

9 November 2016

The Manager
Announcements
Company Announcements Office
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

Dear Sirs,

**Sims Metal Management Limited (Company)
Chairman's and CEO's Address to Shareholders**

Attached is a copy of the Chairman's and CEO's Address to Shareholders which will be presented at the Company's 2016 Annual General Meeting to be held today.

Yours sincerely



Frank Moratti
Company Secretary



ASX & MEDIA RELEASE

(ASX:SGM, USOTC:SMSMY)

9 November 2016

**Annual General Meeting 2016
Chairman's Address**

Ladies and Gentlemen,

Introduction

Welcome and thank you for attending the Sims Metal Management 2016 Annual General Meeting.

FY16 was a year of both significant accomplishments and challenges for the Company. The progress made to improve the foundation of the business was material. Controllable costs were reduced by \$137 million, leading to a 17% lower sales volume break-even point of the business. Safety performance was also considerably improved, with a Total Reportable Injury Frequency Rate decreasing by 36% over the prior year.

Notwithstanding the advances made, the Company faced extraordinary headwinds in the external macro environment. Market conditions in the first three months of FY16 were similar to patterns we had seen in FY15. However, in October 2015, business conditions deteriorated dramatically across price, volumes and margins, and did not recover until towards the end of the fiscal year.

Slowing domestic steel consumption in China created a wave of excess production that was exported into global markets. Large quantities of steel, in particular semi-finished steel, from China eroded demand for ferrous scrap metal from our global customers. At the same time, an oversupply of low-cost iron ore caused the price of ferrous scrap to fall by over \$30 per tonne during October 2015 to the lowest level since 2003. Together, these factors led to an 18% decline in the Company's sales volumes in FY16.

Facing these extraordinary market conditions, the Company took rapid action to reset its operating platform, by selling, closing or mothballing underperforming operations, while continuing to remove costs across the business.

The resetting actions contributed to a meaningful improvement in earnings, from an underlying NPAT loss of \$18 million in the first half of FY16, to a net profit of \$56 million in the second half of FY16.

However, the substantial headwinds prevented the internal achievements from translating into improved financial results on a full year basis. In FY16, underlying NPAT was \$38 million, which was 63% lower than the prior year.

This improvement in second half earnings provided encouraging evidence of the accomplishments thus far of the Company's five-year strategic plan, and the more recent resetting initiatives. As we look forward, this gives us greater confidence in the business' ability to deliver stronger financial returns when market conditions improve.

Strategic Plan and Priorities

The Company is now in the fourth year of its strategic plan. When the strategic plan commenced, commodities and metals recycling markets appeared to have reached cyclical lows. However, what has in fact occurred since then is that the external environment has become significantly more demanding. This has been driven by a 40% ferrous scrap price reduction and a consequent 33% contraction in our sales volumes, similar to the volume decline across our key markets.

Despite these challenges, a great deal of progress has been made. The operational portfolio has been streamlined so that the Company's core competitive advantages can be leveraged; while the overall cost structure of the Company has been meaningfully reduced allowing for greater profitability in a lower volume environment.

With the Streamline phase of the strategic plan substantially complete, larger scale Optimise initiatives are now set for implementation over the course of FY17 and FY18, and the Growth stage is now coming into view.

The Board continues to work closely with, and support, management towards achieving the Company's target of return on capital of 10% or greater by FY18, and ensure profitable growth beyond.

Capital Management and Dividends

The Company's balance sheet position remains strong, with a net cash position of \$242 million at 30 June 2016. As we consider uses of this capital, the Board understands that some shareholders prefer their returns in the form of dividends, while others prefer capital growth. We will continue to balance these objectives, through the payment of dividends and through our share buy-back programs. At the same time, we will ensure there is capital to reinvest in the business to support the Company's strategic plan.

In December 2015, the Board approved an on-market buy-back to repurchase up to 10% of the Company's issued capital. During FY16, nearly 8 million shares were repurchased pursuant to the buy-back program at an average price of \$7.59 per share. The buy-back is due to expire on 7 December 2016 and the Company intends to refresh the ability to buy shares on market as circumstances deem appropriate.

In addition, the Board also determined to pay a final dividend for FY16 of 12 cents per share, which was fully franked, on 21 October 2016 to shareholders on the Company's register at the record date of 7 October 2016.

Sustainability and Corporate Responsibility

The United Nations Conference on Climate Change in Paris last year, and the commitments made by the member nations, underscores the global urgency to address sustainability issues. Like countries, and the people in them, companies must deliver better solutions. Business as usual is not an option.

In last year's report, I mentioned that our Board signed a personal commitment to sustainability. Since that time, we are pleased to report that two of the most respected organisations globally – The Conference Board and The National Association of Corporate Directors (USA) – have recognized this commitment and have included our story in their major publications.

