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 2018
Prior corresponding period: Half year ended 31 December 2017

Results				**A$m**
Sales Revenue	Up	12.0%	to	3,334.1
Profit after tax attributable to members	Down	16.4%	to	76.5
Net profit for the period attributable to members	Down	16.4%	to	76.5

Dividends (A¢)	**Cents per Security**	**% Franked per Security**
2018 Final Dividend (paid 19 October 2018)	30.0	100%
2019 Interim Dividend[1]	23.0	100%
Record date for interim dividend	13 March 2019	
Payment date for interim dividend	27 March 2019	

[1]The Board has determined that the dividend reinvestment plan will not operate in relation to this dividend.

Net tangible assets (A$)	**31 December 2018**	**31 December 2017**
Net tangible asset per security	10.15	9.28

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

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

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

CONTENTS

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 2018 ("HY19").

PRINCIPAL ACTIVITIES

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

DIRECTORS

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

Name	**Title**
Managing Director:	
Alistair Field	Managing Director and Group Chief Executive Officer
Non-Executive Directors:	
Geoffrey N Brunsdon[1]	Chairperson and Independent Non-Executive Director
Robert J Bass[2]	Independent Non-Executive Director
John T DiLacqua	Independent Non-Executive Director
Hiroyuki Kato[3]	Non-independent Non-Executive Director
Georgia Nelson[1]	Independent Non-Executive Director
Deborah O'Toole	Independent Non-Executive Director
Heather Ridout	Independent Non-Executive Director
Tamotsu Sato[4]	Non-independent Non-Executive Director
James T Thompson[1]	Independent Non-Executive Director

1 Mr Brunsdon, Ms Nelson and Mr Thompson were re-elected as Independent Non-Executive Directors at the Company's annual general meeting on 8 November 2018.
2 Mr Bass retired from the Board of Directors on 1 January 2019.
3 Mr Kato was appointed to the Board of Directors on 8 November 2018.
4 Mr Sato retired from the Board of Directors on 8 November 2018.

OPERATING AND FINANCIAL REVIEW

Results Highlights

(A$m)	HY19	HY18	% Change
Sales revenue	3,334.1	2,977.0	12.0
Statutory earnings before interest, tax, depreciation and amortisation (“EBITDA”)	173.1	178.6	(3.1)
Underlying EBITDA	173.8	181.2	(4.1)
Depreciation	59.6	52.2	14.2
Amortisation	4.6	4.0	15.0
Statutory earnings before interest and tax (“EBIT”)	108.9	122.4	(11.0)
Underlying EBIT	109.6	125.0	(12.3)
Net interest expense	(2.9)	(4.4)	34.1
Underlying income tax expense	(30.0)	(38.0)	21.1
Statutory net profit after tax (“NPAT”)	76.5	91.5	(16.4)
Underlying NPAT	76.7	82.6	(7.1)
Statutory earnings per share (“EPS”)	37.1	44.8	(17.2)
Underlying EPS	37.2	40.4	(7.9)
Interim dividend	23.0	23.0	-
Total assets	3,128.8	2,820.2	10.9
Total liabilities	871.7	790.3	10.3
Net assets	2,257.1	2,029.9	11.2
Net cash	153.6	389.5	(60.6)
Total capital[1]	2,103.5	1,640.4	28.2
Underlying return on capital[2]	7.7	11.3	(31.9)
Net tangible assets	2,057.7	1,870.7	10.0
Net tangible assets per share	10.15	9.28	9.4
Net cash inflow from operating activities	20.0	131.2	(84.8)
Capital expenditures	84.5	84.7	(0.2)
Free cash flow after capital expenditures[3]	(64.5)	46.5	(238.7)
Employees	5,278	4,762	10.8
Sales tonnes (‘000)	4,951	4,761	4.0

[1] Total capital = net assets – net cash
[2] Underlying return on capital = (annualised underlying EBIT – tax at effective tax rate of 26%) / total capital
[3] Free cash flow after capital expenditures = operating cash flow – capital expenditures

Sensitivity to movements in foreign exchange rates

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

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

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

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

	Average rate			Closing rate – as at		
	HY19	HY18	% Change	31 December 2018	30 June 2018	% Change
US dollar	0.7240	0.7791	(7.1)	0.7049	0.7402	(4.8)
Euro	0.6288	0.6624	(5.1)	0.6146	0.6336	(3.0)
Pounds sterling	0.5594	0.5914	(5.4)	0.5526	0.5605	(1.4)

Summary

Sales revenue of A$3,334.1 million in HY19 was up 12.0% compared to sales revenue of A$2,977.0 million in the half year ended 31 December 2017 ("HY18"). At constant currency, sales revenue was up 6.1% to A$3,157.6 million due to higher average sales prices, in both ferrous and non-ferrous metals, and higher sales volumes. Sales volumes were 4.951 million tonnes in HY19 versus 4.761 million tonnes in HY18, due principally to growth across North America Metals and Australia New Zealand ("ANZ") Metals. See further discussion below under *External Operating Environment* and *Segment Results*.

Statutory EBIT in HY19 was A$108.9 million compared to A$122.4 million in HY18. At constant currency, statutory EBIT in HY19 was A$104.0 million. Underlying EBIT of A$109.6 million was A$15.4 million lower than HY18. The decrease in underlying EBIT was primarily due to tighter margins throughout HY19 due to increased short term volatility in market pricing, customer demand for higher quality product from Europe Metals, a greater decline in zorba sales price than shredder feed buy price, which primarily impacted Europe Metals and the Company's share of results from the Investment in SA Recycling ("SAR"), and higher domestic prices in the US which created competition for scrap in certain markets. See further discussion below for results by operating segment.

Statutory NPAT in HY19 was A$76.5 million. Underlying NPAT was A$76.7 million in HY19 compared to A$82.6 million in HY18. Underlying income tax expense of A$30.0 million during HY19 was A$8.0 million lower than HY18 due primarily to lower profit before tax and the impact of the US Tax Cuts and Jobs Act on US tax expense. Net interest expense of A$2.9 million was A$1.5 million lower than HY18 due to a reduction of the maximum amount of credit available through loan facilities, which was negotiated during the half year ended 30 June 2018. Statutory EBITDA in HY19 was A$173.1 million compared to A$178.6 million in HY18 due to an A$7.4 million increase in depreciation expense from HY18 to HY19. See the *Reconciliation of Statutory Results to Underlying Results* included herein for more information.

Statutory diluted EPS was 37.1 cents in HY19 compared to 44.8 cents in HY18. Underlying diluted EPS was 37.2 cents in HY19 compared to 40.4 cents in HY18.

External Operating Environment

The metals recycling industry faced a challenging set of external conditions in HY19, particularly in the quarter ending 31 December 2018 ("Q2 FY19"). Demand from customers in Turkey was lower and more sporadic creating greater short-term volatility with East Coast US export ferrous heavy melting steel ("HMS") prices falling nearly US$50[1] between November and December 2018. The average cargoes purchased per month by Turkey fell 34% when comparing the Q2 FY19 with the first 9 months of 2018 calendar year[2]. Since January 2019, the HMS price has increased from November 2018 and December 2018 levels, reflecting stronger demand from Turkey.

