926.6
Intake Volumes (000's)	6,644	5,664	4,625	4,312	5,044	2,106	2,472
Sales Volumes (000's)	6,614	5,811	4,635	4,431	4,912	2,233	2,361
Employees	2,007	1,905	1,656	1,490	1,734	1,465	1,612

Revised segment excluding Sims Municipal Recycling (to Corporate & Unallocated) and Global Ferrous Trade (to Global Trading)

ANZ Metals

\$m	FY14	FY15	FY16	FY17	FY18
Sales Revenue	1,193.8	1,053.3	743.6	981.4	1,071.0
Statutory EBITDA	108.8	85.0	58.0	90.9	121.6
Underlying EBITDA	106.9	86.9	66.6	91.3	112.7
Depreciation	26.7	26.6	26.0	28.2	29.1
Amortisation	1.0	1.1	0.9	0.4	0.2
Statutory EBIT	81.1	57.3	31.1	62.3	92.3
Underlying EBIT	79.2	59.2	39.7	62.7	83.4
Assets	446.8	463.3	481.7	542.5	625.2
Intake Volumes (000's)	2,009	1,848	1,485	1,616	1,669
Sales Volumes (000's)	2,054	1,874	1,418	1,656	1,696
Employees	830	813	712	709	715

1H FY17	1H FY18
491.6	529.0
39.5	57.5
39.9	58.9
13.8	14.6
0.2	0.1
25.5	42.8
25.9	44.2
534.1	545.9
781	883
862	891
701	714

No change from FY18 Market Presentation

UK Metals

\$m	FY14	FY15	FY16	FY17	FY18
Sales Revenue	1,068.7	1,036.6	759.1	924.3	1,203.0
Statutory EBITDA	29.0	38.0	(15.7)	50.5	42.0
Underlying EBITDA	29.1	37.0	35.6	43.8	38.8
Depreciation	12.7	12.5	13.8	12.0	14.9
Amortisation	-	-	-	-	0.3
Statutory EBIT	16.3	25.5	(29.7)	38.5	26.8
Underlying EBIT	16.4	24.5	21.8	31.8	23.6
Assets	253.3	258.3	245.2	329.2	431.4
Intake Volumes (000's)	1,593	1,598	1,420	1,570	1,696
Sales Volumes (000's)	1,609	1,589	1,361	1,590	1,694
Employees	634	704	612	660	690

1H FY17	1H FY18
414.9	542.0
22.1	22.8
19.4	17.8
6.3	6.2
-	-
15.8	16.6
13.1	11.6
256.0	338.1
730	826
763	811
642	674

Underlying results amended for inclusion of non-qualified hedge normalisation

Global E-Recycling

\$m	FY14	FY15	FY16	FY17	FY18
Sales Revenue	760.5	795.0	792.7	726.9	758.4
Statutory EBITDA	28.9	53.0	(2.6)	30.6	34.5
Underlying EBITDA	30.9	55.2	19.2	28.2	33.2
Depreciation	11.1	10.6	11.2	8.2	8.4
Amortisation	2.7	0.6	0.4	-	-
Statutory EBIT	(12.9)	41.8	(60.2)	22.4	26.1
Underlying EBIT	17.1	44.0	7.6	20.0	24.8
Assets	428.7	473.3	447.9	382.1	397.3
Employees	1,829	1,703	1,471	1,417	1,420

1H FY17	1H FY18
353.9	365.0
17.0	11.6
15.4	10.6
4.3	4.1
-	-
12.7	7.5
11.1	6.5
392.5	402.5
1,428	1,451

No change from FY18 Market Presentation

SA Recycling

\$m	FY14	FY15	FY16	FY17	FY18
Statutory EBIT	0.8	0.5	(120.6)	26.3	67.8
Underlying EBIT	0.8	0.5	(1.5)	26.3	68.5
Assets	206.7	243.1	126.8	131.9	180.7
Intake Volumes (000's) ¹	3,409	2,156	2,005	2,557	3,477
Sales Volumes (000's) ¹	3,461	2,135	2,049	2,548	3,342

1H FY17	1H FY18
10.9	25.1
10.9	25.1
136.6	145.4
1,564	1,967
1,471	1,679

No change from FY18 Market Presentation

¹ Volumes represent total volumes recorded for SA Recycling, LLC and includes the portion sold through Sims Group Global Trade Corporation

Global Trading

\$m	FY14	FY15	FY16	FY17	FY18	1H FY17	1H FY18
Sales Revenue	599.0	455.2	352.6	386.6	733.5	174.4	324.4
Statutory EBITDA	12.1	14.1	3.2	3.1	19.0	(0.3)	3.1
Underlying EBITDA	14.9	11.9	7.0	4.9	11.7	0.2	5.6
Depreciation	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Amortisation	-	-	-	-	-	-	-
Statutory EBIT	12.0	14.1	3.1	3.0	18.8	(0.4)	3.0
Underlying EBIT	14.8	11.9	6.9	4.8	11.5	0.1	5.5
Assets	47.9	90.4	77.6	108.0	95.6	123.2	126.8
Intake Volumes (000's)	1,537	1,221	1,135	1,028	1,558	508	712
Sales Volumes (000's)	1,538	1,207	1,137	1,023	1,554	502	698
Employees	47	45	45	46	69	47	53

New segment composed of Global Ferrous Trading (previously within NAM segment) and Global Non-ferrous Trading (previously within Corporate & Unallocated)

Global Non-ferrous Trading underlying results amended for inclusion of unrealised hedge normalisation

Corporate & Unallocated

\$m	FY14	FY15	FY16	FY17	FY18	1H FY17	1H FY18
Sales Revenue	40.8	54.4	61.2	76.2	75.0	36.4	39.2
Statutory EBITDA	(3.6)	8.8	6.4	6.1	(10.1)	2.0	(2.5)
Underlying EBITDA	12.5	8.5	6.4	8.0	(2.8)	2.0	1.9
Depreciation	5.0	8.9	10.4	9.5	9.4	4.7	4.5
Amortisation	-	-	-	-	-	-	-
Statutory EBIT	(8.4)	(0.2)	(4.1)	(3.4)	(19.4)	(2.7)	(7.0)
Underlying EBIT	7.5	(0.5)	(4.1)	(1.5)	(12.1)	(2.7)	(2.6)
Assets	320.2	382.8	281.0	344.9	401.2	277.1	334.9
Employees	266	259	260	239	280	256	258

Revised segment excluding Global Non-ferrous Trading (to Global Trading) and inclusive of Sims Municipal Recycling (from NAM)