The nature of our businesses and the strength of our people, together with the robustness of our strategic initiatives, create a powerful platform for sustainable innovation and growth. Sims Metal Management embraces the principles of the circular economy as the path to becoming tomorrow's more resilient, sustainable and transparent company.

The Board

As announced at last year's Annual General Meeting, longstanding non-executive director Christopher Renwick will retire from the Board at the end of this year's AGM. Chris has served as Chairperson of the Safety, Health, Environment, Community & Sustainability Committee and, more recently, of the Remuneration Committee.

Chris' specialist knowledge in these areas, as well as his broader industry experience, has been invaluable to me and all the Board. I would like to thank him for his tireless efforts and support during his decade of service and especially during my time as Chairman.

Today's Resolutions

I would like to make some brief comments on several of the Resolutions to be considered at today's Meeting.

In respect of Special Resolution 3 to amend the Constitution, the Company has announced that if this Resolution is passed today, then the Board will propose a resolution at the Company's 2017 AGM to remove the cap on the number of directors. If this resolution is not passed today, then we will present a revised resolution for shareholders to consider next month.

In respect of Resolution 5, 6 and 7, the Board has taken note of the proportion of 'no' votes registered against each of them, including the likely 'first-strike' on the Company's Remuneration Report, and is committed to undertaking a wide ranging review of the Company's remuneration structure with the intention of reflecting any changes in the Company's FY17 Remuneration Report.

Thank You

As the Company marks its 100 year anniversary in 2017, your Board and I are confident that, whatever the future holds, Sims Metal Management will continue to be the world leader in metals and electronics recycling through its safety performance, global trading networks and commitment to superior return on capital. All the Company's employees deserve credit and a thank you for their contribution to what has made the Company a leader in its industry.

On behalf of my fellow directors, I would like to thank you for your continued support as shareholders in the Company.

I would now like to welcome Sims Metal Management Managing Director and CEO Galdino Claro to the microphone, who will provide further detail on the past year, as well as some commentary around recent trading conditions and the outlook for the rest of the year.

Thank you Galdino.



Annual General Meeting 2016 Group Chief Executive Officer's Address

Thank you Mr Chairman,

Strength through Adversity

The market conditions in FY16, particularly at the end of the first half, were not only the most difficult during my time at Sims Metal Management, but perhaps the toughest the industry has seen in 30 years.

Facing these challenges, we did not sit idle waiting for the moment to pass. In the first half of FY16 we dramatically reduced overhead expenses, initiated the sale or idling of non-core facilities, and accelerated the implementation of our business optimising initiatives, a campaign which continued throughout the second half. The accomplishments of this difficult work over the past financial year have meaningfully and sustainably improved our business.

The Company's cost and operating structure has now been reshaped to perform well in difficult markets, and to deliver stronger earnings when conditions improve. We have reduced our operational volume break-even point for continued profitability at the bottom of the cycle, yet we have retained enough capacity to sell 12 million tonnes of recyclable material per annum when industry volumes recover.

Moreover, with \$242 million in net cash at the end of FY16, our balance sheet remains one of the strongest in the industry. This gives us the strength to weather demanding market conditions, invest back into the business, while also delivering capital to shareholders through dividends and our share buyback.

Business Reset for Stronger Performance

During FY16, we continued to implement new initiatives to improve our core drivers of profitability across Supplier Relationships, Logistics, Operational Excellence, and Product Quality & Services. Through the success we have already achieved, and expect to accomplish in the future, we remain committed to achieving our goal of greater than cost of capital returns in FY18.

In November 2015, we announced new initiatives to reset the business. These initiatives generated a significant and permanent improvement in the business and were a key driver of the substantial earnings improvement in the second half of FY16.

The scope of the resetting work during FY16 was extensive. Twenty-nine loss-making or non-core facilities were sold or idled, overhead costs were lowered, and employee headcount was reduced by 12%. In total, through these initiatives, controllable costs were lowered by a further \$137 million over the prior year.

Due in large part to the rapid implementation of these initiatives, underlying return on capital increased from near break-even in the first half of FY16 to 5.5% in the second half of FY16. This return was equal to the return on capital achieved in FY15 and aligned with the commitment we made as part of the resetting plan. Based on the fourth quarter of FY16 alone, underlying return on capital reached 11%. This is encouraging evidence of the business' ability to deliver superior financial returns under improved market conditions.

Since the beginning of our five-year strategic plan in FY14, controllable costs have been reduced by \$234 million per annum and our volume break-even point has been lowered. At the same time, we have maintained the majority of our volume capacity, keeping us well positioned for when market volumes recover.