The zorba price started to decline in July 2018 and accelerated through October 2018[1]. A partial recovery commenced in late November 2018 and has held through January 2019 and February 2019. In some areas, the fall in zorba pricing did not see a commensurate fall in shredder feed price and therefore compressed margins.

[1] Source: Platts
[2] Source: Company data

In 2017, China announced its "National Sword" policy that focused on illegal waste imports, the prohibition of certain scrap materials and strict standards on contaminant thresholds on all scrap, including metal. An outright import restriction was placed on mixed paper, which contributed to a significant fall in waste paper prices and impacted Sims Municipal Recycling operations.

In late December 2018, China announced that Category 6 imports, which include high-grade recycled metal, would be classified on the restricted import list from 1 July 2019. The Company's investment in quality provides optionality in geographic markets, as well as in customers, and puts the Group in a solid position. Further details relating to Category 6 imports are expected over coming months.

North American result driven by technology investment and sound buying despite market volatility
Volatility in the market steadily increased over HY19 due to the uncertainty around tariffs, trade wars and Turkey's position in the market. While over the medium term, the Group should be relatively neutral to this volatility, over shorter timeframes there can be an impact on margins. This occurred in October 2018 and, to some extent, November 2018 where, following some sales, the market moved higher, which increased the purchase price for scrap to fulfil those sales, resulting in a lower margin than expected. Given the strong competitive environment and challenging market conditions, North America achieved a strong result driven by benefits from technology investments, sound buying and cost control.

Australian infrastructure activity supporting domestic steel demand and production
Australia's September 2018 quarter showed annual GDP growth at 2.8%, slowing from the previous run rate of 3.1%. Domestic production of steel in Australia grew 6.8% in calendar year 2018[3] and drove robust demand for ferrous scrap. Despite increased consumption from domestic mills, export demand remained strong, with the export of ferrous scrap volumes, based on Australian customs statistics, increasing 21.9% for calendar year 2018 compared to calendar year 2017[4].

Notwithstanding the recent solid GDP data, business conditions in Australia were subdued, as strong public infrastructure spending was offset by a softer outlook for household consumption. Consumer confidence was adversely affected by a decline in house prices, a slowing of Australian GDP growth and political uncertainty with upcoming elections in May 2019.

United Kingdom ("UK") experienced challenging market conditions with quality initiatives in place for HY19
The pace of growth in the UK economy continued to be soft, with the September 2018 quarter GDP 0.3% and a prolonged Brexit stifling short-term growth.

Slightly lower volumes were a combination of Turkey mills requiring higher quality for the volumes they purchased and alternative ferrous markets also requesting higher quality than normally produced by Europe Metals. Competition continues putting pressure on margins, but the business enters the half year ending 30 June 2019 ("H2 FY19") better positioned with ferrous quality now at the required level and, after initial teething issues, the zorba separation and copper granulation plants producing as expected.

Electronics recycling impacted from declines in commodity prices
Copper and precious metals, including gold, comprise the two primary commodities recovered from the electronics recycling process. The average copper and gold price during HY19 was around 11% and 7% lower than HY18, respectively[5]. The full decline in commodity prices did not see a commensurate adjustment in procurement activities and contributed to margin compression in Global SRS businesses.

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[3] Source: World Steel Association
[4] Source: Australian Bureau of Statistics
[5] Source: LME

Segment Results

NAM

A$m	HY19	HY18	Variance %
Sales revenue	1,401.0	1,177.4	19.0
Underlying EBITDA	61.1	61.3	(0.3)
Underlying EBIT	32.0	34.7	(7.8)
Sales tonnes (millions)	2.538	2.361	7.5
Underlying EBIT margin	2.3%	2.9%	

Sales revenue for NAM of A$1,401.0 million in HY19 was 19.0% higher compared to HY18. At constant currency, sales revenue was up 10.6% to A$1,301.9 million compared to HY18. The increase was primarily due to higher average sales prices and a 7.5% increase in sales volumes over the prior corresponding period. Sales volumes excluding brokerage tonnes ("proprietary sales volumes") to domestic customers increased from 0.613 million tonnes during HY18 to 0.806 million tonnes during HY19.

Underlying EBIT was A$32.0 million in HY19 compared to A$34.7 million in HY18. At constant currency, and adjusted for internal recharges, underlying EBIT was A$51.5 million compared to A$49.7 million. Metal margin improved due to the sales volume growth and from disciplined buying and technology investment. This margin improvement was partially offset by the short-term impact of market volatility and increased competitor activity at selected sites. The increase in sales volumes also resulted in higher controllable costs, which increased 4.6% on a constant currency basis.

Investment in SAR
The Company's share of results from SAR were A$21.9 million in HY19, a decrease of A$3.2 million compared to HY18. Excluding a non-recurring gain on disposition of assets, the underlying share of results from SAR were A$16.8 million. The result from SAR decreased in HY19 compared to HY18 due to margin compression attributed to a fall in zorba price and general ferrous margin compression stemming from elevated buy prices for shredder feed. Margin compression was partially offset by volume growth over the prior corresponding period, partially driven by acquisitions.

ANZ

A$m	HY19	HY18	Variance %
Sales revenue	617.0	529.0	16.6
Underlying EBITDA	59.5	58.9	1.0
Underlying EBIT	43.9	44.2	(0.7)
Sales tonnes (millions)	0.948	0.891	6.4
Underlying EBIT margin	7.1%	8.4%	

Sales revenue for ANZ Metals of A$617.0 million in HY19 was 16.6% higher compared to HY18. The increase was primarily due to higher average sales prices and a 6.2% increase in proprietary sales volumes. This volume growth was driven by robust demand from domestic steel mills, domestic growth and improvement initiatives and full accretion from the acquisition of the remaining 50% interest of the Sims Pacific Metals interest during the half year ending 30 June 2018. Volumes were partially offset by the Melbourne, Victoria shredder fire.

Underlying EBIT excluding internal recharges of A$51.8 million in HY19 was 3.4% higher compared to HY18 due to the higher sales volumes partially offset by higher controllable costs. Controllable costs increased 14.4% due in part to the increase in sales volumes and higher labour costs to produce higher quality zorba and zurik.

Europe Metals

A$m	HY19	HY18	Variance %
Sales revenue	586.2	542.0	8.2
Underlying EBITDA	8.8	17.8	(50.6)
Underlying EBIT	(0.9)	11.6	(107.8)
Sales tonnes (millions)	0.794	0.811	(2.1)
Underlying EBIT margin	(0.2)%	2.1%	

Sales revenue for Europe Metals of A$586.2 million in HY19 was 8.2% higher compared to HY18. At constant currency, sales revenue was up 2.3% to A$554.6 million compared to HY18. The increase was primarily due to higher average sales prices. Proprietary sales volumes decreased 2.2%. This was a consequence of the increased requirement for higher quality ferrous scrap from Turkish customers, resulting in stricter control on intake purchase quality. With some competitors willing to accept lower quality intake, this resulted in lost volume. The proportion of domestic proprietary sales volumes increased from 7.2% during HY18 to 15.4% during HY19.

Underlying EBIT was a loss of A$0.9 million in HY19 compared to underlying EBIT of A$11.6 million in HY18. At constant currency and excluding internal recharges, underlying EBIT of A$6.4 million was 61.9% lower the prior corresponding period. This was a result of the need to provide higher quality ferrous product to Turkey and other markets, declining zorba prices and impact of tightening Chinese regulations on lower grade non-ferrous products.

