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## Financial results for the full year ended 30 June 2008

Sims Group Limited  
ASX Code: SGM  
NYSE Code: SMS

Dan Dienst, Group CEO  
Jeremy Sutcliffe, Executive Director  
Rob Larry, CFO

29 August 2008

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Please note that all references to \$ or dollars herein are references to Australian dollars, unless otherwise indicated.



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## Agenda

1. Overview – Dan Dienst & Jeremy Sutcliffe
2. Financial Results – Rob Larry
3. Markets & Outlook – Dan Dienst
4. Questions



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## Overview

Dan Dienst & Jeremy Sutcliffe

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# Sims Today

- World's and North America's largest metal and electronics recycler
- Four continents
- 20 countries
- Over 230 locations
- Over 6,000 employees (7,500 including affiliates)
- A\$6 billion plus market cap (ASX top 40) - Sims has been the 5th best share price performer in the ASX 100 calendar YTD (4th on a TSR basis)
- Pro forma revenues exceeding A\$10 billion
- Pro forma 16 million tonnes plus
- Securities listed on ASX and NYSE
- Mitsui with a cornerstone shareholding recently increased to 19.2%
- Strong balance sheet and simple capital structure

# Highlights

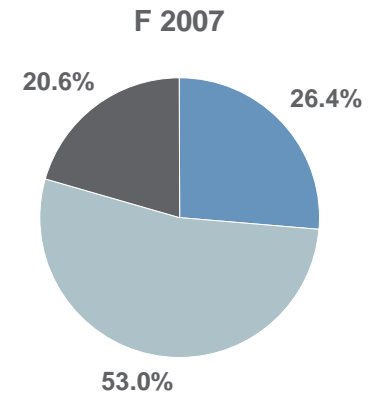
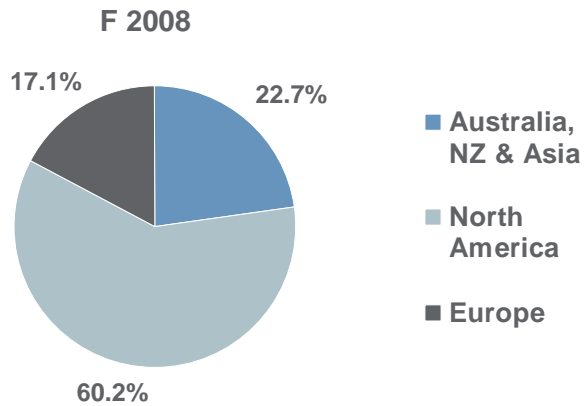
- Record financial results –
  - Sales revenue of A\$7.67 billion up 38.2% on FY07
  - EBITDA of A\$777.9 million up 69.3% on FY07
  - EBIT of A\$683.3 million up 77.9% on FY07
  - NPAT of A\$433.2 million up 81.0% on FY07
  - NPAT of A\$250.6 million for Q4 FY08
  - Earnings per share of 306 cents up 59.7% on FY07
- Final dividend per share of 75 cents per share (comprising an ordinary dividend of 65 cents per share and a special dividend of 10 cents per share) (both 23% franked) up from 60 cents per share for FY07
- Successful completion of Metal Management merger, with business integration substantially complete
- Non-core Australian asset divestment program underway

# Financial Overview

	FY08	FY07	Change (%)
<b>Sales Revenue (\$m)</b>	7,666	5,549	38%
<b>EBITDA (\$m)</b>	777.9	459.3	69%
<b>EBIT (\$m)</b>	683.3	384.2	78%
<b>NPAT (\$m)</b>	433.2	239.3	81%
<b>EPS (cents)</b>	306.0	191.6	60%
<b>ROCCE (%) (post-amortisation)</b>	29.1%	22.8%	(28%)
<b>ROE (%) (post-amortisation)</b>	14.6%	18.7%	(22%)
<b>Operating Cash Flow (exc. acquisitions) (\$m)</b>	181.7	313.5	(42%)
<b>Capital Expenditure (\$m)</b>	129.7	90.5	43%
<b>Net Debt (\$m)</b>	363.1	302.8	20%
<b>Net Debt/(Net Debt + Equity) (%)</b>	10.9%	19.1%	(43%)
<b>Sales Tonnes ('000) (exc. associates)</b>	11,657	9,589	22%
<b>Final Dividend (including special dividend) (23% franked) (cents per share)</b>	75	60	25%

# Sales Revenue by Region

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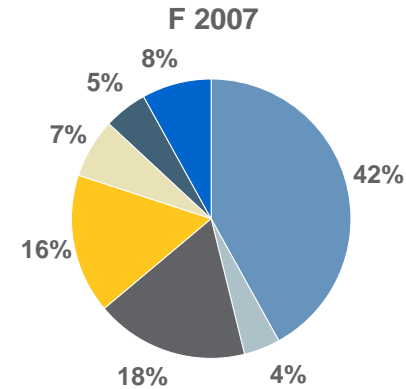
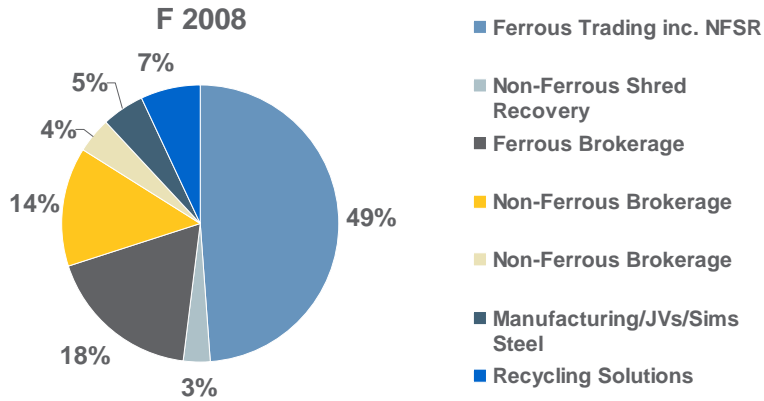


