

(A free translation of the original in Portuguese)

# **Magnesita Refratários S.A.**

**Review Report of Independent Accountants  
on Quarterly Information (ITR)**

**June 30, 2009**

(A free translation of the original in Portuguese)

## Review Report of Independent Accountants

To the Management and Stockholders  
Magnesita Refratários S.A.

- 1 We have reviewed the accounting information included in the Quarterly Information (ITR) of Magnesita Refratários S.A. and subsidiaries (parent company and consolidated), for the quarter ended June 30 , 2009, comprising the balance sheet and the statements of operations, of changes in stockholders' equity and of cash flows, explanatory notes and the performance report. This Quarterly Information is the responsibility of the Company's management.
- 2 Our review was carried out in accordance with specific standards established by the Institute of Independent Auditors of Brazil (IBRACON), in conjunction with the Federal Accounting Council (CFC), and mainly comprised: (a) inquiries of and discussions with management responsible for the accounting, financial and operating areas of the Company with regard to the main criteria adopted for the preparation of the Quarterly Information; and (b) a review of information and of subsequent events which have, or could have, significant effects on the financial position and operations of the Company and its subsidiaries.
- 3 Based on our limited review, we are not aware of any material modifications that should be made to the accounting information included in the Quarterly Information referred to above in order that it be stated in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of Quarterly Information, including CVM Instruction No. 469/08.

Magnesita Refratários S.A.

- 4 As mentioned in Note 2, the accounting practices adopted in Brazil were altered during 2008 and the effects of the first-time adoption were recorded by the Company and its subsidiaries only during the fourth quarter of 2008 and disclosed in the financial statements at December 31, 2008. The statements of operations and of cash flows for the quarter and six month period ended June 30, 2008, presented together with the information for the current quarter, were not restated for comparison purposes, as permitted by the Circular Letter/CVM/SNC/SEP No. 02/2009.

Belo Horizonte, August 14, 2009.



PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5 "F" MG



Aníbal Manoel Gonçalves de Oliveira  
Contador CRC 1RJ056588/O "S" MG

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**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

**Unaudited**  
**Corporate Legislation**  
**June 30, 2009**

REGISTRATION WITH THE CVM DOES NOT IMPLY ANY ANALYSIS OF THE COMPANY. COMPANY MANAGEMENT IS RESPONSIBLE FOR THE ACCURACY OF THE INFORMATION PROVIDED.

**01.01 - IDENTIFICATION**

<b>1 - CVM CODE</b> 02084-2	<b>2 - COMPANY NAME</b> MAGNESITA REFRATÁRIOS S.A.	<b>3 - Federal Corporate Taxpayers' Registration Number - CNPJ</b> 08.684.547/0001-65
<b>4 - State Registration Number - NIRE</b> 35300337875		

**01.02 - HEAD OFFICE**

<b>1 - ADDRESS</b> Praça Louis Ensck, 240			<b>2 - SUBURB OR DISTRICT</b> Cidade Industrial	
<b>3 - POSTAL CODE</b> 32210-902		<b>4 - MUNICIPALITY</b> Contagem		<b>5 - STATE</b> MG
<b>6 - AREA CODE</b> 31	<b>7 - TELEPHONE</b> 3368-1419	<b>8 - TELEPHONE</b> 3368-1736	<b>9 - TELEPHONE</b> -	<b>10 - TELEX</b>
<b>11 - AREA CODE</b>	<b>12 - FAX</b> -	<b>13 - FAX</b> -	<b>14 - FAX</b> -	
<b>15 - E-MAIL</b> <a href="mailto:adriana.lana@magnesita.com.br">adriana.lana@magnesita.com.br</a>				

**01.03 - INVESTOR RELATIONS OFFICER (Company Mail Address)**

<b>1 - NAME</b> Thiago Emanuel Rodrigues				
<b>2 - ADDRESS</b> Praça Louis Ensck, 240			<b>3 - SUBURB OR DISTRICT</b> Cidade Industrial	
<b>4 - POSTAL CODE</b> 32210-902		<b>5 - MUNICIPALITY</b> Contagem		<b>6 - STATE</b> MG
<b>7 - AREA CODE</b> 31	<b>8 - TELEPHONE</b> 3328-1000	<b>9 - TELEPHONE</b> -	<b>10 - TELEPHONE</b> -	<b>11 - TELEX</b>
<b>12 - AREA CODE</b>	<b>13 - FAX</b> -	<b>14 - FAX</b> -	<b>15 - FAX</b> -	
<b>16 - E-MAIL</b> <a href="mailto:thiago.rodrigues@magnesita.com.br">thiago.rodrigues@magnesita.com.br</a>				