Global E-Recycling

A$m	HY19	HY18	Variance %
Sales revenue	349.6	365.0	(4.2)
Underlying EBITDA	10.6	10.6	-
Underlying EBIT	6.3	6.5	(3.1)
Underlying EBIT margin	1.8%	1.8%	

Sales revenue for Global E-Recycling of A$349.6 million in HY19 was 4.2% lower compared to HY18. At constant currency, sales revenue was down 9.1% to A$331.9 million compared to HY18. The decline was primarily a result of lower commodity pricing.

Underlying EBIT was A$6.3 million in HY19 compared to A$6.5 million in HY18. Excluding internal recharges, and adjusting for constant currency, underlying EBIT was A$10.0 million, which was 3.1% higher than the prior corresponding period. Geographically, results in Continental Europe were offset by margin compression in the US. Controllable costs globally were materially in line with the prior corresponding period.

Global Trading and Unallocated

On a statutory basis, Global Trading EBIT of A$10.5 million increased from A$3.0 million in the prior corresponding period. At constant currency, excluding internal recharges, Global Trade incurred an underlying EBIT loss of A$7.2 million compared to an underlying EBIT loss of A$4.9 million during HY18. This was a consequence of increased controllable costs partially due to increased labour costs and temporarily running two offices while moving non-ferrous trading from Hong Kong to Singapore. Brokerage volumes of 0.671 million tonnes was down 3.9% compared to 0.698 million tonnes in the prior corresponding period.

Sims Municipal Recycling underlying EBIT, adjusted for internal recharges, was a loss of A$0.1 million during HY19. The decline from A$6.1 million in the prior corresponding period was largely due to the collapse in paper price to below zero due to the Chinese National Sword.

On a constant currency basis, corporate costs within the Unallocated segment were A$27.2 million excluding internal recharges. This amount is a 15.0% improvement for the prior corresponding period.

The Company's 50% investment in the LMS Energy Pty Ltd joint venture ("LMS") contributed A$5.4 million of equity accounted profits during HY19, up 28.6% over the prior corresponding period. LMS continued to perform well due to the development of new projects and strong large-scale generation certificates and wholesale electricity pricing.

Reconciliation of Statutory Results to Underlying Results

	EBITDA[1]		EBIT		NPAT	
	HY19	**HY18**	**HY19**	**HY18**	**HY19**	**HY18**
A$m						
Reported earnings	**173.1**	178.6	**108.9**	122.4	**76.5**	91.5
Other significant items:						
Reversal of impairment of property, plant and equipment	**-**	(0.6)	**-**	(0.6)	**-**	(0.6)
Net benefit related to lease settlements/onerous leases	**(1.2)**	(4.4)	**(1.2)**	(4.4)	**(0.9)**	(3.7)
Redundancies	**1.3**	5.4	**1.3**	5.4	**1.0**	3.4
Yard closure costs and dilapidation provisions	**-**	0.7	**-**	0.7	**-**	0.5
Non-qualified hedges	**(0.5)**	1.5	**(0.5)**	1.5	**(0.4)**	1.3
Impact of Victorian fire, net of insurance recoveries to date	**6.2**	-	**6.2**	-	**4.3**	-
Non-recurring gain on asset disposition by joint venture	**(5.1)**	-	**(5.1)**	-	**(3.8)**	-
Impact of US Tax Reform	**-**	-	**-**	-	**-**	(9.8)
Underlying results[2]	**173.8**	**181.2**	**109.6**	**125.0**	**76.7**	**82.6**

[1] EBITDA is a measurement of non-conforming financial information. See table below that reconciles EBITDA to statutory net profit.
[2] 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	**HY19**	**HY18**
Statutory net profit after tax	**76.5**	91.5
Depreciation and amortisation	**64.2**	56.2
Interest expense, net	**2.9**	4.4
Income tax expense	**29.5**	26.5
Statutory EBITDA	**173.1**	178.6

Cash flow and borrowings

Cash flow from operating activities of A$20.0 million in HY19 decreased by A$111.2 million versus HY18 primarily from a A$91.4 million increase in net working capital change. The working capital movement was primarily a function of an increase in trade and other receivables from A$345.5 million at HY18 to A$485.4 million at HY19. The increase in trade and other receivables was primarily due to timing of sales and the customer mix portfolio of the Group. The proportion of Group's proprietary sales volumes to domestic customers increased to 31.4% in HY19 from 26.6% in the prior comparable period. On average, domestic customers have lengthier credit terms which influence working capital. Income taxes paid increased A$19.2 million compared to the prior corresponding period. Capital expenditures were A$84.5 million during HY19 compared to capital expenditures of A$84.7 million in HY18. Capital expenditures during HY19 were primarily related to zorba separation plants and copper granulation plants across North America, Europe and ANZ.

During the half year ended 31 December 2018, the Group acquired one business in the ANZ segment for A$9.4 million compared to A$1.4 million of acquisitions during HY18. During HY19, the Group paid cash dividends of A$61.3 million compared to A$60.3 million in HY18. Cash received from share option exercises was A$1.6 million in HY19 compared to A$24.2 million in HY18 while cash paid for shares bought back was A$19.3 million in HY19 as compared to nil in HY18.

At 31 December 2018, the Group had a net cash position of A$153.6 million compared to a net cash position of A$298.1 million at 30 June 2018. 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 2018**	**As at 30 June 2018**
Total cash	**216.1**	339.1
Less: total borrowings	**(62.5)**	(41.0)
Net cash	**153.6**	298.1

Strategic Developments

Quality initiatives commenced production
By the year ended 30 June 2019 (“FY19”), the Company will have the ability to produce twitch and heavies from zorba and copper chops from insulated copper wire across all countries where it operates. This technology investment leads to differentiated products and creates optionality in both geographic markets and customers.

At the end of HY19, the Company completed the installation and commissioning of two state of the art Material Recovery Plants (MRP), three zorba separation plants, seven copper granulation plants and increased the utilisation of another copper granulation plant. The first installs of zorba separation and copper granulation plants are exceeding the Company’s initial expectations.

Over the next four months most of the remaining quality initiatives will be implemented and include three additional zorba separation lines, two additional copper granulation plants and one upgrade to an existing copper granulation plant to double the capacity.

Near-term strategic priorities to complete investment in capital, people, and processes
By April 2019, the Company will complete and communicate externally a strategic review of its existing businesses and potential opportunities for the next five years. As part of this review, in addition to strengthening the Company’s existing platform, consideration will be given to external growth opportunities that fit into the Company’s strategy, complement its core competencies and enhance returns without elevating the Group’s operating risk profile. The Company’s capital allocation strategy will continue to balance the ongoing requirement for dividends to shareholders with the need for business reinvestment to support the Company’s strategy.

The Company’s strategic priorities during FY19 will be focused on six core deliverables: 1) commissioning of investments in high-returning capital projects, 2) strengthening internal functions and processes, 3) investing in the people, culture, and leadership capabilities of the business, 4) establishing a culture of Continuous Improvement, 5) enhancing the Company’s existing franchise with opportunistic acquisitions and 6) finalising a detailed plan for sustainable long-term growth. These objectives are designed to set the platform for future success, as the Company moves into the next stage of executing on its long-term goal of sustainable growth.