\$m	FY08	FY07	Change (%)
<b>Australia, NZ &amp; Asia</b>	1,745.1	1,465.4	19
<b>North America</b>	4,607.9	2,938.2	57
<b>Europe</b>	1,312.6	1,144.9	15
<b>Total</b>	<b>7,665.6</b>	<b>5,548.5</b>	<b>38</b>

- Group revenues up significantly on FY07 due to
  - inclusion of MM business from 14 March 2008
  - extremely favourable ferrous market conditions, particularly in Q4 FY08



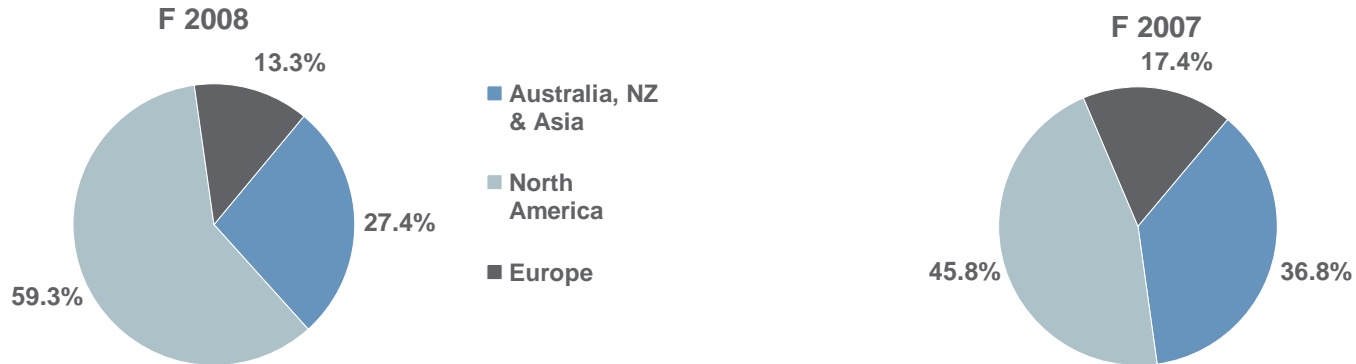
# Sales Revenue by Product



\$m	FY08	FY07	Change (%)
<b>Ferrous Trading</b>	3,810.0	2,348.4	62%
<b>Non Ferrous Shred Recovery</b>	240.0	235.0	2%
<b>Ferrous Brokerage</b>	1,373.8	976.3	41%
<b>Non Ferrous Trading</b>	1,052.9	884.1	19%
<b>Non Ferrous Brokerage</b>	271.2	375.6	(28%)
<b>Manufacturing/JVs/Sims Steel</b>	358.5	278.9	29%
<b>Recycling Solutions</b>	559.2	433.8	29%
<b>Total</b>	<b>7,665.6</b>	<b>5,548.5</b>	<b>38%</b>

- Ferrous revenues up significantly, particularly in North America in Q4 FY08, bolstered by inclusion of MM business from 14 March 2008
- Continuing impressive growth from Sims Recycling Solutions, with businesses acquired in FY07 contributing a full year

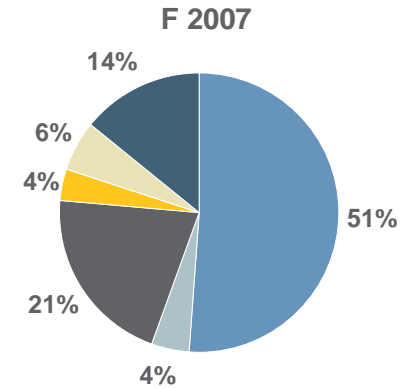
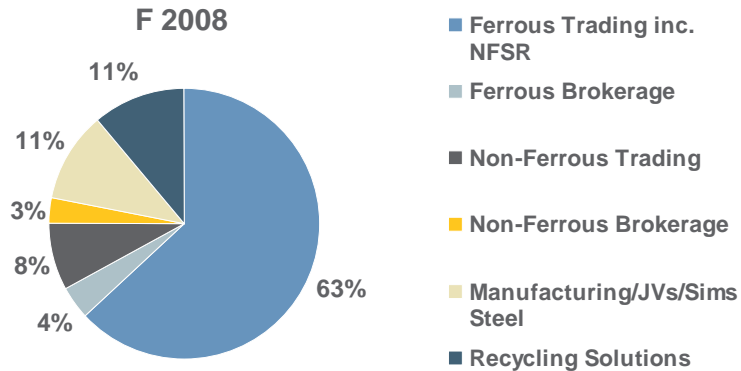
# EBIT by Region



\$m	FY08	FY07	Change (%)
Australia, NZ & Asia	201.8	147.9	36
North America	437.4	184.1	138
Europe	97.9	70.1	40
Amortisation of Intangibles	(30.1)	(23.6)	28
Sydney Head Office Corporate Costs	(23.7)	5.7	(518)
<b>Total</b>	<b>683.3</b>	<b>384.2</b>	<b>78</b>

- Operating results from North America were outstanding mainly reflecting an extremely strong ferrous performance from virtually all business units across the region, particularly in the fourth quarter
- Favourable ferrous market conditions led to exceptional results in both Australasia and Europe
- EBIT by region is presented pre-amortisation of intangibles and recharge of Sydney head office corporate costs
- Sydney head office costs increased due to non-recurring charges and additional accounting expenses of the company's incentive plans

