

## 2Q11 net profit up 81.3% year-on-year at R\$ 55.1mn, net sales R\$ 415.8mn

**São Paulo, July 27, 2011** In this release **Autometal S.A.** [Bovespa: **AUTM3**], one of the principal producers of auto parts for the Brazilian and Mexican automotive sector, announces **results** for the quarter ended **June 30, 2011**.

Financial and operational figures given are consolidated, in thousands of Reais, according to Brazilian accounting practices.

### Conference call on results

#### In Portuguese

July 28, 2011  
10.30 a.m. Brasília time  
9.30 a.m. US EST  
Tel.: +55 (11) 2188-0155  
Password: Autometal  
Replay: +55 (11) 2188-0155  
Password: Autometal

#### In English

July 28, 2011  
11.30 a.m. Brasília time  
10.30 a.m. US EST  
Tel.: +1(412) 317-6776  
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Replay: +1(412) 317-0088  
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### Autometal S.A

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### 2Q11 Headlines

- ✓ **Net revenue** up 0.9% YoY.
- ✓ **Ebitda** up 1.4% YoY, reaching R\$ 82.2 mn in 2Q11 (**Ebitda margin** of 19.8% in 2Q11, vs. 19.7% in 2Q10).
- ✓ **Ebit** up 3.9% YoY, at R\$ 69.2mn.
- ✓ **Ebit margin** of 16.6% in 2Q11 vs. 16.2% in 2Q10.
- ✓ **Net profit R\$ 55.1mn** – up 81.3% from 2Q10.
- ✓ **Net cash** position of R\$ 231.3 mn as of June 30, 2011.

**Message from management**

We closed 2Q11 with a strong operational performance, in a challenging context, in which the production lines of some vehicle assemblers in the Nafta area and Brazil suffered stoppages due to lack of supplies from Japanese components, and also due to strikes in Brazil.

The total production of the Brazilian light vehicle market was 0.2% higher YoY in 2Q11, and sales outpaced production with growth of 14.6% in 2Q10. These figures have a small distortion, because since April the volumes of CKD (Complete knock down) vehicles produced and exported have no longer been published – though these vehicles are consumers of our products.

Production in the Nafta market was 0.9% higher in 2Q11 than 2Q10. There was a strong drop in production in April due to the lack of supply of Japanese components in Mexico and the United States, but this was fully offset by the performance of May and June. Sales continue to be the major positive point, as they are exceeding all forecasts – with 6.5% year-on-year growth in 2Q11.

Autometal's sales in 2Q11 totaled R\$ 415.8 million, 0.9% more than in 2Q10. The lower growth in total sales, in Reais, than in production is entirely due to the effects of the exchange rate on the consolidation of our activities in the Nafta area – the average rate in the quarter was 11% lower than in 2Q10.

Our operational margin – measured as Ebit margin – was 16.6% in 2Q11, with Ebit totaling R\$ 69.2 million, 3.9% more than in 2Q10. Our Ebitda was R\$ 82.2 million, with Ebitda margin of 19.8%; and our net profit was R\$ 55.1 million, compared to R\$ 30.4 million in 2Q10.

We are working on several fronts to capture gains from synergy and better dilution of costs. In this quarter we inaugurated the expansion of several of our plants and reshaping of production layouts.

## The Brazilian market

Brazilian production of light (passenger) vehicles in the first half of 2011 (1H11) was 1.286 million units, 1.7% more than in 1H10. These figures do not include production of CKD vehicles. Sales of vehicles totaled 1.274 million units, 7.6%, more than in first half of 2010 (1.184 million units). Exports totaled 181,300 units, 0.7% less than in 1H10.

## The Nafta market

Production in the Nafta market totaled 6.5 million units in first half 2011, 8.4% more than in 1H 2010. The highlight was Mexico, where production grew 15.4% year-on-year, as assemblers moved towards saturating that market.

Sales in Nafta were 7.5 million units in 1H011, 11.5% more than in 1H10.

## Results

The consolidated results presented here are prepared in accordance with IFRS (International Financial Reporting Standards). The figures for 2Q10 have been reclassified for optimum comparability.