Strong balance sheet to support growth and shareholder returns
The Company has sustained an attractive balance sheet with a net cash position of A$153.6 million as at 31 December 2018. The cash balance was lower than the prior year-end due to higher working capital, increased income taxes paid, higher capital expenditures and commencement of an on-market share buy-back.

The Company’s capital allocation strategy balances distributions to shareholders with the need for business reinvestment to support the Company’s strategy. During HY19, the Company initiated a share buy-back primarily to remove the dilution effect of employee performance rights. The Company purchased A$19.3 million in shares and the year ended 30 June 2018 ("FY18") allocated employee performance rights have now been offset.

For FY19, the Company estimates its total capital spending will be approximately A$160 million, with approximately 40% budgeted for new projects. The Company will also consider external growth opportunities that fit the Company's strategy, complement its core competencies and enhance returns, without elevating the Group's operating risk profile. The Company's capital allocation strategy will continue to balance the ongoing requirement for dividends to shareholders with the need for business reinvestment to support the Company's strategy.

Market Conditions and Outlook

The Company has shown resilience in the face of challenging market conditions. While the Company is more robust, potential still exists for negative consequences from increasing escalation of trade wars, change in policy frameworks and clarification of the quota system relating to Category 6 restrictions in China. These uncertainties are clearly caveats that need to be considered in the outlook for FY19. However, H2 FY19 has commenced with some early signs of improvement as compared to HY19, including Turkish demand increasing and ferrous and non-ferrous prices seeming to stabilise.

While there are regional differences, overall, the Company expects ferrous volumes for the full year FY19 to exceed FY18. Non-ferrous volumes for the full year FY19 are likely to be similar to FY18.

Providing there is no deterioration in market conditions, it is likely that underlying EBIT for the second half of FY19 will outperform the first half. Sims has operated for over 100 years and, in the medium-term, is well positioned with a highly capable work force, leadership in technology, and diversity in global operations to meet these challenges.

ENVIRONMENTAL REGULATION

The Group is subject to environmental regulations and reporting requirements in Australia as well as other countries in which it operates. The Group has environmental licenses and consents in place at various operating sites as prescribed by relevant environmental laws and regulations in respective jurisdictions. Conditions associated with these licenses and consents include those which stipulate environmental monitoring requirements and reporting limits to monitor conformance with the requirements of such licenses and consents.

Under Australian environmental regulation, an entity is required to provide a summary of its environmental performance as per s299(1)(f) of the *Corporations Act 2001*. Further information on the Company's environmental performance is set out in the Group's Annual Sustainability Report available on its website at www.simsmm.com.

Additionally, the Group's Australian operations are subject to the reporting requirements of the *National Greenhouse and Energy Reporting Act 2007* ("NGER"). The NGER Act requires the Group to report its annual greenhouse emissions and energy use of its Australian operations. The Group has implemented systems and processes for the collection and calculation of the data required so as to prepare and submit the relevant report to the Clean Energy Regulator annually.

In the last 12 months, there were no material breaches of environmental statutory requirements.

CLIMATE CHANGE RAMIFICATIONS

The Company recognises that climate change could have meaningful impacts on the financial performance of the Group over time and has begun the process of identifying key risks and, where possible, commenced action to mitigate their impact.

The key risks identified centre around the potential for increased, and more extreme, weather events impacting:

- Health and safety issues for employees operating on sites (extreme temperatures)
- Inability to maintain standard operational hours at facilities (extreme temperatures);
- Docks, material handling and the transportation of products (intense rain and wind);
- Access to a reliable supply of electricity (extended heat waves); and
- Reliable operation of critical data storage sites (flooding, extended heat waves).

These risks are currently not expected to have a material impact on the Company’s financial performance. However, effective from July 2018, all capex approvals over a threshold value require consideration of the impact of climate change as standard practice.

DIVIDENDS

Since the end of the half year, the Directors have declared an interim dividend of 23 cents per share (100% franked) for the half year ended 31 December 2018. The dividend will be payable on 27 March 2019 to shareholders on the Company’s register at the record date of 13 March 2019. The Directors have determined that the dividend reinvestment plan will not operate in relation to this dividend.

AUDITOR’S INDEPENDENCE DECLARATION

The auditor’s independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 11 and forms part of the Directors’ Report for the half year ended 31 December 2018.

ROUNDING OF AMOUNTS

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors’ Reports) Instrument 2017/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors’ report and the financial statements are rounded off to the nearest tenth of a million dollars, unless otherwise indicated.

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

G N Brunsdon	A Field
Chairperson	Managing Director and Group CEO
Sydney	Sydney
20 February 2019	20 February 2019

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

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

20 February 2019

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 2018, 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

DELOITTE TOUCHE TOHMATSU

Don Pasquariello

Don Pasquariello
Partner
Chartered Accountants

Sims Metal Management Limited
Consolidated Income Statements
For the half year ended 31 December 2018

	Note	Half year ended 31 December 2018 A$m	Half year ended 31 December 2017 A$m
Revenue	2	**3,339.2**	2,981.8
Other income	4	**25.5**	6.6
Raw materials used and changes in inventories		**(2,339.7)**	(2,016.5)
Freight expense		**(257.1)**	(237.4)
Employee benefits expense		**(323.9)**	(292.1)
Depreciation and amortisation expense	4	**(64.2)**	(56.2)
Repairs and maintenance expense		**(47.4)**	(49.1)
Other expenses		**(254.6)**	(245.2)
Finance costs		**(3.6)**	(5.2)
Share of results of joint ventures		**31.8**	31.3
Profit before income tax		**106.0**	118.0
Income tax expense	5	**(29.5)**	(26.5)
Profit for the half year		**76.5**	91.5
		A¢	A¢
Earnings per share			
Basic	6	**37.6**	45.7
Diluted	6	**37.1**	44.8

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 2018

	Note	Half year ended 31 December 2018 A$m	Half year ended 31 December 2017 A$m
Profit for the half year		**76.5**	91.5
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges, net of tax		**0.2**	-
Foreign currency translation differences arising during the period, net of tax		**64.4**	(2.6)
Items that will not be reclassified to profit or loss			
Re-measurements of defined benefit plans, net of tax		**(3.8)**	(0.1)
Other comprehensive income/(loss) for the half year, net of tax		**60.8**	(2.7)
Total comprehensive income for the half year		**137.3**	88.8

