

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 2014

Prior corresponding period: Half year ended 31 December 2013

Results				A\$m
Revenue from ordinary activities	Down	5.7%	to	3,395.9
Profit from ordinary activities after tax attributable to members	Up	701.1%	to	74.5
Net profit for the period attributable to members	Up	701.1%	to	74.5

Dividends (A¢)	Cents per Security	% Franked per Security
2014 Final Dividend (paid 21 October 2014)	10.0	100%
2015 Interim Dividend	16.0	100%
Record date for interim dividend	13 March 2015	
Payment date for interim dividend (1)	27 March 2015	
(1) The Board has determined that the dividend reinvestment plan will not operate in relation to the interim dividend.		

Net tangible assets (A\$)	31 December 2014	31 December 2013
Net tangible asset per security	8.83	8.48

For further explanation of the above figures, please refer to the Directors' Report and the consolidated financial statements, 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.

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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 2014 (“HY15”).

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 refrigerators, 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>
Managing Director:	
Galdino J Claro	Managing Director and Group Chief Executive Officer
Non-Executive Directors:	
Geoffrey N Brunson	Chairperson and Independent Non-Executive Director
Robert J Bass	Independent Non-Executive Director
Norman R Bobins ¹	Independent Non-Executive Director
John T DiLacqua ²	Independent Non-Executive Director
Gerald E Morris ¹	Independent Non-Executive Director
Georgia Nelson ³	Independent Non-Executive Director
Deborah O’Toole ³	Independent Non-Executive Director
Christopher J Renwick ²	Independent Non-Executive Director
Heather Ridout ²	Independent Non-Executive Director
Tamotsu Sato	Non-independent Non-Executive Director
James T Thompson	Independent Non-Executive Director

¹ Mr Bobins and Mr Morris retired from the Board of Directors on 13 November 2014.

² Mr DiLacqua, Mr Renwick and Ms Ridout were re-elected as Independent Non-Executive Directors at the Company’s annual general meeting on 13 November 2014.

³ Ms Nelson and Ms O’Toole were appointed as Independent Non-Executive Directors on 1 November 2014 and were elected as Independent Non-Executive Directors at the Company’s annual general meeting on 13 November 2014.

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 made in currencies other than the Australian dollar. In addition, a significant portion 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 referred to below are shown 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	
	Half year ended 31 December		As at 31	As at 30
	2014	2013	December 2014	June 2014
US dollar	0.8915	0.9225	0.8202	0.9420
Euro	0.6914	0.6873	0.6746	0.6906
Pounds sterling	0.5473	0.5827	0.5271	0.5531

As at 31 December 2014, the cumulative effect of the retranslation of net assets of foreign controlled entities (recognised through the foreign currency translation reserve) was A\$180.1 million compared to A\$329.9 million at 30 June 2014.

Summary

Sales revenue of A\$3,387.2 million in HY15 was down 5.7% compared to sales revenue of A\$3,593.3 million in the half year ended 31 December 2013 ("HY14"). At constant currency, sales revenue was down 8.6% primarily due to lower sales volumes. Sales volumes declined by 10.2% to 5.5 million tonnes in HY15 versus 6.1 million tonnes in HY14 due to lower secondary metal collection levels.

Statutory net profit after tax ("NPAT") in HY15 was A\$74.5 million. Underlying NPAT was A\$64.4 million in HY15 which was 53.0% higher than HY14. See the *Reconciliation of Statutory Results to Underlying Results* included herein for more information.

Statutory earnings before interest, tax, depreciation and amortisation ("EBITDA") for HY15 was A\$153.5 million which was 35.8% higher than HY14. On a constant currency basis, statutory EBITDA was A\$150.4 million in HY15. Underlying EBITDA of A\$149.3 million was 16.2% higher than HY14. The increase in underlying EBITDA was primarily due to higher operating income from North America Metals ("NAM"), Europe Metals and Global E-Recycling, offset by lower operating income from Australia and New Zealand Metals ("ANZ Metals"). See further discussion below for results by operating segment.

Statutory diluted earnings per share increased to 36.3 cents per share in HY15 from 4.5 cents per share in HY14. Underlying diluted earnings per share increased to 31.4 cents per share in HY15 from 20.3 cents per share in HY14.

The Company has determined to pay an interim dividend for HY15 of 16.0 cents per share (HY14: nil), which will be fully franked.

External Operating Environment

North American secondary metal generation yet to show improvement

According to recently published data from the US Geological Survey, US steel scrap generation declined by circa 15% during calendar 2014 over the previous year. While overall growth in the US economy continues to fill the scrap metal reservoir, as evidenced by improving new light vehicle and appliance sales, the disposal of obsolete metallic goods remains low. Depressed levels of income growth in real terms and persistent under-employment has prolonged the lifespan of consumer durables and other goods; which would have otherwise been discarded under more buoyant economic conditions. The resultant low scrap generation has kept competition amongst metals recyclers for intake volumes at elevated levels.

