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SIMS METAL MANAGEMENT ANNOUNCES FISCAL 2016 HALF YEAR RESULTS

Results at a glance

STATUTORY (A$m)	**1H FY16**	**1H FY15**	**Change %**
Sales revenue	2,412.2	3,363.5	(28)
EBITDA[1]	(11.0)	153.5	(107)
EBIT	(249.3)	95.1	(362)
NPAT	(250.1)	74.5	(436)
EPS (cents) – diluted	(121.9)	36.3	(436)
UNDERLYING[2] (A$m)	**1H FY16**	**1H FY15**	**Change %**
Sales revenue	2,412.2	3,363.5	(28)
EBITDA	61.4	153.1	(60)
EBIT	(4.8)	94.9	(105)
NPAT	(17.8)	68.7	(126)
EPS (cents) – diluted	(8.7)	33.5	(126)
DPS (cents)	10.0	16.0	(38)

[1] EBITDA is an unaudited measurement of non-conforming financial information
2 Underlying earnings from continuing operations, excludes losses from discontinued operations

Key Points

- Underlying EBIT loss of $4.8 million driven by sharply lower sales volumes and falling commodity prices, leading to compressed margins across all businesses
- Excluding operations to be discontinued, underlying EBIT was positive $14.9 million; with these divestment actions expected to be completed by the end of 2H FY16
- Recently initiated business resetting actions assisted in returning the business to underlying EBIT profitability in 2Q FY16
- Net cash position of $373 million as at 31 December 2015, compared to $314 million as at 30 June 2015
- Interim dividend of 10.0 cents per share, unfranked
- On market share buyback initiated and ongoing, with 3 million shares purchased to date, and up to a further 17 million shares that may still be repurchased
- Driven by internal business resetting initiatives, underlying EBIT expected to return a run-rate, similar to FY15, by the end of 2H FY16

Group Results

Sims Metal Management Limited (the "Company") today announced a statutory NPAT loss of $250.1 million, representing a diluted EPS loss of 121.9 cents for the half year ended 31 December 2015. The underlying NPAT loss was $17.8 million, representing a diluted EPS loss of 8.7 cents. See the *Reconciliation of Statutory Results to Underlying Results* attached herein for more information.

Sales revenue of $2,412 million in 1H FY16 was down 28% compared to 1H FY15, primarily due to lower sales volumes and prices for ferrous and non-ferrous metals. Sales volumes decreased by 22% to 4.3 million tonnes in 1H FY16 versus 5.5 million tonnes in 1H FY15.

Underlying EBIT loss was $4.8 million in 1H FY16, compared to a $94.9 million profit in 1H FY15. The deterioration in external market conditions impacted all businesses, leading to lower earnings across all reporting segments. The decline in earnings was most significant in North America Metals, and in particular in the Central Region. Global E-Recycling also faced significant pressure on earnings due to the substantial decline in non-ferrous precious metals prices during the period.

In announcing the result, Group CEO Galdino Claro said, "The Company faced substantial market headwinds during 1H FY16. These near-term challenges translated into weaker earnings across all our businesses. However, we responded rapidly to these challenges. During 1H FY16 controllable costs, in constant currency, were reduced by $57 million, further lowering our break-even point, and returning the business to profitability in the second quarter."

Regional Performance

Commenting on regional performance, Group CFO Fred Knechtel said, "North America Metals underlying EBIT loss of $23 million in 1H FY16, compares with a profit of $33 million in 1H FY15. The earnings decline was driven by a 22% decline in sales volumes due to decreased supply generation related to lower commodity prices."

"While the East and West Regions of North America remain profitable, the Central region, bulk stainless, and the SA Recycling JV contributed to underlying EBIT losses of $20 million, $4 million, and $7 million respectively."

ANZ Metals underlying EBIT of $14 million in 1H FY16, compares with $30 million in 1H FY15. ANZ Metals earnings were negatively impacted by a 26% fall in volumes as well as a contraction in metal margin, offset in part by lower fixed costs.

Underlying EBIT for Europe Metals of $2 million, compares with $15 million in 1H FY15. Europe Metals was challenged by an 18% fall in volumes and deterioration in the domestic UK steel industry, with performance recovering in 2Q FY16 as the business shifted sales volumes into a more buoyant export market.

Global E-Recycling underlying EBIT, excluding discontinued operations, was slightly below break-even, compared with a $17 million profit in 1H FY15. Global E-Recycling was impacted by lower income from Continental Europe, where metal margins decreased by 24%; the US also underperformed, leading to a $42 million goodwill impairment charge.

Interim Dividend

The Company has determined to pay an interim dividend for 1H FY16 of 10.0 cents per share, unfranked, on 31 March 2016 to shareholders on the Company's register at the record date of 11 March 2016. The decision to pay an interim dividend was determined by the Board based on factors including the positive outlook for future improved earnings driven by the resetting initiatives. The Company's policy to distribute 45% to 55% of NPAT, subject to the Board's discretion, remains unchanged.