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 2018

	Note	31 December 2018 A$m	30 June 2018 A$m
Current assets			
Cash and cash equivalents		**216.1**	339.1
Trade and other receivables		**485.4**	461.7
Inventory		**527.7**	567.0
Other financial assets		**14.9**	18.9
Assets classified as held for sale		**2.1**	2.1
Total current assets		**1,246.2**	1,388.8
Non-current assets			
Investments in joint ventures		**292.7**	267.4
Other financial assets		**16.3**	16.7
Property, plant and equipment		**1,216.5**	1,155.8
Retirement benefit assets		**3.3**	7.7
Deferred tax assets		**154.4**	166.8
Other intangible assets		**199.4**	198.6
Total non-current assets		**1,882.6**	1,813.0
Total assets		**3,128.8**	3,201.8
Current liabilities			
Trade and other payables		**541.6**	645.1
Borrowings		**0.7**	1.6
Other financial liabilities		**2.9**	6.5
Current tax liabilities		**7.9**	30.4
Provisions		**74.0**	110.8
Total current liabilities		**627.1**	794.4
Non-current liabilities			
Payables		**15.1**	13.6
Borrowings		**61.8**	39.4
Deferred tax liabilities		**97.5**	89.1
Provisions		**68.9**	75.0
Retirement benefit obligations		**1.3**	1.6
Total non-current liabilities		**244.6**	218.7
Total liabilities		**871.7**	1,013.1
Net assets		**2,257.1**	2,188.7
Equity			
Contributed equity	7	**2,750.1**	2,767.8
Reserves	7	**222.3**	147.6
Retained deficit		**(715.3)**	(726.7)
Total equity		**2,257.1**	2,188.7

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 2018

	Note	Contributed equity A$m	Reserves A$m	Retained deficit A$m	Total equity A$m
Balance at 1 July 2017		2,733.8	60.1	(826.3)	1,967.6
Profit for the half year		-	-	91.5	91.5
Other comprehensive loss		-	(2.6)	(0.1)	(2.7)
Total comprehensive (loss)/income for the half year		-	(2.6)	91.4	88.8
Transactions with owners in their capacity as owners:					
Dividends paid	3	-	-	(60.3)	(60.3)
Share options exercised	7	22.9	-	-	22.9
Share-based payments expense, net of tax		-	10.9	-	10.9
		22.9	10.9	(60.3)	(26.5)
Balance at 31 December 2017		2,756.7	68.4	(795.2)	2,029.9
Balance at 1 July 2018		**2,767.8**	**147.6**	**(726.7)**	**2,188.7**
Profit for the half year		**-**	**-**	**76.5**	**76.5**
Other comprehensive income/(loss)		**-**	**64.6**	**(3.8)**	**60.8**
Total comprehensive income for the half year		**-**	**64.6**	**72.7**	**137.3**
Transactions with owners in their capacity as owners:					
Dividends paid	3	**-**	**-**	**(61.3)**	**(61.3)**
Share options exercised	7	**1.6**	**-**	**-**	**1.6**
Share-based payments expense, net of tax		**-**	**10.1**	**-**	**10.1**
Buy-back of ordinary shares	7	**(19.3)**	**-**	**-**	**(19.3)**
		(17.7)	**10.1**	**(61.3)**	**(68.9)**
Balance at 31 December 2018		**2,750.1**	**222.3**	**(715.3)**	**2,257.1**

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 2018

	Note	Half year ended 31 December 2018 A$m	2017 A$m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**3,396.5**	3,102.1
Payments to suppliers and employees (inclusive of goods and services tax)		**(3,347.3)**	(2,951.4)
Interest received		**0.7**	0.8
Interest paid		**(3.2)**	(4.0)
Dividends received from joint ventures		**16.0**	11.2
Insurance recoveries		**4.0**	-
Income taxes paid		**(46.7)**	(27.5)
Net cash inflows from operating activities		**20.0**	131.2
Cash flows from investing activities			
Payments for property, plant and equipment		**(84.5)**	(84.7)
Payments for businesses, net of cash acquired	8	**(9.4)**	(1.4)
Payments for other financial assets		**(2.1)**	(2.0)
Proceeds from sale of property, plant and equipment		**4.2**	3.9
Proceeds from assets held for sale		**-**	4.7
Proceeds from sale of other financial assets		**0.4**	1.1
Net cash outflows from investing activities		**(91.4)**	(78.4)
Cash flows from financing activities			
Proceeds from borrowings		**782.4**	160.6
Repayment of borrowings		**(760.6)**	(160.6)
Fees paid for loan facilities		**(0.2)**	-
Repayment of finance leases		**(1.1)**	(1.1)
Proceeds from issue of shares		**1.6**	24.2
Payments for shares bought back	7	**(19.3)**	-
Dividends paid	3	**(61.3)**	(60.3)
Net cash outflows from financing activities		**(58.5)**	(37.2)
Net (decrease)/increase in cash and cash equivalents		**(129.9)**	15.6
Cash and cash equivalents at the beginning of the half year		**339.1**	378.5
Effects of exchange rate changes on cash and cash equivalents		**6.9**	(0.2)
Cash and cash equivalents at the end of the half year		**216.1**	393.9

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

Note 1 – Summary of significant accounting policies

Sims Metal Management Limited (the "Company") is a for-profit company incorporated and domiciled in Australia. The consolidated financial statements for the half year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in joint ventures and joint operations.

Basis of preparation

This general purpose financial report:

- has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*;
- does not include all notes of the type normally included within the annual financial report. As a result, it should be read in conjunction with annual financial report of the Group for the year ended 30 June 2018, together with any announcements made by the Group during the half year ended 31 December 2018;
- has been prepared on the basis of historical cost, except for certain financial assets and liabilities which have been measured at fair value (refer to Note 12);
- complies with International Financial Reporting Standards as issued by the International Accounting Standards Board;
- is presented in Australian Dollars;
- presents all values as rounded to the nearest tenth of a million dollars, unless otherwise stated under ASIC Corporations (rounding in Financials/Directors' Reports) Instrument 2017/191, dated 24 March 2017;
- adopts all new and amended Australian Accounting Standards and Interpretations issued by the AASB that are relevant to the Group and effective for reporting periods beginning on or after 1 July 2018, all of which did not have a material impact on the financial statements.

New or Revised Accounting Standards

AASB 15 Revenue from Contracts with Customers

The Group has adopted AASB 15 from 1 July 2018 which resulted in changes in accounting policies. The core principle of AASB 15 is that an entity recognises revenue related to the transfer of goods or services when control of the goods or services passes to the customer. The amount of revenue recognised should reflect the consideration to which the entity expects to be entitled to receive, in exchange for those goods or services. Specifically, AASB 15 introduces a five step approach to revenue recognition which the Group has adopted:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue when (or as) the entity satisfies a performance obligation

In relation to step 5, an assessment is performed as to whether control of the goods transfer to a customer over time or at a point in time. For a performance obligation satisfied at a point in time, revenue is recognised when the customer obtains control of the goods or service. In most instances, control passes, and revenue is recognised in line with contract terms and incoterms at the point in time when the goods are loaded on a vessel, delivered to the customer or the service performed. The Group has updated its accounting policies to reflect the terminology utilised in the new standard and the impact on the various revenue product streams.

There may be circumstances when judgment is required based on the five indicators of control below:

- The entity has a present right to payment
- The customer has legal title
- The customer has physical possession
- The customer has significant risks and rewards of ownership
- The customer has accepted the asset

Note 1 – Summary of significant accounting policies (continued)

AASB 15 Revenue from Contracts with Customers (continued)

The Group disaggregated its revenue streams into export ferrous, domestic ferrous, export non-ferrous, domestic non-ferrous, recycling solutions, and secondary processing and other services, when assessing the impact of AASB 15. The Group sells a significant portion of its export ferrous material on cost and freight or cost, insurance and freight Incoterms. Under these arrangements, revenue from the sale of goods is recognised prior to when the vessel arrives at the destination port as control has passed and performance obligations have been met. In certain instances, the Group is responsible for providing shipping services, primarily freight, as a separate performance obligation relating to sale of goods transaction. These shipping services would not conclude until after the date at which control of the goods passes to the customer. Under AASB 118 *Revenue*, the Group recognised such shipping revenue and associated costs upon loading the material. Under AASB 15, the Group is required to recognise such shipping revenue over time depending on the terms of the contract. Revenue recognised over time is not material to the Group.