Reinvesting in the Business for Growth

While managing the business for today, we are also reinvesting into the business for the growth of tomorrow. In FY16, we invested \$109 million into sustaining and growth projects. In the current fiscal year, we have accelerated our implementation timeline of key projects, and now anticipate investing \$150 million to \$180 million in capex during FY17.

This capex will be used to deliver on our Optimise improvement initiatives and invest in growth opportunities. These include investments in new metal recovery plants and technology as well as enhancing our logistics capabilities around ocean freight and rail. We believe these investments are especially important at the bottom of the cycle and are the key to supporting long-term value creation.

In the year ahead, we will also initiate the Growth stage of our five-year strategic plan. This Growth platform will be built on four pillars which identify opportunities that deliver the greatest value to shareholders. These growth pillars include 1) market share retention to ensure sustainable returns above cost of capital across the cycle, 2) adaptive market positioning to capitalise on future growth markets, 3) entering into adjacent markets where competitive strengths can be leveraged, and 4) new lines of business.

During FY17, we will provide further details of this five-year growth strategy, which will take us through to FY22.

Commitment to Workplace Safety and Sustainability

Metal recycling involves large machinery and heavy equipment in close proximity of workers. As a result, it can be very dangerous. With that in mind, my management team and I have always known safety is our first priority. We lead every meeting, from the boardroom to the shop floor, with a discussion on safety. We believe every accident is preventable and therefore our goal is simple: zero harm; no one gets hurt, either at work or at home.

While some may be sceptical about a zero injury goal, the Company's most recent safety performance shows this goal is now closer.

In FY16, through leadership involvement, continuous improvement, and employee engagement, at year end, 84% of our facilities worldwide had zero recordable injuries, and 94% had zero lost workday injuries. This is tremendous progress that makes us all extremely proud. But one injury is one too many and, therefore, our journey towards creating a completely injury free company continues.

At Sims Metal Management we are also proud of our long and positive record on sustainability and corporate responsibility. We have recently embarked on a new set of 2020 sustainability goals. We continue to improve our performance on a variety of key metrics and remain committed to be a global leader in sustainability.

As the world comes to grips with climate change and the challenges of an increasing population, pressure on resources and energy consumption will not only continue, but escalate. This presents an even stronger business case for the 'circular economy' and our Company's role within it. We are already established as one of the world's leading recyclers, and will continue to add to this platform with innovation and growth.

A Modern Company with a 100 Year History

Sims Metal Management will celebrate its 100 year anniversary in 2017. We are proud to be part of a Company with such a long and proud history. Entering a new century, the Company is more resilient than ever. And, we are reinvesting back into the business for growth, a sustainable future, and the next one hundred years ahead of us.

Strategy and Market Update

Steel exports from China remain close to historically high levels. However, encouragingly, the rate of exports has begun to reduce, declining 9% in the September quarter over the previous year. In addition, rising prices across iron ore and coking coal has increased the competitiveness of ferrous scrap based EAF's, as well as greater use of ferrous scrap by BOF's. These recent positive trends should lead to improved demand for ferrous scrap metal, particularly in export markets, during the course of FY17.

Non-ferrous markets have also shown recent signs of improvement. US export demand for copper and aluminium have steadily increased since the start of the calendar year. While improved demand and stronger prices are positive, overall volumes are not yet above last year's levels.

Strategically, we continue to accelerate the implementation of our internal initiatives across cost management and operational optimisation. Following the divestment of non-core metal recycling facilities in the Central Region of North America Metals we have further reduced the break-even volume level to below the 7.8 million tonnes achieved in the second half of FY16.

Our capital investment into growth and optimisation projects has progressed further during FY17. This includes the completion of dredging work at our key Claremont facility in New Jersey, now allowing bulk ships to be fully loaded at the terminal. As well, we recently completed an investment in a downstream non-ferrous recovery plant at our Fairless Iron and Metal operations in Morrisville, PA. We will continue to efficiently use capital as required in order to invest into our highest returning projects scheduled for implementation over FY17 and FY18.

The inherent volatility and uncertainties of commodity markets continues to make forecasting challenging. However, we currently anticipate first half FY17 underlying EBIT to be significantly better than last year's equivalent period, and similar to the second half of FY16.

Furthermore, based on the benefits from the resetting actions of FY16 and optimise initiatives of the current fiscal year, we continue to expect underlying return on capital in FY17 to be greater than the 5.5% achieved in the second half of FY16.

We remain committed to our goal of achieving a return on capital of 10% or greater in FY18.

About Sims Metal Management

Sims Metal Management is one of the world's largest metal recyclers with circa 200 facilities, operations in 20 countries, and over 4,750 employees globally. Sims' core businesses are metal recycling and electronics recycling, with circa 55% of its revenue from operations in North America. 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.

Investor and media inquiries contact

Todd Scott

Group Vice President – Investor Relations

Tel: +61 4 0960 0352