P&L			
R\$ thousand	2Q11	2Q10	Var
<b>Gross Sales</b>	<b>494.521</b>	<b>495.515</b>	<b>-0,2%</b>
Taxes, contributions and other deductions	(78.739)	(83.435)	-5,6%
<b>Net Sales</b>	<b>415.782</b>	<b>412.080</b>	<b>0,9%</b>
Cost of goods sold	(300.150)	(301.400)	-0,4%
<b>Gross income</b>	<b>115.632</b>	<b>110.680</b>	<b>4,5%</b>
<b>Operating expenses</b>	<b>(46.441)</b>	<b>(44.056)</b>	<b>5,4%</b>
SG&A	(33.534)	(32.741)	2,4%
Other operating expenses	(12.907)	(11.315)	14,1%
<b>Operating results</b>	<b>69.191</b>	<b>66.624</b>	<b>3,9%</b>
<b>Financial results</b>	<b>4.989</b>	<b>(24.603)</b>	<b>-120,3%</b>
Financial income	15.202	2.057	639,0%
Financial expenses	(25.019)	(24.358)	2,7%
Fx variation	14.806	(2.302)	n/a
<b>Income before taxation</b>	<b>74.180</b>	<b>42.021</b>	<b>76,5%</b>
<b>Income tax and social contribution</b>	<b>(19.054)</b>	<b>(11.623)</b>	<b>63,9%</b>
Current	(8.932)	(3.430)	160,4%
Deffered	(10.122)	(8.193)	23,5%
<b>Net income</b>	<b>55.126</b>	<b>30.398</b>	<b>81,3%</b>
<b>To:</b>			
Shareholders	52.134	29.017	79,7%
Minority shareholders	2.992	1.381	116,7%
<b>Ebitda</b>	<b>82.230</b>	<b>81.106</b>	<b>1,4%</b>
Ebitda margin	19,8%	19,7%	0,1 p.p
Ebit margin	16,6%	16,2%	0,4 p.p
Net margin	13,3%	7,4%	5,9 p.p

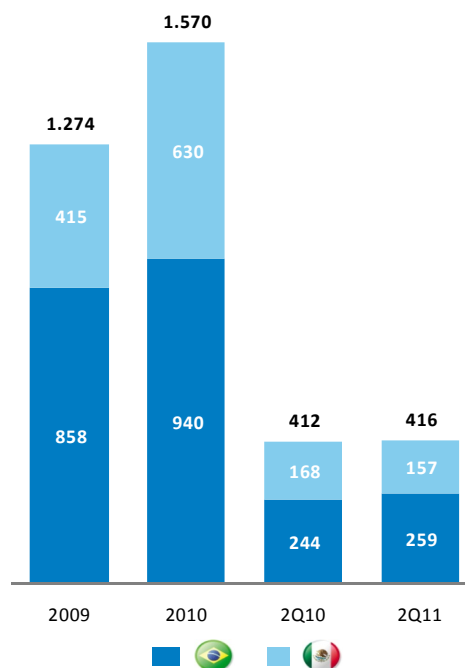
## Net sales revenue

Autometal's net sales revenue in 2Q11 was R\$ 415.8 million, 0.9% more than in 2Q10 (R\$ 412.1 million).

The Brazilian market accounted for 62.2% of the revenue, and the Mexican market for the remaining 37.8%. Once again strong appreciation of the Real was a major feature of this quarter. Consolidation of revenue from the Mexico operations was affected by an average US dollar almost 11% cheaper in the quarter, year-on-year.

Demand in the Brazilian and Nafta markets continues to be strong, although we have seen non-recurring factors with a negative effect on production in this quarter, such as the stoppages at OEMs due to the lack of Japanese supplies. There were also strikes in the Brazilian auto sector which reduced demand from some OEMs.

Our net revenue in the Brazilian market was 5.9% higher year-on-year in 2Q11, while in Mexico we had an organic growth of 4.7% (measured in US\$) but due to the lower average fx in 2Q11 we posted a reduction of 6.4% YoY in Reais.



## Cost of products sold

COGS totaled R\$ 300.2 million in 2Q11, 0.4% lower than COGS in 2Q10, of R\$ 301.4 million.

Raw materials used in our production processes were 64.9% of total costs in 2Q11, compared to 67.7% in 2Q10.