In domestic ferrous, domestic non-ferrous and export non-ferrous sales, revenue is recognised when control passes. According to the specific contract terms, control of the goods will pass to the customer at the point in time when the goods are loaded on a vessel, delivered to the customer or cash is received. Contract terms are determined based upon customer, product and/or destination. For certain export non-ferrous sales, the performance obligation is predicated on delivery and acceptance of goods based on the terms of the original transactional contract. These contracts contain provisional pricing clauses whereby the final price payable reflects market pricing at settlement date. The right to receive payment from the customer is unconditional as of the acceptance date as the Group has satisfied their performance obligations at acceptance date through the transfer of control and nothing other than the passage of time needs to occur before payment of the consideration is due. Changes in the market price does not impact the Group's right to receive payment and are hedged by the Group with the impact flowing through other income or other expense as presented in note 4.

For recycling solutions, service revenue is recognised based upon completion of the performance obligations in the contract. These performance obligations are based upon amount collected, processed and/or on a time basis amongst other contractual terms. For precious metals sales, revenue is recognised upon completion of an assay when price and quantity can be determined and acceptance is finalised.

The majority of secondary processing and other services revenue relates to the Group's municipal recycling operations. Similar to electronic recycling, all service revenue is recognised when performance obligations are completed as per terms of the contract. Revenue is recognised for sales of goods upon transfer of control according to the specific contract terms and satisfaction of performance obligations

The transition provisions in AASB 15 require companies to adopt the new rules retrospectively. The Group adopted the modified transitional approach to implementation where any transitional adjustment are recognised in retained earnings at 1 July 2018, the date of implementation of the standard, without restatement of prior balances. AASB 15 was only applied to contracts that were in force at the transition date. Following a comprehensive review of revenue recognised in the comparative period, the Group has determined that AASB 15 had no material impact on revenue recognised. As the only impact stemming from adoption of the new standard is related to shipping revenue, of which we take no margin, there is no impact on prior year earnings. Therefore, there are no adjustments or restatements of comparative information in the current year in relation to the new standard.

Note 1 – Summary of significant accounting policies (continued)

AASB 9 Financial Instruments
AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement. The standard introduces new requirements for the classification, measurement and derecognition of financial assets and financial liabilities and sets out new hedge accounting requirements. The objective of AASB 9 is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of the entity's future cash flows. The new requirements for AASB 9 can be grouped into 1) classification and measurement of financial assets and liabilities, 2) impairment for financial assets, including a transition to expected credit losses for financial asset impairment considerations, and 3) introduction of new general hedge accounting requirements.

The Group has adopted AASB 9 on 1 July 2018. The Group undertook an assessment of the classification and measurement impacts of the new standard and noted the following impacts:

- The new standard is based on the concept that financial assets should be classified and measured at fair value, with changes in fair value recognised in profit and loss as they arise ("FVPL"), unless restrictive criteria are met for classifying and measuring the asset at either amortised cost or fair value through other comprehensive income. The standard does not have a significant impact on the classification of financial assets or liabilities as the Group does not hold material financial assets or liabilities at FVPL. The financial assets or liabilities held at FVPL are fair value hedges and investments in marketable securities.

- AASB 9 allows more financial exposures to be hedged and establishes new criteria for hedge accounting that are somewhat less complex and more aligned with the way that entities manage their risks than under AASB 139. Certain derivative instruments, including the Group's forward commodity contracts, do not qualify for hedge accounting despite being valid economic hedges of the relevant risks despite the updated requirements for hedge accounting. Accordingly, any changes in fair value of the derivative instrument will continue to be recognised immediately in profit or loss and included in other income or other expense. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges will continue to be recognised in other comprehensive income and accumulated in the hedging reserve in equity.

- The new standard replaces the 'incurred loss' model in AASB 139 with a forward-looking expected credit losses ("ECL") model. Under the ECL model, which is available for trade receivables which do not contain a significant financing component, an entity calculates the allowance for credit losses by considering, on a discounted basis, the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. The Group has mechanisms in place to mitigate credit risk such as trade credit insurance and credit ratings. The mitigating factors in place have, in part, allowed the Group to historically incur insignificant or limited losses as compared to trade receivables. The Group notes the impact of the ECL model is immaterial. The Group has assessed its accounting policy to consider the historical losses seen by customer group to ensure that the provision for impairment of receivables is appropriate under the new standard and noted no material changes to policy.

New accounting standards not yet applicable

AASB 16 Leases
AASB 16 will primarily affect the accounting treatment of leases by lessees and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases. The standard provides certain exemptions from recognising leases on the balance sheet, including where the underlying asset is of a low value or the lease term is less than 12 months. AASB 16 will replace AASB 117 *Leases* and will be effective for the Group on 1 July 2019.

Note 1 – Summary of significant accounting policies (continued)

AASB 16 Leases (continued)

Under AASB 16, the Group will be required to:
- recognise right of use lease assets and lease liabilities on the balance sheet;
- recognise depreciation of right of use lease assets and interest on lease liabilities over the lease term; and
- separately present the principal amount of cash paid and interest in the cash flow statement as a financing activity.

To facilitate implementation in compliance with the standard, the Group is assessing the implications of the standard including accounting policy, identification of data and system requirements and implementation approach and financial reporting impacts, including impact assessment. A project team has been assembled to oversee the transition process and a system has been identified to assist with compliance of the new standard as well as go forward automation of lease accounting.

As of the date of this report, the project team has compiled all active leases, has input the leases into the lease accounting software and is determining the impact to the financial statements. Prior to the adoption date, the Group will facilitate end user training, develop standard operating policies for end users and incorporate new leases into the lease system.

While the Group has not yet finalised its assessment of the impact of the new standard on its consolidated financial statements, the new standard is expected to have significant impact on the amounts recognised in the Group's consolidated statement of financial position. Total assets and liabilities on the balance sheet are expected to increase with a decrease in total net assets, due to the reduction of the capitalised asset being on a straight line basis while the liability reduces by the principal amount of repayments. A reliable estimate of the financial impact on the Group's consolidated results is dependent on a number of ongoing assessments including the use of practical expedients on transition, finalisation of incremental borrowing rates used to discount individual leases and policy determination for the duration of leases through Group controlled lease extension options. These factors will impact the present value of operating lease commitments that will be placed on the balance sheet. As disclosed at 30 June 2018, the Group had non-cancellable operating lease commitments totaling A$394.5 million. Additionally, interest expenses will be higher earlier in a lease's life due to higher principal value causing variability over the course of a lease's life. Finally, repayment of the principal portion of all lease liabilities will be classified as financing activities.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. This interpretation requires an entity to determine if uncertain tax positions are assessed separately or as a group and then assess whether it is probable that a tax authority would accept an uncertain treatment utilised in the Company's income tax filings. The Group has not yet performed a detailed assessment of this standard. However, this interpretation is not expected to be material to the Group. It is not practicable to provide a reasonable estimate of the financial effect until the Group completes the review. IFRIC 23 is effective for the Group on 1 July 2019.