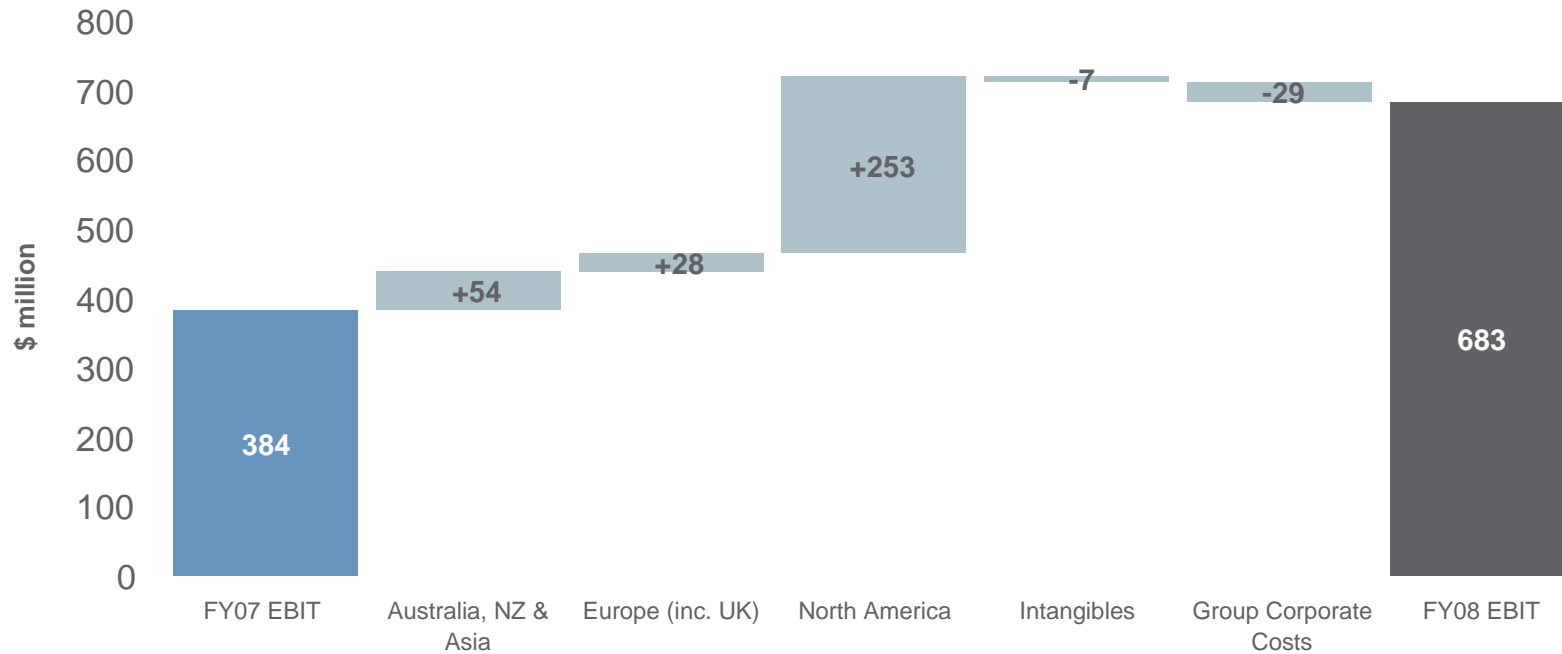
# EBIT by Product



\$m	FY08	FY07	Change (%)
Ferrous Trading (incl. NFSR)	511.9	245.6	108
Ferrous Brokeage	31.4	20.5	53
Non Ferrous Trading	66.9	99.5	(33)
Non Ferrous Brokeage	22.6	17.3	31
Manufacturing/JVs/Sims Steel	87.4	28.2	210
Recycling Solutions	89.6	64.8	38
Amortisation of Other Intangibles	(30.1)	(23.6)	28
Corporate Costs	(96.4)	(68.1)	42
<b>Total</b>	<b>683.3</b>	<b>384.2</b>	<b>78</b>

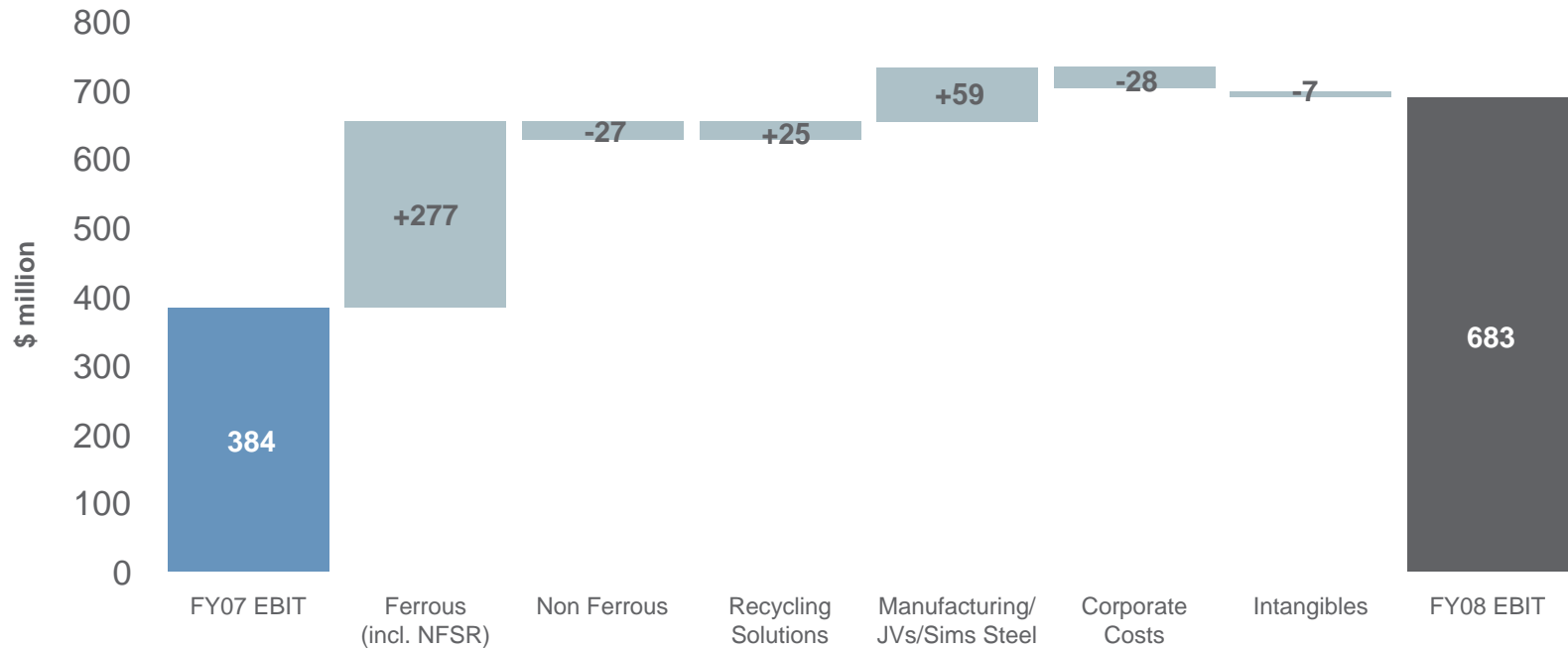
- EBIT by product is presented pre-corporate costs (including Sydney head office costs) and amortisation of intangibles
- Record ferrous contributions experienced towards the end of the reporting period, particularly from North America
- Non ferrous margins tighter and result impacted by weak nickel and high temperature alloy markets
- Strong full year contributions from SA Recycling and ARA, the company's lead alloying joint venture
- Corporate costs (which include regional costs) increased due to non-recurring charges and additional accounting expenses of the company's incentive plans