**01.04 - GENERAL INFORMATION/INDEPENDENT ACCOUNTANT**

CURRENT YEAR		CURRENT QUARTER			PRIOR QUARTER		
1-BEGINNING	2-END	3-QUARTER	4-BEGINNING	5-END	6-QUARTER	7-BEGINNING	8-END
1/1/2009	12/31/2009	2	4/1/2009	6/30/2009	1	1/1/2009	3/31/2009
9 - INDEPENDENT ACCOUNTANT PricewaterhouseCoopers Auditores Independentes						10 - CVM CODE 00287-9	
11 - PARTNER RESPONSIBLE  Anibal Manoel Goncalves de Oliveira					12 - INDIVIDUAL TAXPAYERS' REGISTRATION NUMBER OF THE PARTNER RESPONSIBLE 851.939.507-44		

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**FEDERAL GOVERNMENT SERVICE  
BRAZILIAN SECURITIES COMMISSION (CVM)  
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COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Corporate Legislation  
June 30, 2009

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02084-2	MAGNESITA REFRAATÓRIOS S.A.	08.684.547/0001-65

**01.05 - CAPITAL COMPOSITION**

Number of shares (Units)	Current Quarter 6/30/2009	Prior quarter 3/31/2009	Same quarter in prior year 6/30/2008
<b>Paid-up capital</b>			
1 - Common	213,082,583	213,082,583	181,595,496
2 - Preferred	0	0	0
3 - Total	213,082,583	213,082,583	181,595,496
<b>Treasury Stock</b>			
4 - Common	0	0	0
5 - Preferred	0	0	0
6 - Total	0	0	0

**01.06 - CHARACTERISTICS OF THE COMPANY**

<b>1 - TYPE OF COMPANY</b> Commercial, Industrial and Other
<b>2 - SITUATION</b> Operating
<b>3 - NATURE OF OWNERSHIP</b> Local Private
<b>4 - ACTIVITY CODE</b> 1030 - Mineral Extraction
<b>5 - MAIN ACTIVITY</b> Mining, manufacture, sale, export of refractories
<b>6 - TYPE OF CONSOLIDATION</b> Full
<b>7 - TYPE OF REPORT OF THE INDEPENDENT ACCOUNTANT</b> Without exceptions

**01.07- COMPANIES EXCLUDED FROM THE CONSOLIDATED FINANCIAL STATEMENTS**

1 - ITEM	2 - CNPJ	3 - NAME
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**01.08 - DIVIDENDS APPROVED AND/OR PAID DURING AND AFTER THE QUARTER**

1 - ITEM	2 - EVENT	3 - DATE APPROVED	4 - AMOUNT	5 - DATE OF PAYMENT	6 - TYPE OF SHARE	7 - AMOUNT PER SHARE
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**01.09 - SUBSCRIBED CAPITAL AND ALTERATIONS IN THE CURRENT YEAR**

<b>1 - ITEM</b>	<b>2 - DATE OF ALTERATION</b>	<b>3 - CAPITAL</b> (IN THOUSANDS OF REAIS)	<b>4 - AMOUNT OF THE ALTERATION</b> (IN THOUSANDS OF REAIS)	<b>5 - NATURE OF ALTERATION</b>	<b>7 - NUMBER OF SHARES ISSUED</b> (IN UNITS)	<b>8 - SHARE PRICE ON ISSUE DATE</b> (IN REAIS)

**01.10 - INVESTOR RELATIONS OFFICER**

<b>1 - DATE</b> 8/14/2009	<b>2 - SIGNATURE</b>
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02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**02.01 - Balance Sheet - Assets (R\$ thousand)**