Note 2 – Segment information

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

The Group operates in six principal operating segments: North America Metals, Australia/New Zealand Metals ("ANZ"), Europe Metals, Global Trading, Investment in SA Recycling ("SAR") and Global E-Recycling. The segments are based on a combination of factors including geography, products and services. All other operating segments are included within the "Unallocated" segment.

On 21 January 2019, the Company announced changes to its segment reporting in order to enhance financial disclosure by providing greater transparency over its operations. The following changes have been made to align with the Group's operating segments:

- North America Metals was previously impacted by the results of Sims Municipal Recycling ("SMR") and Global Ferrous Trade. These results are now reported under the Unallocated and Global Trading segments, respectively; and
- the Global Trading segment incorporates Global Ferrous Trade, which had previously been shown within North America Metals, and Global Non-Ferrous Trade, previously shown within Unallocated.

Details of the segments are as follows.

- **North America Metals ("NAM")** – comprising subsidiaries and joint ventures in the United States of America and Canada which perform ferrous and non-ferrous secondary recycling functions.
- **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 ("Europe")** – comprising subsidiaries in the United Kingdom which perform ferrous and non-ferrous secondary recycling functions.
- **Global Trading –** comprising the Group's ferrous and non-ferrous marketing subsidiaries that coordinate sales of ferrous bulk cargo shipments, non-ferrous sales into primarily China and Southeast Asia and brokerage sales on behalf of third and related parties.
- **Investment in SAR –** comprising the Group's share of results from its investment in the SA Recycling joint venture.
- **Global E-Recycling ("SRS")** – comprising subsidiaries which provide electronic recycling solutions in the following countries: Australia, Austria, Belgium, Czech Republic, Dubai, Germany, India, Ireland, Netherlands, New Zealand, Norway, Poland, Republic of South Africa, Singapore, Sweden, the United Kingdom and the United States of America.
- **Unallocated** – comprising unallocated corporate costs, interests in a joint venture in Australia, and the Group's municipal recycling entity.

The Group also reports revenues by the following product groups:

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

Note 2 – Segment information (continued)

(b) Sales revenue by product

	Half year ended 31 December 2018 A$m	2017 A$m
Ferrous secondary recycling	**2,307.1**	1,962.3
Non-ferrous secondary recycling	**628.8**	603.2
Recycling solutions	**349.6**	365.0
Secondary processing and other services	**48.6**	46.5
Total sales revenue	**3,334.1**	2,977.0

(c) Information about reportable segments
The following is an analysis of the Group's assets and liabilities by reportable operating segment:

	NAM A$m	ANZ A$m	Europe A$m	Global Trading A$m	SAR A$m	SRS A$m	Unalloc-ated A$m	Total A$m
As at 31 December 2018								
Assets	**1,112.4**	**595.4**	**402.5**	**73.7**	**197.3**	**400.7**	**346.8**	**3,128.8**
Liabilities	**239.2**	**174.0**	**147.1**	**49.1**	**0.5**	**154.9**	**106.9**	**871.7**
Net assets	**873.2**	**421.4**	**255.4**	**24.6**	**196.8**	**245.8**	**239.9**	**2,257.1**
As at 30 June 2018 (restated)								
Assets	1,070.4	625.2	431.4	95.6	180.7	397.3	401.2	3,201.8
Liabilities	279.8	192.0	171.4	84.4	0.6	155.4	129.5	1,013.1
Net assets	790.6	433.2	260.0	11.2	180.1	241.9	271.7	2,188.7

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

	NAM A$m	ANZ A$m	Europe A$m	Global Trading A$m	SAR A$m	SRS A$m	Unalloc-ated A$m	Total A$m
Half year ended 31 December 2018								
Total sales revenue	**1,401.0**	**617.0**	**586.2**	**342.4**	**-**	**349.6**	**37.9**	**3,334.1**
Other revenue	**2.5**	**0.6**	**-**	**0.1**	**-**	**-**	**1.9**	**5.1**
Total segment revenue	**1,403.5**	**617.6**	**586.2**	**342.5**	**-**	**349.6**	**39.8**	**3,339.2**
Segment EBIT	**31.8**	**37.8**	**1.0**	**10.5**	**21.9**	**7.3**	**(1.4)**	**108.9**
Interest income								**0.7**
Finance costs								**(3.6)**
Profit before income tax								**106.0**

Note 2 – Segment information (continued)

(c) Information about reportable segments (continued)

	NAM A$m	ANZ A$m	Europe A$m	Global Trading A$m	SAR A$m	SRS A$m	Unalloc-ated A$m	Total A$m
Half year ended 31 December 2017 (restated)								
Total sales revenue	1,177.4	529.0	542.0	324.4	-	365.0	39.2	2,977.0
Other revenue	2.4	0.7	-	-	-	-	1.7	4.8
Total segment revenue	1,179.8	529.7	542.0	324.4	-	365.0	40.9	2,981.8
Segment EBIT	34.4	42.8	16.6	3.0	25.1	7.5	(7.0)	122.4
Interest income								0.8
Finance costs								(5.2)
Profit before income tax								118.0

Note 3 – Dividends

Details of dividends paid are as follows:

	Cents per share	Franked %	Half year ended 31 December 2018 A$m	2017 A$m
Final 2018	**30.0**	**100%**	**61.3**	-
Final 2017	20.0	100%	-	40.2
Special 2017	10.0	0%	-	20.1
Total dividends paid			**61.3**	60.3

Since the end of the half year, the Directors have declared an interim dividend of 23.0 cents per share (100 % franked). The dividend will be payable on 27 March 2019 to shareholders on the Company's register at the record date of 13 March 2019. The estimated dividends to be paid, but not recognised as a liability at the end of the reporting period, is approximately A$46.6 million.

Note 4 – Items included in profit before income tax

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

	Half year ended 31 December 2018 A$m	2017 A$m
(a) Other income		
Net foreign exchange gain	**2.4**	0.2
Net gain on disposal of property, plant and equipment	**0.2**	1.8
Net gain on commodity derivatives	**13.8**	-
Net gain on currency derivatives	**0.2**	-
Insurance recoveries	**4.8**	-
Government grants	**0.8**	0.2
Third party commissions	**0.5**	0.5
Other	**2.8**	3.9
	25.5	6.6

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

(b) Specific expenses

Depreciation and amortisation:		
Depreciation expense	**59.6**	52.2
Amortisation expense	**4.6**	4.0
	64.2	56.2
Net loss on commodity derivatives	**-**	20.3
Net loss on currency derivatives	**-**	0.4
Equity-settled share-based payments expense	**10.7**	11.9
Cash-settled share-based payments expense	**(2.0)**	(0.1)

(c) Significant items

	Half year ended 31 December	
	2018 A$m	**2017 A$m**
Impairments:		
Reversal of impairment of property, plant and equipment[1]	**-**	(0.6)
Redundancies[2]	**1.3**	5.4
Reversal of provisions recorded for onerous leases[3]	**(1.2)**	(4.4)
Yard closure costs and dilapidation provisions	**-**	0.7
Impact of Victorian fire, net of insurance recoveries to date	**6.2**	-
Non-qualified hedges[4]	**(0.5)**	1.5
Non-recurring gain on asset disposition by joint venture[5]	**(5.1)**	-

[1] Amount represents the reversal of previously recorded impairments of property, plant and equipment as a result of the sale of certain assets for an amount greater than the impaired value.
[2] Redundancies in the period ended December 31, 2017 include A$3.5 million of termination benefits made to Galdino Claro, the former Managing Director and Group Chief Executive Officer, and Fred Knechtel, the former Group Chief Financial Officer.
[3] During the period, the Group settled onerous leases for less than amounts previously provided.
[4] Non-qualified hedges include the impact of financial hedges that do not qualify for hedge accounting.
[5] The non-recurring gain on asset disposition by joint venture is included within the share of results of joint ventures in the consolidated income statements.