Australian economic outlook presents a mixed picture

Following a decade of robust economic growth driven by strong demand for raw material and rising commodity prices, the outlook in Australia appears to have weakened. The sharp decline in iron ore, coal, and other commodity prices has put many expansion projects on hold, as well as leading to the closure of some mines. Correspondingly, the unemployment rate is now trending at 12 year highs near 6%. To counteract the negative effects of a softer mining sector, the Reserve Bank of Australia cut interest rates to a record low of 2.25% in February 2015. As a result of lower interest rates and lower mineral exports, the Australian dollar has weakened materially against the US dollar, Euro, and British pounds sterling. This has offered some respite to Australian manufacturers and US dollar denominated commodity exporters.

UK a ray of light against EU economic uncertainty

Economic growth in the UK continues to improve. GDP growth of 2.6% in calendar 2014 was the strongest since the financial crisis and was the best amongst all the G7 major economies. New car sales in the UK hit a 10 year high in calendar 2014 at 2.5 million vehicles, a 9% improvement over the previous year, while consumer confidence reached an eight year high at the end of calendar 2014. Across continental Europe however, the economic picture remains clouded. The EU continues to exhibit slow and unbalanced growth which is exacerbated by high levels of debt. Unemployment remains problematic and there is an absence of inflation. The outlook for EU economic recovery has been diminished further by declining growth in Germany and France.

Segment Results

North America Metals

A\$m	Half year ended 31 December		Variance %
	2014	2013	
Sales revenue	1,913.3	2,058.6	(7.1)
Underlying EBITDA	65.3	40.6	60.8
Underlying EBIT	33.0	10.2	223.5
Sales tonnes (millions)	3.818	4.342	(12.1)
Underlying EBITDA margin	3.4%	2.0%	

Sales revenue for NAM of A\$1,913.3 million in HY15 was 7.1% lower compared to HY14. At constant currency, sales revenue was 10.2% lower compared to HY14. The decrease was primarily due to lower sales volumes which declined by 12.1%.

Underlying EBITDA of A\$65.3 million in HY15 was 60.8% higher compared to HY14. At constant currency, underlying EBITDA was 55.4% higher compared to HY14 primarily due to higher gross margins and lower operating expenses.

ANZ Metals

A\$m	Half year ended 31 December		Variance %
	2014	2013	
Sales revenue	553.6	575.7	(3.8)
Underlying EBITDA	43.6	53.0	(17.7)
Underlying EBIT	29.9	39.2	(23.7)
Sales tonnes (millions)	0.944	0.975	(3.2)
Underlying EBITDA margin	7.9%	9.2%	

Sales revenue for ANZ Metals of A\$553.6 million in HY15 was 3.8% lower compared to HY14. The decrease was primarily due to lower sales volumes which declined by 3.2%.

Underlying EBITDA of A\$43.6 million in HY15 was 17.7% lower compared to HY14, primarily due to lower sales volumes and challenging market dynamics.

Europe Metals

A\$m	Half year ended 31 December		Variance %
	2014	2013	
Sales revenue	513.2	527.0	(2.6)
Underlying EBITDA	21.1	14.1	49.6
Underlying EBIT	14.9	7.9	88.6
Sales tonnes (millions)	0.738	0.807	(8.6)
Underlying EBITDA margin	4.1%	2.7%	

Sales revenue for Europe Metals of A\$513.2 million in HY15 was 2.6% lower compared to HY14. At constant currency, sales revenue was 8.5% lower compared to HY14 primarily due to lower average selling prices and sales volumes.

Underlying EBITDA of A\$21.1 million in HY15 was 49.6% higher compared to HY14. At constant currency, underlying EBITDA was 40.4% higher compared to HY14 primarily due to higher gross margins and lower operating expenses.

Global E-Recycling

A\$m	Half year ended 31 December		Variance %
	2014	2013	
Sales revenue	401.5	422.3	(4.9)
Underlying EBITDA	18.4	10.2	80.4
Underlying EBIT	12.5	nil	-
Underlying EBITDA margin	4.6%	2.4%	

Sales revenue for Global E-Recycling of A\$401.5 million in HY15 was 4.9% lower compared to HY14. At constant currency, sales revenue was 6.0% lower compared to HY14. The decrease in sales revenue was primarily due to the decision made in June 2014 to exit the UK and Canada E-Recycling businesses.