Labor costs were 11.3% higher in 2Q11. At the end of the quarter they were 20.9% of our total costs, compared to 18.2% at the end of 2Q10.

Maintenance costs, which we allocate 100% in COGS, totaled R\$ 7.7 million in 2Q11, compared to R\$ 9.0 million in 2Q10.

Our gross margin in 2Q11 was 27.8%, compared to 26.9% in 2Q10.

**SG&A**

Sales, general and administrative expenses in 2Q11 were R\$ 33.5 million, compared to R\$ 32.7 million in 2Q10 – an increase of 2.4%.

The service fee paid to CIE totaled R\$ 3.4 million in 2Q11, compared to R\$ 3.8 million in 2Q10.

SG&A expenses were 8.1% of net revenue, compared to 7.9% in 2Q10.

**Other operational expenses/revenues**

Our Other operational expenses line totaled R\$ 12.9 million in 2Q11, which compares to an expense of R\$ 11.3 million in 2Q10 – an increase of 14.1%.

One of the principal items is the increase in expenses on maintenance and repairs, which totaled R\$ 1.2 million in 2Q11, but only R\$ 0.8 million in 2Q10; another is the increase in rentals of hangars used for storage of finished products, totaling R\$ 2.2 million in 2Q11, compared to R\$ 1.5 million in 2Q10.

**Financial revenues (expenses)**

Financial *revenues* in 2Q11 were R\$ 15.2 million, compared to R\$ 2.1 million in 2Q10. The variation reflects the increase in the company's cash position, and the higher remuneration on this cash, due both to the increase in the basic interest rate and also to our reallocation of cash to investments with higher returns. Today Autometal has 96% of its cash investments in bank CDs, or back-to-back transactions with first-line banks – with an average remuneration of 103.1% of the CDI rate.

Financial *expenses* in 2Q11 totaled R\$ 25.0 million, compared to R\$ 24.4 million in 2Q10. This was an increase of 2.5%, but within it, expenses on loans, totaling R\$ 11.7 million, were 22.2% down year-on-year. Marking to market of the hedge transactions that we created in May, which go to the income statement, totaled R\$ 6.2 million in the quarter, compared to R\$ 1.3 million in 2Q10. Also in the quarter was our first amortization of a loan in dollars, in which the income tax on the transaction will be posted as a financial expense, totaling R\$ 3.2 million.

**Net FX gains (losses)**

In 2Q11 Autometal posted net foreign exchange gains of R\$ 14.8 million, which compares with a loss of R\$ 2.3 million in 2Q10. This variation reflects the 11% depreciation in the dollar against the Real during 2Q11.

In 2Q11 Autometal decided to contract hedge transactions for part of its debt, and as a result we have two hedge contracts that replaced dollar-indexed rates on contracts with percentages of the CDI rate.

At present some 38% of Autometal's debt is in US dollars.

## Income tax and the Social Contribution tax

Expenses on income tax and the Social Contribution tax in 2Q11 totaled R\$ 19.1 million, compared to R\$ 11.6 million in 2Q10. The current tax in 2Q11 was R\$ 8.9 million, compared to R\$ 3.4 million in 2Q10. The increase is related to the increase in taxable profit, especially including the realization of a foreign exchange gain.

Income tax and the Social Contribution totaled 4.6% of net sales revenues in 2Q11, compared to 2.8% in 2Q10.

The effective weighted average tax rate, i.e. the sum of income tax and the Social Contribution expressed as a percentage of pretax profit, was 25.7% in 2Q11, compared to 27.7% in 2Q10.

## Net profit

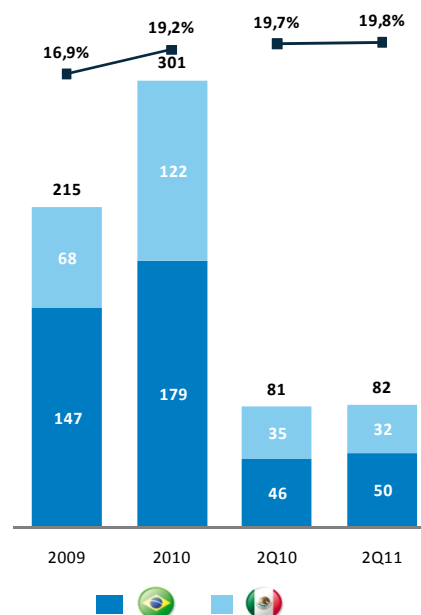
Net profit in 2Q11 was R\$ 55.1 million, 81.3% more than our R\$ 30.4 million net profit of 2Q10. Net margin in 2Q11 was 13.3%, compared to 7.4% in 2Q10.