# EBIT Change by Region



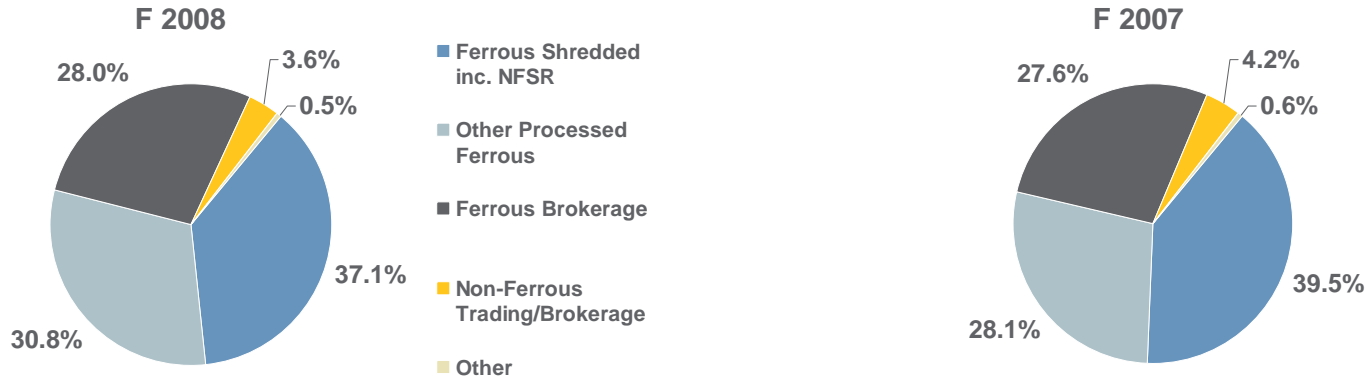
Australia, NZ & Asia	\$54m
Europe (incl. UK)	\$28m
North America	\$253m
Intangibles	(\$7m)
Group Corporate Costs	(\$29m)

# EBIT Change by Product



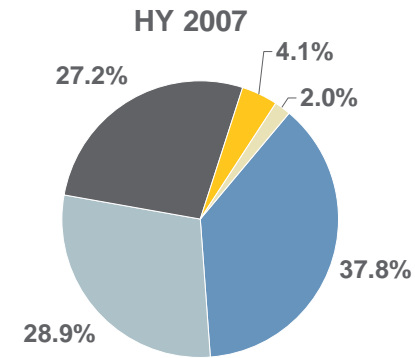
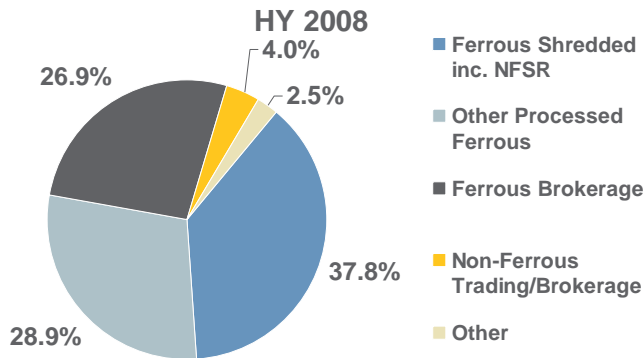
Ferrous (incl. NFSR)	\$277m
Non Ferrous	(\$27m)
Recycling Solutions	\$25m
Manufacturing/JVs/Sims Steel	\$59m
Group and Regional Corporate Costs	(\$28m)
Intangibles	(\$7m)

# Intake Volumes



Total Tonnes ('000)	FY08	FY07	Change (%)
Ferrous Shredded (inc. NFSR)	4,000	3,732	7
Other Processed Ferrous	3,961	2,657	49
Ferrous Brokerage	3,237	2,607	24
Non Ferrous Trading/Brokerage	468	394	19
Other	62	58	7
<b>Total</b>	<b>11,728</b>	<b>9,448</b>	<b>24</b>