Underlying EBITDA of A\$18.4 million in HY15 was 80.4% higher compared to HY14. At constant currency, underlying EBITDA was 85.3% higher compared to HY14 primarily due to higher operating income from E-Recycling businesses in Continental Europe. Global E-Recycling results in HY15 include operating losses of A\$4.3 million from certain operations in the UK and Canada whose operations are being wound-down as a result of the decision made by the Group in June 2014. The Group expects to fully exit from these businesses by the end of the fiscal year.

Reconciliation of Statutory Results to Underlying Results

A\$m Half year ended 31 December	EBITDA ¹		EBIT		NPAT	
	2014	2013	2014	2013	2014	2013
Statutory results	153.5	113.0	95.1	52.1	74.5	9.3
<i>Items excluded from underlying results</i>						
Net impact from investments in associates	(2.0)	-	(2.0)	-	(2.0)	-
Fixed asset impairment	-	2.3	-	2.3	-	2.3
Insurance recoveries net of write-offs	-	(3.3)	-	(3.3)	-	(3.3)
Lease settlements/onerous leases	-	4.3	-	4.3	-	4.3
Redundancies	-	3.1	-	3.1	-	2.8
Settlement of disputes with third parties	-	0.4	-	0.4	-	0.4
Reversal of an impairment of loan receivable	(0.6)	-	(0.6)	-	(0.6)	-
Net (reversal)/expense relating to yard closure/dilapidations	(1.6)	0.9	(1.6)	0.9	(1.6)	1.0
Credit provisions	-	0.9	-	0.9	-	0.9
Transaction and other legal costs	-	0.3	-	0.3	-	0.2
Loss on sale of business divisions	-	6.6	-	6.6	-	6.6
Tax asset impairment/(reversal) ²	-	-	-	-	(5.9)	17.6
Underlying results³	149.3	128.5	90.9	67.6	64.4	42.1

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

² 2013 amount reflects impairment of US deferred tax assets. 2014 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.

Reconciliation of Statutory NPAT to EBITDA

A\$m	Half year ended 31 December	
	2014	2013
Statutory net profit after tax	74.5	9.3
Depreciation and amortisation	58.4	60.9
Interest expense, net	3.8	8.1
Income tax expense	16.8	34.7
Statutory EBITDA	153.5	113.0

Cash flow and borrowings

Cash flow from operating activities of A\$53.1 million in HY15 increased by A\$15.3 million versus HY14 due to cash generated from operations, lower interest payments, higher dividends received from associates and joint ventures, offset by higher income tax payments.

Capital expenditures were A\$39.7 million during HY15 which was higher than capital expenditures of A\$29.2 million in HY14. Capital expenditures during HY15 are related primarily to investments in Western Australia for a new shredding operation. Cash consideration paid for acquisitions totalled A\$3.5 million in HY15 and related to the acquisition of two businesses, one each within the NAM and ANZ Metals segments. The Group also generated A\$13.5 million of cash from the sale of property, plant and equipment in HY15 including items previously classified as held for sale.

During HY15, the Group paid cash dividends of A\$20.5 million (HY14: nil). At 31 December 2014, the Group had a net cash position of A\$49.2 million compared to a net cash position of A\$42.3 million at 30 June 2014. 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	As at 31 December 2014	As at 30 June 2014
Total cash	66.3	57.2
Less: total borrowings	(17.1)	(14.9)
Net cash	49.2	42.3

The Group's cash flow and balance sheet position provides the capacity to fund the ongoing operational requirements of the business, as well as potential increased working capital requirements.

Strategic Developments

Five year strategic plan advancing as anticipated

In HY15, the Company advanced the pace of implementation of its five year strategic plan across its global operations. Streamline actions included the wind down of non-core E-recycling businesses in the UK and Canada and rationalising regional overhead costs in North America Metals. The Company also established a Project Management Office to drive initiatives to Optimise its operational performance.

Divestment of shareholding in Chiho-Tiande Group

In January 2015, the Company announced it had entered into two conditional sale and purchase agreements, to dispose of its entire shareholding of 167 million ordinary shares in Chiho-Tiande Group ("CTG") to third parties. The transaction is due to complete on or before 16 February 2015, with cash proceeds of circa A\$74 million expected on completion. China remains a highly important and attractive market to the Company, and the Company continues to investigate intelligent ways to service China's growing demand for secondary metals.

Construction of the new shredding facility in Western Australia nearing completion

Construction of the Company's new metals recycling facility in Kwinana, Western Australia continues to progress well with the shredder expected to be operational at the end of the fiscal year. The new operation will represent the final stage of ANZ Metals' shredder replacement program and off-line downstream non-ferrous recovery plant installations in Australia. Upon completion, all operations will have expanded processing capacity with the most up-to-date metals recovery technology available. Kwinana itself will be the Company's largest operation in Australia, and will replace the current footprint-constrained operations running outdated equipment.