Strategic Plan Update

With regards to the Company's strategic plan, Mr Claro stated, "The persistent challenges of lower commodity prices and volumes prompted the urgent need to make significant adjustments to the Company's operational model. In November 2015, we announced new initiatives designed to reset the operations to lower market activity levels."

"To better align the business with current market conditions, we established new Streamline cost reduction initiatives. These included closing or selling underperforming facilities, reducing overhead costs, and headcount reductions across the global operating footprint. During 1H FY16, ten facilities were closed, while headcount was reduced by 500. Further cost reduction initiatives are anticipated in 2H FY16, including an additional 25 facilities to be either sold or closed, the majority of which will take place in the Central Region of North America Metals. In total, these Streamline actions are expected to generate a run rate benefit of circa $60 million EBIT by the end of FY16."

"In addition, our Optimise initiatives are being accelerated. We continue to evolve and improve our core drivers of profitability across Supplier Relationships, Logistics, Operational Excellence, and Product Quality & Services. These initiatives have been at the core of our business improvement strategies driving a significant reduction in our volume break-even point since the start of FY14. In total, these Optimise actions are expected to generate a run rate benefit of circa $70 million EBIT by the end of FY16."

"Combined, these actions are expected to deliver, on an annualised run-rate, circa $130 million in EBIT benefits by the end of FY16. We remain steadfast and dedicated to our goal to achieve greater than cost of capital returns, regardless of economic conditions."

Market Conditions and 2H FY16 Outlook

Commenting on market conditions and the outlook, Mr Claro said, "We continue to advance our strategic initiatives and lower our volume break-even point. However, the steep decline in ferrous and non-ferrous commodity prices is placing downward pressure on volumes and EBIT margins. Overcapacity of steel production in China, coupled with declining Chinese domestic demand, has pushed exported steel into the markets of many of the Group's traditional customers. This has significantly depressed demand for ferrous scrap metal globally."

"At the same time, the drop in ferrous scrap demand has pushed prices to extremely low levels. This price compression has reduced the available margin to be shared across the supply chain, leading to lower available supply for processing."

"Near-term, we expect industry conditions for metals and electronic recycling to continue to be challenging and volatile. Current conditions in 3Q FY16, historically a challenging quarter, are as difficult as in 1Q FY16. Therefore, we expect earnings improvement in 2H FY16 to be driven by internal initiatives and not external factors. However, based on the new Streamline and Optimise initiatives of the business resetting plan, we continue to expect that we will return to an underlying EBIT run-rate, similar to FY15, by the end of FY16. However, to reach this run rate, we need streamline actions to be completed, optimise initiatives to gain traction and volumes to be similar to the first half."

Appendix - Reconciliation of Statutory Results to Underlying Results

	EBITDA		EBIT		NPAT	
	1H FY16	**1H FY15**	**1H FY16**	**1H FY15**	**1H FY16**	**1H FY15**
A$m						
Statutory results from continuing operations	(11.0)	157.3	(249.3)	99.1	(250.1)	78.8
Statutory results from discontinued operations[4]	-	(3.8)	-	(4.0)	-	(4.3)
Reported earnings	(11.0)	153.5	(249.3)	95.1	(250.1)	74.5
Other significant items:						
Goodwill impairment	N/A[1]	N/A[1]	43.3	-	34.2	-
Other intangible asset impairment	N/A[1]	N/A[1]	9.7	-	8.6	-
Impairment of investment in joint venture	N/A[1]	N/A[1]	119.1	-	119.1	-
Fixed asset impairment	25.3	-	25.3	-	24.6	-
Reversal of an impairment of loan receivable	-	(0.6)	-	(0.6)	-	(0.6)
Net impact from investments in associates	-	(2.0)	-	(2.0)	-	(2.0)
Lease settlements/onerous leases	37.6	-	37.6	-	37.3	-
Redundancies	6.2	-	6.2	-	5.6	-
Net expense relating to yard closure/dilapidations	3.3	(1.6)	3.3	(1.6)	2.9	(1.6)
Tax asset impairment/(reversal)[2]	-	-	-	-	-	(5.9)
Underlying results[3]	**61.4**	**149.3**	**(4.8)**	**90.9**	**(17.8)**	**64.4**
Underlying losses from discontinued operations[4]	-	3.8	-	4.0	-	4.3
Underlying results excluding discontinued operations	**61.4**	**153.1**	**(4.8)**	**94.9**	**(17.8)**	**68.7**

[1] N/A indicates that statutory EBITDA is calculated to exclude impairment of goodwill, other identified intangible assets and impairment of investment in joint venture in the presentation of both the statutory and underlying results.
[2] HY15 amount reflects utilisation of previously impaired US deferred tax assets.
[3] 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.
[4] Discontinued operations relate to Global E-Recycling businesses in Canada and the UK.

About Sims Metal Management
Sims Metal Management is one of the world's largest metal recyclers with over 200 facilities, operations in 20 countries, and over 4,900 employees globally. Sims' core businesses are metal recycling and electronics recycling, with 55% of its revenue from operations in North America. The Company's ordinary shares are listed on the Australian Securities Exchange (ASX: SGM) as well 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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