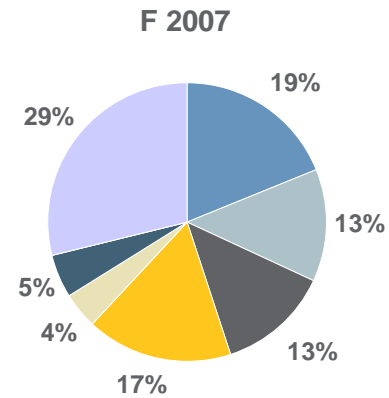
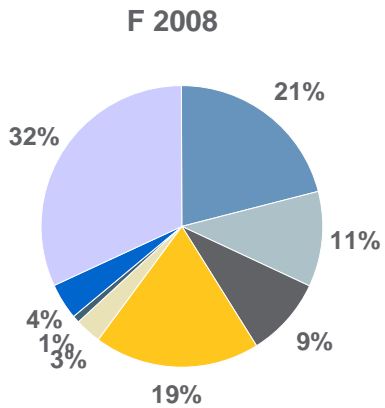
# Sales Volumes



Total Tonnes ('000)	FY08	FY07	Change (%)
Ferrous Shredded (inc. NFSR)	3,992	3,646	9
Other Processed Ferrous	3,757	2,778	35
Ferrous Brokerage	3,277	2,619	25
Non Ferrous Trading/Brokerage	453	392	16
Other	178	154	16
<b>Total</b>	<b>11,657</b>	<b>9,589</b>	<b>22</b>

# Sales by Destination

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- Europe
- NE Asia
- China & HK
- SE Asia & Oceania
- Middle East
- USA/Canada
- South/Central America
- Domestic Sales

- Domestic sales refer to sales in country of sourcing



# Sims Recycling Solutions

- SRS continues to exceed its internal growth target of 25% per annum
- SRS EBIT (pre-corporate costs and amortisation of intangibles) of \$89.6 million up significantly by 38.3% on FY07
- The result reflected a full year contribution from the businesses acquired in FY07, strong metal prices (particularly for precious metals) and an initial contribution from the new “lifecycle management” dimension of the business
- EBIT contribution to the enlarged company represented 13.1% of group EBIT (pre corporate costs and amortisation of other intangibles)
- Strategy
  - Expansion of e-recycling business to “lifecycle solutions provider” with acquisitions of ReconnIT and Life Cycle Services (UK), and Clearhouse (Australia ) in H2 FY08
  - Initial investment in Indian e-recycling market in Q2 FY08
  - Opportunities exist to develop business organically, through industry consolidation and also through internal leveraging with the company’s metal recycling businesses

# Sustainability

## Inputs

- During FY08, the company handled a total of 11 million tonnes of ferrous material. The use of this secondary raw material by global steel mills avoided the emission of 23.5 million tonnes of CO<sub>2</sub> to the atmosphere when compared with primary steel production in FY08
- As industry leader, and together with the CO<sub>2</sub> avoided through non-ferrous, plastics and electronics recycling activities, the company's contribution to climate change impacts reduction is significant
- LMS, the company's 50%-owned green energy provider, generated carbon credits (ERUs, RECs and NGACs) with a total CO<sub>2</sub> emissions reduction equivalent of 600,000 tonnes during FY08. Coupled with its other activities, total CO<sub>2</sub> abatement by LMS was approximately 1 million tonnes

## Outputs

- The company consumed (excluding MM and SA Recycling) 1.995 pJ of energy globally in FY08 and is committed to further reducing the energy used in its day-to-day operations across the enlarged Group
- The company is a participant in the Dow Jones and FTSE4Good sustainability indices as well as the International Carbon Disclosure Project (CDP6)

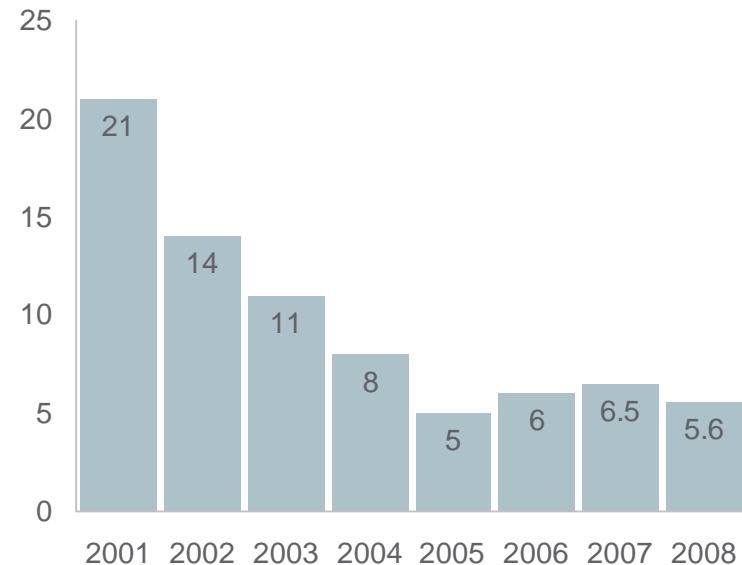
## Carbon Footprint

- The company's total CO<sub>2</sub> footprint (excluding MM and SA Recycling) for FY08 was 242,976 tonnes of CO<sub>2</sub> equivalent

# Health and Safety

- The company's number one priority has been, and will continue to be, the safety and well-being of its employees, contractors and visitors to its sites
- Lost time injury frequency rate was down to 5.6 in FY08 (from 6.5 in FY07)
- Medically treated injury frequency rate was also down to 25.2 (from 31.5 in FY07)
- Tragically, however, two fatalities were recorded in Europe
- The company has engaged Dupont Safety Resources to undertake an extensive health and safety review of the company's metal recycling operations in Europe and North America, and SRS globally
- Dupont's recommendations will be implemented in the relevant operations during fiscal 2009

Lost Time Injury Frequency Rate



# New Sims Metal Management Brand Identity

- Sims is adopting today a new brand identity
- The new Sims Metal Management brand represents the merging of two industry leaders with common cultures and common visions for the future
- The new identity is intended to reflect the combined company's leadership position internationally and status as the world's largest recycler, as well as its commitment to sustainability and resources management in an industry which, by its very nature, is truly "green"
- At the company's annual general meeting, to be held in Sydney on 21 November 2008, shareholders will be asked to formally approve a change of name of Sims Group Limited to Sims Metal Management Limited