Market Conditions and Outlook

Market and industry conditions remain difficult. The steep drop in iron ore prices has challenged the competitiveness of our EAF steel mill customers. As a consequence, ferrous scrap demand and prices have fallen sharply since the start of January. In the near-term, the Company expects the decline in ferrous scrap prices to have a negative impact on supply, leading to elevated levels of competition for intake volumes. As the price relationship between ferrous scrap and iron ore rebalances, the Company expects that demand from customers and availability of supply will improve.

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 2014.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report 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 Brunson
Chairperson
Sydney
13 February 2015



G J Claro
Managing Director and Group CEO
Sydney
13 February 2015

The Board of Directors
Sims Metal Management Limited
16 West 22nd Street, 10th Floor
New York, NY 10010

13 February 2015

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 2014, 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 2014

		Half year ended 31 December	
	Note	2014 A\$m	2013 A\$m
Revenue		3,395.9	3,601.1
Other income	3(a)	32.8	11.4
Raw materials used and changes in inventories		(2,448.0)	(2,645.8)
Freight expense		(260.1)	(265.3)
Employee benefits expense		(284.1)	(281.3)
Depreciation and amortisation expense	3(b)	(58.4)	(60.9)
Repairs and maintenance expense		(50.6)	(50.5)
Other expenses		(235.0)	(267.7)
Finance costs		(9.2)	(13.0)
Share of results of associates and joint ventures	3(c)	8.0	16.0
Profit before income tax		91.3	44.0
Income tax expense	6	(16.8)	(34.7)
Profit for the half year		74.5	9.3
Earnings per share:		A¢	A¢
Basic		36.4	4.6
Diluted		36.3	4.5

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 2014

	Half year ended 31 December	
Note	2014 A\$m	2013 A\$m
Profit for the half year	74.5	9.3
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Changes in the fair value of cash flow hedges, net of tax	(3.4)	3.6
Foreign currency translation differences arising during the period, net of tax	149.8	52.4
Recycling of foreign currency translation reserve on disposal of foreign operations	-	(4.7)
Share of other comprehensive income of associates, net of tax	0.3	0.6
<i>Items that will not be reclassified to profit or loss</i>		
Re-measurements of defined benefit plans, net of tax	(4.9)	0.5
Other comprehensive income for the half year, net of tax	141.8	52.4
Total comprehensive income for the half year	216.3	61.7

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 2014

	Note	31 December 2014 A\$m	30 June 2014 A\$m
Current assets			
Cash and cash equivalents		66.3	57.2
Trade and other receivables		383.6	445.6
Inventory		603.2	545.0
Other financial assets		63.2	51.8
Assets classified as held for sale		6.3	7.4
Total current assets		<u>1,122.6</u>	<u>1,107.0</u>
Non-current assets			
Investments in associates and joint ventures		353.1	314.9
Other financial assets		9.7	7.2
Property, plant and equipment		979.3	903.0
Retirement benefit assets		2.0	2.1
Deferred tax assets		91.1	99.4
Goodwill	9	147.3	139.3
Other intangible assets		80.7	76.5
Total non-current assets		<u>1,663.2</u>	<u>1,542.4</u>
Total assets		<u>2,785.8</u>	<u>2,649.4</u>
Current liabilities			
Trade and other payables		479.4	571.4
Borrowings		0.5	0.5
Other financial liabilities		6.1	4.5
Current tax liabilities		27.4	24.8
Provisions		74.3	76.4
Total current liabilities		<u>587.7</u>	<u>677.6</u>
Non-current liabilities			
Payables		7.4	6.5
Borrowings		16.6	14.4
Deferred tax liabilities		78.9	66.0
Provisions		49.7	46.4
Retirement benefit obligations		9.6	4.6
Total non-current liabilities		<u>162.2</u>	<u>137.9</u>
Total liabilities		<u>749.9</u>	<u>815.5</u>
Net assets		<u>2,035.9</u>	<u>1,833.9</u>
Equity			
Contributed equity		2,796.5	2,796.4
Reserves	4	(49.5)	(202.3)
Retained deficit		(711.1)	(760.2)
Total equity		<u>2,035.9</u>	<u>1,833.9</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 2014