## Ebitda

Ebitda in 2Q11 was R\$ 82.2 million, 1.4% more than in 2Q10, with Ebitda margin of 19.8%, which compares to 19.7% in 2Q10. The higher growth in Ebitda than in revenue is evidence of our efforts to gain productivity to maintain our operational margins.

Autometal does not use accelerated depreciation in its operation, and the total of depreciation and amortization is around 3.2% of net revenue.

EBITDA			
R\$ thousand	2Q2011	2Q2010	Var. 2Q
Net profit	55.126	30.398	81,3%
Income tax and social contribution	19.054	11.623	63,9%
Financial expenses	(4.989)	24.603	-120,3%
Depreciation and amortization	13.041	14.483	-10,0%
<b>Ebitda</b>	<b>82.232</b>	<b>81.107</b>	<b>1,4%</b>
Net sales	415.782	412.080	0,9%
<b>Ebitda margin</b>	<b>19,8%</b>	<b>19,7%</b>	<b>0,5%</b>
	69.191	66.624	3,9%



## Debt

Autometal's gross debt on June 30, 2011 was R\$ 528.5 million, while it held cash of R\$ 759.8 million, resulting in a net cash position of R\$ 231.3 million.

In May and June 2011 the Company completed negotiation for R\$ 140 million and with the BNDES, for a total cost of 12% p.a. In July, an additional R\$ 60 million line negotiation was completed.

The average cost of the debt, taking into account the hedge transactions, is approximately 8% p.a.

## ROIC

The ROIC of Autometal's operation for the quarter ended in June 2011 was 29.2%, compared to 30.0% at the end of 2Q10. This return reflects, in part, the investments we are making in expansion of some units, without yet having the cash flow from the investment operational.

ROIC is calculated as:  $\text{Ebit} / (\text{Stockholders' equity} + \text{Net debt})$ .

## Capex

In the first half our capital expenditure was R\$ 41.2mn. Our main capital expenditure was as follows:

- Dias D'Avila and Autoliner units (R\$ 15.6 mn) ;
- Expansion of Durametal, with acquisition of the second production line (R\$ 5.7 mn), and
- Investment in the Matic plant in Mexico (R\$ 10.0 mn).

## Relationship with external auditors

As required by CVM Instruction 381/03, Autometal reports that as well as external auditing services, in 2011 it received from the external auditors, or parties related to them, auditing advice for carrying out of its share offering. This work had a cost of approximately R\$ 500,000, and represented approximately 35% of the total amount of the auditing services for the year 2010.

Additionally, the policy adopted by the Company complies with the principles that preserve the independence of the auditor, for contracting auditing services, in accordance with internationally accepted criteria, namely: the auditor must not audit its own work, nor exercise management functions in its client, nor promote the client's interests.

**Arbitration chamber**

The Company is committed to arbitration in the Market Arbitration Chamber, under a commitment clause in its Bylaws.

**About Autometal S.A.**

We are one of the principal suppliers of components and sub-components for the automobile sector operating in Brazil and in Nafta. We make our entire line of products (approximately 6,000) in four basic processes/technologies – plastics, metal, painting and diestamping. We produce components and subcomponents for all parts of vehicles, including: (i) motor and transmission (powertrain); (ii) chassis and steering; and (iii) exterior and interior of the vehicle. These products are manufactured in 17 industrial plants: ten in Brazil and 7 in Mexico.

Our business model benefits from diversification and flexibility of technologies, clients, vehicle platforms, suppliers and geographical locations. These factors have enabled us to minimize risks and achieve significant economic results, with low dependence on specific vehicle platforms, specific clients or specific plants.

Our shares are traded on the *Novo Mercado* of the São Paulo stock exchange (BM&FBovespa) under the ticker AUTM3.