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## Financial Results

Rob Larry

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# Group Income Statement

\$m	FY08	FY07	Change	Change (%)
<b>Sales Revenue</b>	7,665.5	5,548.6	2,117.1	38
<b>EBITDA</b>	777.9	459.4	318.6	69
<b>EBIT</b>	683.3	384.2	299.1	78
<b>Net Interest Expense</b>	(31.5)	(28.0)	(3.5)	12
<b>Tax Expense</b>	(218.7)	(116.8)	(101.9)	87
<b>Net Profit After Tax</b>	433.2	239.3	193.8	81

# Group Balance Sheet

\$m	FY08	FY07	Change	Change (%)
<b>Current Assets</b>	2,014.5	792.8	1,221.6	154
<b>Non-current Assets</b>	2,802.6	1,406.3	1,396.3	99
<b>Total Assets</b>	4,817.0	2,199.1	2,617.9	119
<b>Current Liabilities</b>	1,126.0	439.6	686.4	156
<b>Non-current Borrowings</b>	496.7	341.3	155.3	46
<b>Other Non-current Liabilities</b>	232.3	138.7	93.6	67
<b>Total Liabilities</b>	1,854.9	919.6	935.2	102
<b>Net Assets/Equity</b>	2,962.1	1,279.4	1,682.7	132
<b>Net Debt/(Net Debt +Equity) (%)</b>	11%	19%	-	-

# Group Cash Flow

\$'000	FY08	FY07	Change
<b>Earnings Before Interest &amp; Tax</b>	683.3	384.2	299.1
<b>Non Cash Items</b>			
<b>Depreciation &amp; Amortisation</b>	94.6	75.1	19.5
<b>Provisions</b>	24.2	(16.4)	40.6
<b>Net profit/(loss) on disposal of assets</b>	5.9	(0.4)	6.3
<b>Net working capital change</b>	(463.3)	28.0	(491.3)
<b>Income tax paid</b>	(144.5)	(135.6)	(8.9)
<b>Net interest expense</b>	(31.5)	(28.0)	(3.5)
<b>Other</b>	13.0	6.6	6.4
<b>Cash inflows (outflows) from operations</b>	<b>181.7</b>	<b>313.5</b>	<b>(131.8)</b>
<b>Payments for PP&amp;E</b>	(129.7)	(90.5)	(39.2)
<b>Proceeds from sale of PP&amp;E</b>	2.0	8.2	(6.2)
<b>Net business purchases</b>	(58.5)	(158.9)	100.4
<b>Return of capital from jointly controlled entities</b>	48.5	-	48.5
<b>Cash inflows (outflows) from investing activities</b>	<b>(137.7)</b>	<b>(241.2)</b>	<b>(103.5)</b>
<b>Cash inflows (outflows) from operations &amp; investing activities</b>	<b>44.0</b>	<b>72.3</b>	<b>(28.3)</b>



# North America Regional Results

	FY08	FY07	Change (%)
<b>Sales Revenue (\$m)</b>	4,607.9	2,938.2	57
<b>EBITDA (\$m)</b>	466.1	204.3	128
<b>EBIT (\$m) (pre-amortisation of intangibles)</b>	437.4	184.1	138
<b>Assets (\$m)</b>	3,435.7	1,167.7	194
<b>Employees</b>	5,236	1,470	256
<b>Sales Margin (%)</b>	17.2%	17.3%	(1)
<b>ROCCE (%)</b>	28.3%	17.8%	59

# Australia, NZ & Asia Regional Results

	FY08	FY07	Change (%)
<b>Sales Revenue (\$m)</b>	1,745.1	1,465.4	19
<b>EBITDA (\$m)</b>	216.6	160.3	35
<b>EBIT (\$m) (pre-group and other one-off corporate recharges)</b>	201.8	147.9	36
<b>Assets (\$m)</b>	685.8	514.8	33
<b>Employees</b>	1,342	1,216	10
<b>Sales Margin (%)</b>	22.8%	21.4%	6
<b>ROCCE (%)</b>	51.0%	46.0%	11

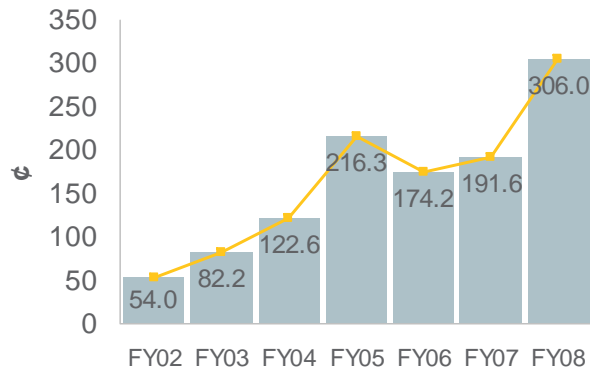
# Europe Regional Results

	FY08	FY07	Change (%)
<b>Sales Revenue (\$m)</b>	1,312.6	1,144.9	15
<b>EBITDA (\$m)</b>	116.6	87.3	33
<b>EBIT (\$m) (pre-amortisation of intangibles)</b>	97.9	70.1	40
<b>Assets (\$m)</b>	695.5	516.6	35
<b>Employees</b>	1,312	1,024	28
<b>Sales Margin (%)</b>	27.7%	28.2%	(2)
<b>ROCCE (%)</b>	24.1%	21.1%	14