Note 5 – Income taxes

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

	Half year ended 31 December	
	2018 A$m	**2017 A$m**
Profit before income tax	**106.0**	118.0
Tax at the standard Australian rate of 30%	**31.8**	35.4
Effect of tax rates in other jurisdictions	**(4.2)**	(0.4)
Deferred tax assets not recognised	**0.5**	0.9
Recognition of tax effect of previously unrecognised tax losses	**(0.2)**	(2.2)
Non-deductible expenses	**0.9**	1.2
Remeasurement of US net deferred tax liabilities	**-**	(8.4)
Share of net results of joint ventures	**(3.0)**	(1.9)
Non-assessable income	**(0.3)**	(0.1)
Local trade and income taxes	**3.4**	0.7
Other	**0.6**	1.3
Income tax expense recognised in profit or loss	**29.5**	26.5

The Group has not recognised deferred tax assets totaling A$20.6 million (30 June 2018: A$19.4 million) as it is not probable that they will be realised. A portion of the unrecognised deferred tax asset relates to unused tax losses of A$14.1 million (30 June 2018: A$12.1 million) due to either a history of tax losses or it is not considered probable that there will be sufficient future taxable profits to realise the benefit of deferred tax assets within certain subsidiary entities. Unrecognised tax losses include A$13.1 million (30 June 2018: A$11.3 million) of tax losses that will expire in 5 to 20 years. Other unused tax losses may be carried forward indefinitely.

US Tax Cuts and Jobs Act
On 22 December 2017, the U.S. enacted the Tax Cuts and Jobs Act (the "TCJA"). Among other things, the TCJA reduced the U.S. federal corporate tax rate from 35% to 21% percent effective on 1 January 2018.

For fiscal year 2018, the Group calculated the tax provision based upon a cut-off method within AASB 112 *Income Taxes*, therefore, the Group utilised a 35% federal income tax rate for the first six months and a 21% federal income tax rate for the second six months. The Group remeasured its US deferred tax asset and liability balances at 31 December 2017 based on the rates at which they are expected to reverse in the future, which is 21%. As a result, the Group recorded a tax benefit due to the remeasurement of the Group's net US deferred tax liabilities.

For fiscal year 2019, the U.S. federal statutory tax rate is 21% for the Group's U.S. subsidiaries. The Group continues to analyse certain aspects of the TCJA including the Foreign Derived Intangible Income ("FDII"), Base Erosion and Anti-Abuse Tax ("BEAT") and Limitations on Business Interest Expense ("Section 163(j)") and refining its calculations based upon newly issued regulations.

Note 6 – Earnings per share

	Half year ended 31 December	
	2018	**2017**
Basic earnings per share (in A¢)	**37.6**	45.7
Diluted earnings per share (in A¢)	**37.1**	44.8
Weighted average number of shares used in the denominator ('000)		
Basic shares	**203,473**	200,179
Dilutive effect of share-based awards	**2,761**	4,215
Diluted shares	**206,234**	204,394

Note 7 – Equity

(a) Contributed equity
Movements in the ordinary share balance were as follows:

	Half year ended 31 December 2018		Half year ended 31 December 2017	
	Number of shares	**A$m**	**Number of shares**	**A$m**
On issue per share register at the beginning of the period	**202,662,448**	**2,767.8**	198,156,400	2,733.8
Shares bought-back	**(1,708,114)**	**(19.3)**	-	-
Issued under long-term incentive plans	**1,766,118**	**1.6**	3,450,949	22.9
On issue per share register at the end of the period	**202,720,452**	**2,750.1**	201,607,349	2,756.7

On 16 October 2018, the Company announced a new share buy-back program for 12 months with a maximum number of shares that can be purchased of approximately 20.4 million. During the half year ended 31 December 2018, the Company purchased and cancelled 1,708,114 ordinary shares for total consideration of A$19.3 million under its current buy-back programs.

(b) Reserves

	Share-based payments A$m	**Cash flow hedging A$m**	**Foreign currency translation A$m**	**Total A$m**
Balance at 1 July 2017	175.9	1.0	(116.8)	60.1
Equity-settled share-based payment expense	11.9	-	-	11.9
Revaluation – gross	-	(1.4)	-	(1.4)
Transfer to profit or loss – gross	-	1.4	-	1.4
Foreign currency translation differences	-	-	(4.8)	(4.8)
Deferred tax	(1.0)	-	2.2	1.2
Balance at 31 December 2017	186.8	1.0	(119.4)	68.4
Balance at 1 July 2018	204.9	(1.2)	(56.1)	147.6
Equity-settled share-based payment expense	**10.7**	**-**	**-**	**10.7**
Revaluation – gross	**-**	**(1.1)**	**-**	**(1.1)**
Transfer to profit or loss – gross	**-**	**1.4**	**-**	**1.4**
Foreign currency translation differences	**-**	**-**	**73.4**	**73.4**
Deferred tax	**(0.6)**	**(0.1)**	**(9.0)**	**(9.7)**
Balance at 31 December 2018	**215.0**	**(1.0)**	**8.3**	**222.3**

Note 8 – Business acquisitions

During the half year ended 31 December 2018, the Group acquired one business in the ANZ segment. On a combined basis, had the acquisition occurred on 1 July 2018, there would not have been a significant change to the Group's revenue and net profit. Additionally, revenue and net profit contribution by the business acquired to the Group post-acquisition was not significant.

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

	A$m
Property, plant and equipment	**8.9**
Inventories	**0.5**
Net identifiable assets acquired	**9.4**
Goodwill on acquisition	**-**
Total consideration and net cash outflow	**9.4**

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

Note 9 – 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 2018 was A$48.2 million (30 June 2018: A$43.7 million).

Note 10 – 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 2018.

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

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

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

There were no transfers between levels during the year.

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

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

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

Sims Metal Management Limited
Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 12 to 27 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 2018 and of its performance for the half year ended on that date, and

(b) there are reasonable grounds to believe that Sims Metal Management Limited will be able to pay its debts as and when they become due and payable.

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

G N Brunsdon
Chairperson
Sydney
20 February 2019

A Field
Managing Director and Group CEO
Sydney
20 February 2019

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

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 consolidated statement of financial position as at 31 December 2018, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 12 to 28.

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 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sims Metal Management Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 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, 20 February 2019