<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>
Balance at 1 July 2013	2,795.7	(197.8)	(668.7)	1,929.2
Profit for the half year	-	-	9.3	9.3
Other comprehensive income	<u>-</u>	<u>51.9</u>	<u>0.5</u>	<u>52.4</u>
Total comprehensive income for the half year	<u>-</u>	<u>51.9</u>	<u>9.8</u>	<u>61.7</u>
Transactions with owners in their capacity as owners:				
Share options exercised	0.6	-	-	0.6
Share-based payments expense	<u>-</u>	<u>8.1</u>	<u>-</u>	<u>8.1</u>
	<u>0.6</u>	<u>8.1</u>	<u>-</u>	<u>8.7</u>
Balance at 31 December 2013	<u>2,796.3</u>	<u>(137.8)</u>	<u>(658.9)</u>	<u>1,999.6</u>
Balance at 1 July 2014	2,796.4	(202.3)	(760.2)	1,833.9
Profit for the half year	-	-	74.5	74.5
Other comprehensive income	<u>-</u>	<u>146.7</u>	<u>(4.9)</u>	<u>141.8</u>
Total comprehensive income for the half year	<u>-</u>	<u>146.7</u>	<u>69.6</u>	<u>216.3</u>
Transactions with owners in their capacity as owners:				
Dividends paid	5 -	-	(20.5)	(20.5)
Share options exercised	0.1	-	-	0.1
Share-based payments expense	<u>-</u>	<u>6.1</u>	<u>-</u>	<u>6.1</u>
	<u>0.1</u>	<u>6.1</u>	<u>(20.5)</u>	<u>(14.3)</u>
Balance at 31 December 2014	<u>2,796.5</u>	<u>(49.5)</u>	<u>(711.1)</u>	<u>2,035.9</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 2014

	Note	Half year ended 31 December	
		2014 A\$m	2013 A\$m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		3,544.7	3,695.0
Payments to suppliers and employees (inclusive of goods and services tax)		<u>(3,488.6)</u>	<u>(3,649.8)</u>
		56.1	45.2
Interest received		3.8	3.4
Interest paid		(8.6)	(13.1)
Dividends received from associates and joint ventures		9.8	3.8
Insurance recoveries		4.6	5.3
Income taxes paid		<u>(12.6)</u>	<u>(6.8)</u>
Net cash inflows from operating activities		<u>53.1</u>	<u>37.8</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(39.7)	(29.2)
Proceeds from sale of property, plant and equipment		9.3	2.3
Proceeds from assets held for sale		4.2	-
Payments for acquisition of subsidiaries, net of cash acquired	10	(3.5)	-
Proceeds from sale of business divisions, net of cash disposed		-	30.1
Payments for other financial assets		(0.4)	(0.5)
Proceeds from sale of other financial assets		0.5	0.4
Loan to a joint venture		-	(3.7)
Proceeds from repayment of loan to a joint venture		-	1.8
Loans to third parties		-	(1.0)
Proceeds from repayment of third party loans		<u>-</u>	<u>3.1</u>
Net cash (outflows)/inflows from investing activities		<u>(29.6)</u>	<u>3.3</u>
Cash flows from financing activities			
Proceeds from borrowings		1,166.9	1,374.8
Repayment of borrowings		(1,165.4)	(1,403.4)
Repayment of finance leases		(0.2)	-
Proceeds from issue of shares		0.1	0.6
Dividends paid	5	<u>(20.5)</u>	<u>-</u>
Net cash outflows from financing activities		<u>(19.1)</u>	<u>(28.0)</u>
Net increase in cash and cash equivalents		4.4	13.1
Cash and cash equivalents at the beginning of the half year		57.2	46.9
Effects of exchange rate changes on cash and cash equivalents		<u>4.7</u>	<u>2.9</u>
Cash and cash equivalents at the end of the half year		<u>66.3</u>	<u>62.9</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 Statements
For the half year ended 31 December 2014

Note 1 – Summary of significant accounting policies

(a) Reporting entity

Sims Metal Management Limited (the “Company”) is a company domiciled in Australia. The consolidated financial statements for the half year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates, joint ventures and joint operations. The Group is a for-profit entity for the purpose of preparing the consolidated financial statements. The consolidated financial statements are presented in Australian dollars (A\$), which is the Group’s presentational currency.

(b) Basis of preparation

The half year financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards Board (“AASB”) 134 *Interim Financial Reporting* and the requirements of the *Corporations Act 2001*. The consolidated financial statements comply with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* as issued by the IASB.

The half year financial report does not include all the notes normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the year ended 30 June 2014, and any public announcements made by the Company during the half year ended 31 December 2014, in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The Company is of a kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest tenth of a million dollars, unless otherwise indicated.

(c) Critical accounting estimates

The preparation of the consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3 of the annual financial report for the year ended 30 June 2014.

(d) Changes in accounting policies

The Group’s significant accounting policies have remained unchanged from the annual financial report for the year ended 30 June 2014.