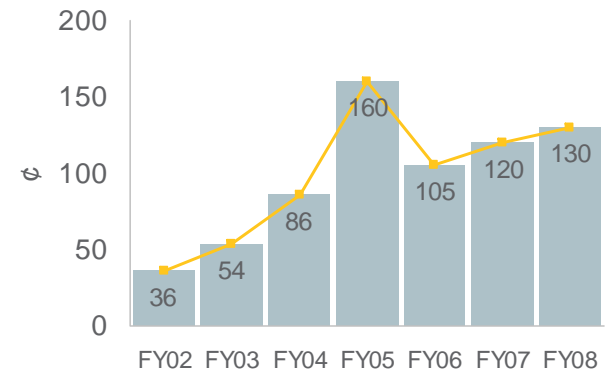
# Financial Performance Trends

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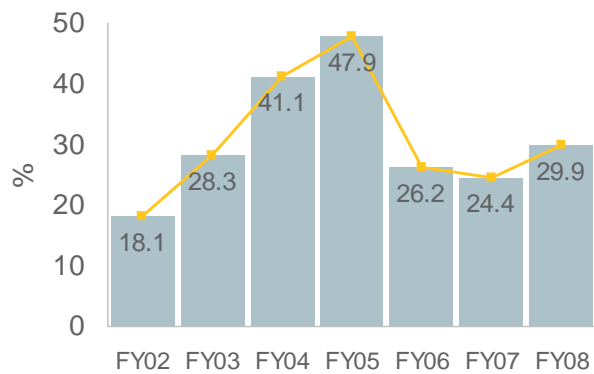
### EPS



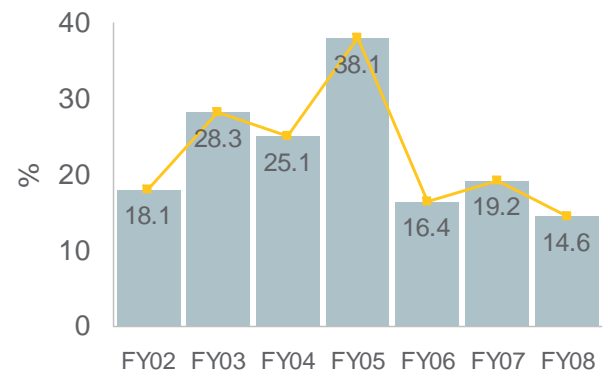
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## Strategy, Markets & Outlook

Dan Dienst

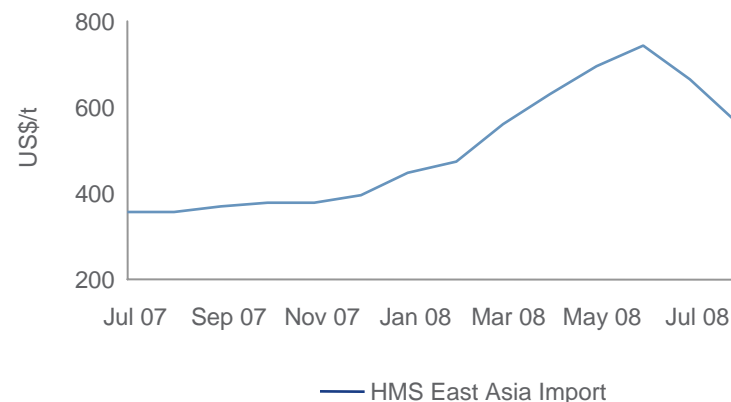
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# Strategy

- Metal Recycling
  - Consolidation offers greatest opportunity to create shareholder value
  - Focus on North America (to consolidate existing positions and further extend footprint) and Europe – both large scale transactions (where opportunities exist) and bolt-on acquisitions
  - Acquisition criteria
    - Target holds #1 or #2 market position and enhances existing market presence
    - Target possess domestic and export marketing flexibility
    - Target provides sound platform for future growth
    - Target has strong management
    - Acquisition enhances shareholder value
- Sims Recycling Solutions
  - Continue to pursue of opportunities globally
  - Growth via both acquisitions and greenfields development, and leveraging the company's metal recycling division

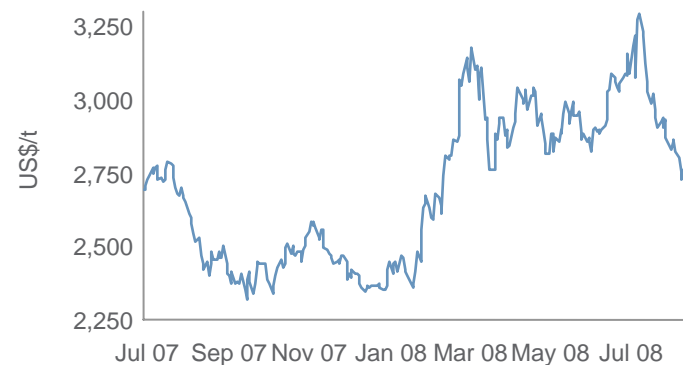
# Markets - Ferrous Scrap Prices & Freight

- Peak in global ferrous raw material prices during Q4 FY08, on the back of rapidly increasing demand for steel and significant increases in steel prices throughout the world
- Since then, there has been a short-term shift in the supply/demand equation for ferrous scrap as a result of
  - the global steel industry significantly cutting back raw material procurement as a result of over-stocking, despite continuing strong steel production
  - The recent decline in steel prices, particularly for long products
  - the seasonal impact of the Northern Hemisphere summer
- While the market is still liquid, recent ferrous business that has been transacted has been at significantly lower prices than at the peak
- Normal trading conditions are expected to return once steel industry de-stocking has completed, especially with the Northern Hemisphere winter looming
- Positive indicators include
  - increased scrap purchases by integrated mills
  - a return to the international market of China which has recently purchased a number of ferrous deep sea cargoes at these lower levels suggesting that, at least in this market, sentiment is positive and that ferrous prices may be approaching the bottom.