The following tables are attached to this document:

Income Statements

Balance Sheets

Cash Flow Statements



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Ebit margin	16,6%	16,2%	0,4 p.p
Net margin	13,3%	7,4%	5,9 p.p

**BALANCE SHEET**

R\$ thousand	June 30, 2011	Dec 31, 2010
<b>Assets</b>	<b>2.074.520</b>	<b>1.514.042</b>
<b>Current assets</b>	<b>1.162.474</b>	<b>591.468</b>
Cash and equivalents	759.791	193.342
Receivables	196.985	154.376
Inventories	155.706	147.265
Current tax assets	38.307	38.896
Related parties	39	290
Other receivables	11.646	57.299
<b>Non-current assets</b>	<b>912.046</b>	<b>922.574</b>
Non-current financial assets	-	-
Deferred Income Tax and Social Contribution	55.679	61.771
Other receivables	21.829	16.883
Intangible assets	277.840	285.950
Permanent assets	556.698	557.970
<b>Liabilities and Shareholders' Equity</b>	<b>2.074.520</b>	<b>1.514.042</b>
<b>Current Liabilities</b>	<b>493.793</b>	<b>575.218</b>
Suppliers and other payables	205.478	180.184
Loans and Financing	207.323	267.762
Taxes Payable	32.877	36.852
Current provisions	7.366	10.477
Related parties	3.588	4.584
Other current liabilities	37.161	75.359
<b>Non-current Liabilities</b>	<b>481.364</b>	<b>328.078</b>
Loans and Financing	321.135	181.631
Deferred Income Tax and Social Contribution	89.618	76.701
Non-current provisions	38.951	32.560
Related parties	218	213
Other liabilities	31.442	36.973
<b>Shareholders' Equity</b>	<b>1.099.363</b>	<b>610.746</b>
Capital Stock	900.458	481.241
Reserves	134.079	146.619
Cumulative exchange differences	(87.412)	(62.533)
Retained earnings	102.332	-
Minority shareholdings	49.906	45.419

**CASH FLOW**

R\$ thousand	June 30, 2011	June 30, 2010
<b>Profit for the period before income tax and social contribution</b>	<b>145.199</b>	<b>91.794</b>
<b>Adjustments</b>	<b>23.034</b>	<b>63.527</b>
Depreciation and amortization	26.117	27.767
Results on sale of property, plant and equipment	(3.867)	(127)
Provision for contingencies	3.280	297
Financial income	(5.740)	41.047
Other changes, net	3.244	(5.457)
<b>Changes in assets and liabilities</b>	<b>(26.441)</b>	<b>(72.905)</b>
Inventories	(8.441)	(20.456)
trade accounts receivable and other receivables	(14.725)	(25.971)
Suppliers and other liabilities	(3.275)	(26.478)
<b>Cash from operations</b>	<b>(27.237)</b>	<b>(50.711)</b>
Interest received	22.776	4.969
Interest paid	(13.618)	(35.146)
Taxes paid	(36.395)	(20.534)
<b>Net cash provided by operating activities</b>	<b>114.555</b>	<b>31.705</b>
<b>Cash flows from investing activities</b>	<b>(37.019)</b>	<b>(74.343)</b>
Acquisition of subsidiary, net of cash acquired		(39.290)
Acquisition of property, plant and equipment	(41.163)	(35.052)
Acquisition of intangible assets	(1.512)	(2.124)
Acquisition of financial assets held to maturity and deposits		565
Acquisition (sale) of other assets		
Proceeds from sale of property, plant and equipment	5.656	1.558
<b>Net cash used in investing activities</b>	<b>(37.019)</b>	<b>(74.343)</b>
<b>Cash flows from financing activities</b>	<b>498.653</b>	<b>69.167</b>
Capital increase	422.168	
New loans	264.269	610.487
Repayment of loans	(182.790)	(374.001)
Change in loans with related parties	(744)	(165.980)
Distribution of reserves to non controlling interests		
Dividends paid to the Company's stockholders	(4.250)	(1.339)
<b>Net cash provided by financing activities</b>	<b>498.653</b>	<b>69.167</b>
Effect of exchange rate changes on cash and cash equivalents	(9.740)	(4.883)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>566.449</b>	<b>21.646</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>193.342</b>	<b>171.049</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>759.791</b>	<b>192.695</b>