New and amended accounting standards issued by the AASB and IASB which became effective on 1 July 2014 that are relevant to the Group include:

- AASB 1031 *Materiality* (2013)
- AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*
- AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*
- AASB 2013-9 *Amendments to Australian Accounting Standards – Part B: Materiality*
- AASB 2014-1 *Amendments to Australian Account Standards*
 - o Part A: *Annual Improvements 2010-2012 and 2011-2013 Cycles*
 - o Part B: *Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)*
 - o Part C: *Materiality*

The adoption of the above accounting standards had no material impact on the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

Sims Metal Management Limited
Notes to the Consolidated Financial Statements
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Note 2 – Segment information

(a) Description of segments

In July 2014, the Group CEO presented a strategic review which resulted in a change in the Group's management reporting structure. As a result, the Group's external reporting segments have changed with effect on 1 July 2014. Comparatives for the prior year periods have been restated.

The Group operates in four principal operating segments: North America Metals, ANZ 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" operating segment. Details of the segments are as follows:

- **North America Metals** – comprising subsidiaries and joint ventures in the United States of America and Canada which perform ferrous and non-ferrous secondary recycling functions.
- **ANZ Metals** – comprising subsidiaries and joint arrangements in Australia, New Zealand and Papua New Guinea which perform ferrous and non-ferrous secondary recycling functions.
- **Europe Metals** – comprising subsidiaries in the United Kingdom which perform ferrous and non-ferrous secondary recycling functions.
- **Global E-Recycling** – comprising subsidiaries which provide electronic recycling solutions in the following countries: Australia, Austria, Belgium, Canada, Czech Republic, Dubai, Germany, India, 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 an associate and joint venture in Hong Kong and Australia, and the Group's non-ferrous central marketing entity.

The Group's Chief Operation Decision Maker is the Group CEO, who allocates resources and assesses financial results based on the aforementioned segments.

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 value-added processes involving the melting, refining and ingoting of certain non-ferrous metals and other sources of service based revenue.

(b) Sales revenue by product

	Half year ended	
	31 December	
	2014	2013
	A\$m	A\$m
Ferrous secondary recycling	2,250.8	2,460.7
Non-ferrous secondary recycling	682.9	663.0
Recycling solutions	401.5	422.3
Secondary processing and other services	52.0	47.3
Total sales revenue	3,387.2	3,593.3

Sims Metal Management Limited
Notes to the Consolidated Financial Statements
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Note 2 – Segment information (continued)

(c) Information about reportable segments

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

	North America Metals A\$m	ANZ Metals A\$m	Europe Metals A\$m	Global E- Recycling A\$m	Unallocated A\$m	Total A\$m
Half year ended 31 December 2014						
Total sales revenue	1,913.3	553.6	513.2	401.5	5.6	3,387.2
Other revenue	<u>2.0</u>	<u>2.6</u>	<u>0.2</u>	<u>0.1</u>	<u>3.8</u>	<u>8.7</u>
Total segment revenue	<u>1,915.3</u>	<u>556.2</u>	<u>513.4</u>	<u>401.6</u>	<u>9.4</u>	<u>3,395.9</u>
Segment EBIT	<u>33.6</u>	<u>29.9</u>	<u>16.5</u>	<u>12.5</u>	<u>2.6</u>	95.1
Interest income						5.4
Finance costs						<u>(9.2)</u>
Profit before income tax						<u>91.3</u>
Half year ended 31 December 2013						
Total sales revenue	2,058.6	575.7	527.0	422.3	9.7	3,593.3
Other revenue	<u>2.5</u>	<u>1.3</u>	<u>0.4</u>	<u>0.1</u>	<u>3.5</u>	<u>7.8</u>
Total segment revenue	<u>2,061.1</u>	<u>577.0</u>	<u>527.4</u>	<u>422.4</u>	<u>13.2</u>	<u>3,601.1</u>
Segment EBIT	<u>2.3</u>	<u>39.9</u>	<u>7.9</u>	<u>(7.7)</u>	<u>9.7</u>	52.1
Interest income						4.9
Finance costs						<u>(13.0)</u>
Profit before income tax						<u>44.0</u>

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

	North America Metals A\$m	ANZ Metals A\$m	Europe Metals A\$m	Global E- Recycling A\$m	Unallocated A\$m	Total A\$m
As at 31 December 2014						
Assets	1,368.0	447.0	263.1	442.3	265.4	2,785.8
Liabilities	<u>234.2</u>	<u>113.2</u>	<u>92.4</u>	<u>185.2</u>	<u>124.9</u>	<u>749.9</u>
Net assets	<u>1,133.8</u>	<u>333.8</u>	<u>170.7</u>	<u>257.1</u>	<u>140.5</u>	<u>2,035.9</u>
As at 30 June 2014						
Assets	1,284.9	446.8	253.3	428.7	235.7	2,649.4
Liabilities	<u>261.0</u>	<u>150.2</u>	<u>102.6</u>	<u>183.9</u>	<u>117.8</u>	<u>815.5</u>
Net assets	<u>1,023.9</u>	<u>296.6</u>	<u>150.7</u>	<u>244.8</u>	<u>117.9</u>	<u>1,833.9</u>