## Markets - Non Ferrous Prices

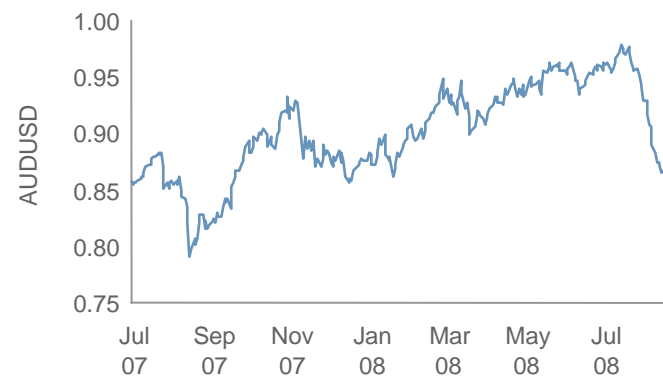
- Commodity markets continue to be extraordinarily volatile
  - LME Aluminium price hit a low of US\$2,317 per tonne on 18 September 2007 and a high of US\$3,292 per tonne on 11 July 2008
  - LME Copper price hit a low of US\$6,237 per tonne on 18 December 2007 and a high of US\$8,985 per tonne on 3 July 2008





## Markets - Exchange Rates

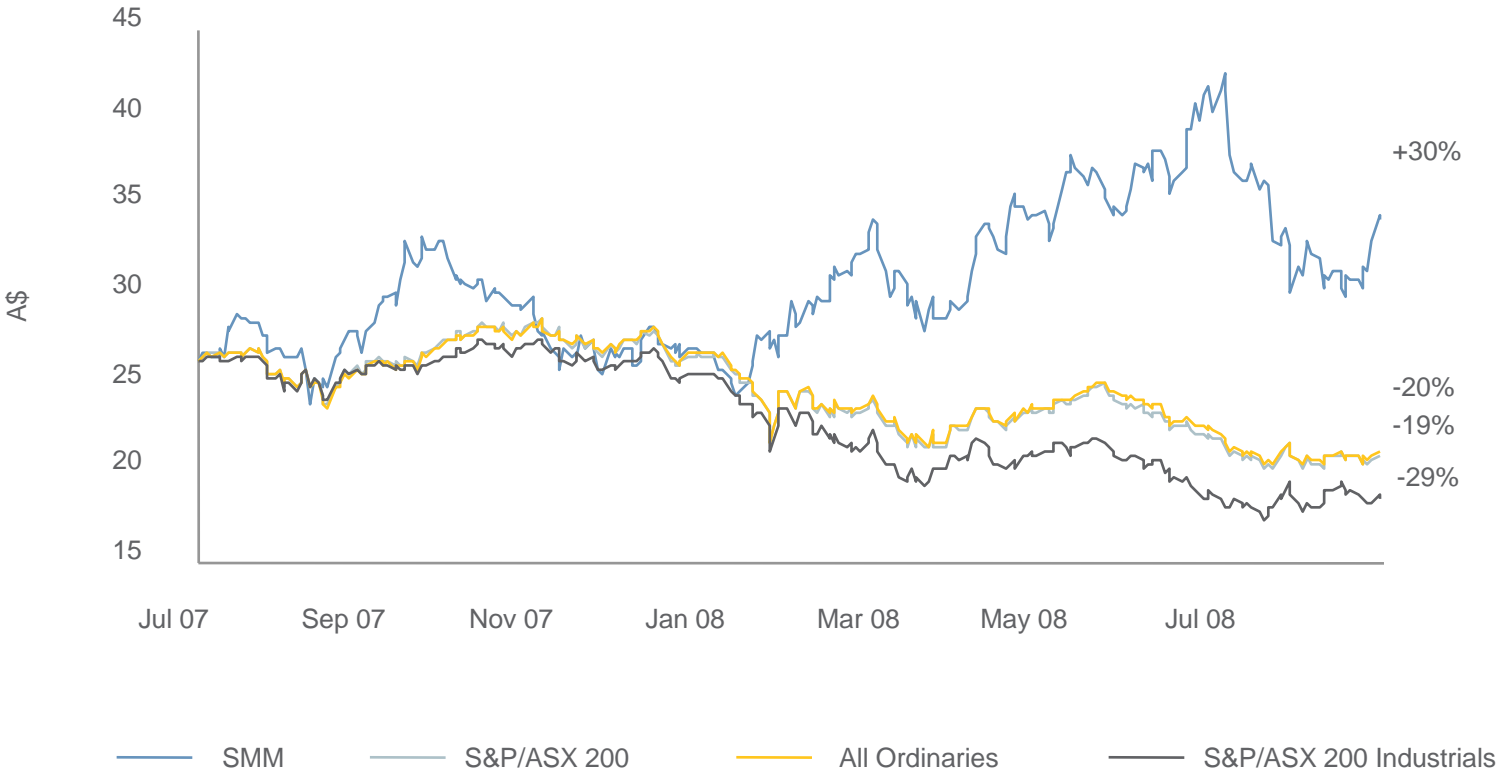
- During FY08, the average Australian/US exchange rate was 90 cents (compared to 79 cents for FY07)
- Year on year, currency movements had a negative \$44 million EBIT impact on translation of overseas earnings
- The recent depreciation of the Australian dollar against, particularly the US dollar, if maintained, will have a positive impact on Earnings in Q1 FY09



## Outlook

- Volatility, extreme at times, has been a hallmark of the commodity markets over the past few years
- Despite a much tougher ferrous trading climate, we anticipate a strong result in Q1 FY09, albeit one not as strong as Q4 FY08. This confidence is based on a review of July results, a good forward sales position, the achievement of targeted merger synergies and continued strong contributions by our Southern Californian joint venture
- A lower Australian/US dollar exchange rate and lower freight rates are also positive which will partially offset the decline in ferrous prices
- All regions will continue to respond to the recent significant decline in global ferrous prices by reducing buy prices in order to maintain margin to the greatest extent possible. The degree to which these efforts are successful will, to a large extent, determine the outlook for Earnings into the second quarter
- A further update will be given when the results for the first quarter are announced in late October 2008

# Share Price from July 2007





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## Questions

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