Sims Metal Management Limited
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Note 3 – 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	
	2014	2013
	A\$m	A\$m
(a) Other income		
Net gain on commodity derivatives	21.3	-
Net gain on currency derivatives	-	0.8
Net foreign exchange gain	1.3	-
Net gain on revaluation of financial assets at fair value through profit or loss	0.1	0.5
Net gain on disposal of property, plant and equipment	3.0	-
Insurance recoveries	4.6	5.3
Government grants	0.1	0.2
Third party commissions	0.4	0.5
Other	2.0	4.1
	32.8	11.4
(b) Specific expenses		
Depreciation and amortisation:		
Depreciation expense	51.2	51.0
Amortisation expense	7.2	9.9
	58.4	60.9
Net loss on commodity derivatives	-	5.6
Net loss on currency derivatives	0.7	-
Net foreign exchange loss	-	0.6
Net loss on disposal of property, plant and equipment	-	1.3
Equity-settled share-based payments expense	6.1	6.4
Cash-settled share-based payments expense	0.3	0.3
(c) Significant items		
Impairments:		
Reversal of impairment of investment in an associate ¹	(7.5)	-
Impairment of property, plant and equipment ²	-	3.9
Impairment of trade receivables and customer advances	0.3	1.7
Inventory adjustments to net realisable value	6.1	-
Redundancies	0.4	3.1
Provisions recorded for onerous leases	-	4.3
Yard closure costs and dilapidation provisions/(reversal)	(1.6)	0.9
Net loss on sale of business divisions ³	-	6.6
Reversal of impairment of loan receivable	(0.6)	-

¹ Represents the partial reversal of a previously recorded impairment of the Group's investment in Chiho-Tiande Group Limited ("CTG") to reflect its fair value as at 31 December 2014.

² 2013 amount includes A\$2.3 million of impairments on equipment related to a location which was shut down during the half year ended 31 December 2013 and A\$1.6 million of impairments related to equipment which was destroyed by a fire.

³ 2013 amount represents the loss from the sale of non-core businesses within the North America Metals segment.

Sims Metal Management Limited
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Note 4 – Equity

(a) Contributed equity

Movements in the ordinary share balance were as follows:

	Half year ended 31 December	
	2014	2013
On issue per share register at the beginning of the period	204,601,321	204,309,387
Issued under long-term incentive plans	90,562	124,861
On issue per share register at the end of the period	<u>204,691,883</u>	<u>204,434,248</u>

(b) Reserves

	Share-based payments A\$m	Available- for-sale investments A\$m	Cash flow hedging A\$m	Foreign currency translation A\$m	Total A\$m
Balance at 1 July 2013	112.8	0.1	(3.1)	(307.6)	(197.8)
Equity-settled share-based payment expense	6.4	-	-	-	6.4
Revaluation – gross	-	-	0.6	-	0.6
Transfer to profit or loss – gross	-	-	4.4	-	4.4
Foreign currency translation differences	-	-	-	57.9	57.9
Associates	-	-	-	0.6	0.6
Deferred tax	1.7	-	(1.4)	(10.2)	(9.9)
Balance at 31 December 2013	<u>120.9</u>	<u>0.1</u>	<u>0.5</u>	<u>(259.3)</u>	<u>(137.8)</u>
Balance at 1 July 2014	126.2	0.1	1.3	(329.9)	(202.3)
Equity-settled share-based payment expense	6.1	-	-	-	6.1
Revaluation – gross	-	-	(2.6)	-	(2.6)
Transfer to profit or loss – gross	-	-	(1.4)	-	(1.4)
Foreign currency translation differences	-	-	-	168.8	168.8
Associates	-	-	0.3	-	0.3
Deferred tax	-	-	0.6	(19.0)	(18.4)
Balance at 31 December 2014	<u>132.3</u>	<u>0.1</u>	<u>(1.8)</u>	<u>(180.1)</u>	<u>(49.5)</u>

Note 5 – Dividends

Details of dividends paid are as follows:

			Half year ended 31 December	
	Cents per share	Franked %	2014 A\$m	2013 A\$m
Final 2014	10.0	100%	20.5	-
Final 2013	-	-	-	-
Total dividends paid			20.5	-

Since the end of the half year, the Directors have determined to pay an interim dividend of 16.0 cents per share, 100% franked based on Australian corporate taxes paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 27 March 2015, but not recognised as a liability at the end of the reporting period, is approximately A\$33 million.

Sims Metal Management Limited
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Note 6 – Income tax

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:

	Half year ended 31 December	
	2014	2013
	A\$m	A\$m
Profit before income tax	91.3	44.0
Tax at the standard Australian rate of 30%	27.4	13.2
Effect of tax rates in other jurisdictions	(2.2)	1.8
Losses for which no deferred income tax asset is recognised	0.6	22.4
Recognition of tax effect of previously unrecognised tax losses	(8.5)	-
Non-deductible expenses	2.4	4.1
Non-assessable reversal of impairment in associates	(1.1)	-
Share of net results of associates and joint ventures	0.1	(3.6)
Non-assessable income	(2.9)	(2.6)
Other	1.0	(0.6)
Income tax expense	16.8	34.7

Note 7 – 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 2014 was A\$69.4 million (30 June 2014: A\$54.1 million).

Note 8 – 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 2014.

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).

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Note 8 – Fair value of financial instruments (continued)

The following table presents the Group's financial instruments measured at fair value by valuation method:

As at 31 December 2014	Level 1 A\$m	Level 2 A\$m	Level 3 A\$m	Total A\$m
Financial assets:				
Financial assets at fair value through profit or loss:				
Investments in marketable securities	8.6	-	-	8.6
Derivative financial instruments	<u>4.6</u>	<u>0.9</u>	-	<u>5.5</u>
	<u>13.2</u>	<u>0.9</u>	-	<u>14.1</u>
Financial liabilities:				
Derivative financial instruments	<u>0.3</u>	<u>5.8</u>	-	<u>6.1</u>
	<u>0.3</u>	<u>5.8</u>	-	<u>6.1</u>
As at 30 June 2014				
Financial assets:				
Financial assets at fair value through profit or loss:				
Investments in marketable securities	7.5	-	-	7.5
Derivative financial instruments	<u>0.1</u>	<u>3.0</u>	-	<u>3.1</u>
	<u>7.6</u>	<u>3.0</u>	-	<u>10.6</u>
Financial liabilities:				
Derivative financial instruments	<u>4.3</u>	<u>0.2</u>	-	<u>4.5</u>
	<u>4.3</u>	<u>0.2</u>	-	<u>4.5</u>

During the half year ended 31 December 2014, there were no transfers between level 1 and level 2 fair value measurements, or no transfers into or out of level 3 fair value measurements.

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. The quoted market price used for financial assets held by the Group is the current bid price. 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.

If one or more of the significant inputs is not based on observable market data, the fair value of financial instruments is included in level 3. The Group does not hold any financial instruments that are categorised as level 3 in the fair value hierarchy.

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 convertible loan to CTG, an associate of the Group, is not measured at fair value and is carried at amortised cost. The fair value of the convertible loan and other loans to third parties approximate their carrying value using current interest rates.

Sims Metal Management Limited
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Note 9 – Goodwill

	Half year ended 31 December	
	2014	2013
	A\$m	A\$m
Opening balance	<u>139.3</u>	166.5
Acquisition of subsidiaries	1.4	-
Foreign exchange differences	<u>6.6</u>	8.0
Ending balance	<u>147.3</u>	<u>174.5</u>

Note 10 – Business acquisitions

During the half year ended 31 December 2014, the Group acquired two businesses, one each in the North America Metals and ANZ Metals segment. On a combined basis, had the acquisitions all occurred on 1 July 2014, 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:

	A\$m
Property, plant and equipment	<u>2.5</u>
Identified intangible assets	<u>0.9</u>
Accounts payable	<u>(0.9)</u>
Net identifiable assets acquired	2.5
Goodwill on acquisition	<u>1.4</u>
Total consideration	<u>3.9</u>
Deferred consideration	<u>(0.4)</u>
Net cash outflow	<u>3.5</u>

The initial accounting for the acquisitions in the current half year period has only been provisionally determined. The goodwill is attributable to several factors including site locations, synergies existing in the operations acquired and the assembled workforce, which together contribute to the profitability of the acquired businesses. Some of the goodwill recognised is expected to be deductible for income tax purposes.

Note 11 – Subsequent Events

On 28 January 2015, the Group announced that it entered into two conditional sale and purchase agreements to dispose of its entire shareholding of approximately 167 million ordinary shares in CTG to third parties. Completion is due on or before 16 February 2015. Cash proceeds of HK\$450.1 million (circa A\$74 million) are expected upon completion of the sale. Based on the Group's carrying value of its CTG investment at 31 December 2014, no material gain or loss is anticipated in relation to the sale.

Sims Metal Management Limited Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 9 to 21 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 2014 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 Brunson
Chairperson
Sydney
13 February 2015



G J Claro
Managing Director and Group CEO
Sydney
13 February 2015

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 2014, 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 22.

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 2014 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 Sim 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 2014 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, 13 February 2015