1 - Code	2 - Description	3 - 6/30/2009	4 - 3/31/2009
1	Total assets	3,509,496	3,609,997
1.01	Current assets	773,784	776,094
1.01.01	Cash and cash equivalents	119,440	125,098
1.01.01.01	Cash and banks	51,490	42,436
1.01.01.02	Marketable securities	67,950	82,662
1.01.02	Credits	277,588	243,334
1.01.02.01	Customers	277,588	243,334
1.01.02.01.01	Trade accounts receivable - domestic market	171,370	154,421
1.01.02.01.02	Trade accounts receivable - foreign market	107,276	90,168
1.01.02.01.03	Allowance for doubtful accounts	(1,058)	(1,255)
1.01.02.02	Sundry credits	0	0
1.01.03	Inventories	288,661	304,056
1.01.03.01	Finished products	110,008	112,251
1.01.03.02	Work in process	30,891	35,468
1.01.03.03	Raw materials	107,955	118,014
1.01.03.04	Warehouse (replacement materials and other)	39,807	39,687
1.01.03.05	Provision for losses	0	(1,364)
1.01.04	Other	88,095	103,606
1.01.04.01	Other credits	1,306	1,602
1.01.04.02	Taxes recoverable	46,433	53,408
1.01.04.03	Receivables from sale of properties	40,356	48,596
1.02	Non-current assets	2,735,712	2,833,903
1.02.01	Long-term receivables	253,331	224,935
1.02.01.01	Sundry credits	0	0
1.02.01.02	Receivables from related companies	0	0
1.02.01.02.01	Associated and similar companies	0	0
1.02.01.02.02	Subsidiaries	0	0
1.02.01.02.03	Other related companies	0	0
1.02.01.03	Other	253,331	224,935
1.02.01.03.01	Special and escrow deposits	10,293	10,746
1.02.01.03.02	Tax credits	127,427	105,009
1.02.01.03.03	Taxes on purchases of property, plant and equipment	1,689	1,650
1.02.01.03.04	Receivables from sale of properties	25,026	18,429
1.02.01.03.05	Goodwill on merger of stockholder	88,874	88,874
1.02.01.03.06	Other	22	227
1.02.02	Permanent assets	2,482,381	2,608,968
1.02.02.01	Investments	679,396	792,825
1.02.02.01.01	Investments in associated and similar companies	0	0
1.02.02.01.02	Investments in associated and similar companies - goodwill	0	0
1.02.02.01.03	Investments in subsidiaries	677,989	791,418
1.02.02.01.04	Investments in subsidiaries - goodwill	0	0
1.02.02.01.05	Other investments	1,407	1,407
1.02.02.02	Property, plant and equipment	406,228	417,651
1.02.02.02.01	Land	14,941	15,433
1.02.02.02.02	Buildings, improvements and mineral deposits	154,346	154,640
1.02.02.02.03	Machinery, facilities and equipment	628,174	626,440
1.02.02.02.04	Transportation equipment	12,665	13,221
1.02.02.02.05	Furniture and fixtures and other	16,562	16,562
1.02.02.02.06	Construction in progress	66,199	65,267
1.02.02.02.07	Accumulated depreciation	(486,659)	(473,912)
1.02.02.03	Intangible assets	1,396,757	1,398,492
1.02.02.03.01	Software and others	28,950	28,950
1.02.02.03.02	Goodwill on acquisition of investments	1,661,315	1,662,094
1.02.02.03.03	Accumulated amortization	(293,508)	(292,552)
1.02.02.04	Deferred charges	0	0

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June 30, 2009

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02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**02.02 - Balance Sheet - Liabilities and Stockholders' Equity (R\$ thousand)**

1 - Code	2 - Description	3 - 6/30/2009	4 - 3/31/2009
2	Total liabilities and stockholders' equity	3,509,496	3,609,997
2.01	Current liabilities	467,358	449,656
2.01.01	Loans and financing	315,648	301,330
2.01.02	Debentures	0	0
2.01.03	Suppliers	63,483	41,909
2.01.04	Taxes, fees and contributions	18,384	10,661
2.01.04.01	Other taxes	18,384	10,661
2.01.05	Dividends payable	1,049	1,049
2.01.06	Provisions	68,794	94,707
2.01.06.01	Salaries and social security charges	36,094	56,836
2.01.06.02	Advances from customers	3,987	9,838
2.01.06.03	Agent commissions abroad	2,289	3,128
2.01.06.04	Liabilities on the transfer of rights	12,267	13,067
2.01.06.05	Freights and insurance payable	2,824	2,824
2.01.06.06	Royalties payable	634	608
2.01.06.07	Attorney's and consultant's fees payable	1,506	815
2.01.06.08	Third parties' services payable	3,758	2,586
2.01.06.09	Other accounts payable	5,435	5,005
2.01.07	Payables to related companies	0	0
2.01.08	Other	0	0
2.02	Non-current liabilities	1,124,205	1,139,612
2.02.01	Long-term liabilities	1,124,205	1,139,612
2.02.01.01	Loans and financing	911,466	945,904
2.02.01.02	Debentures	0	0
2.02.01.03	Provisions	207,707	172,514
2.02.01.03.01	Contingencies	97,982	89,117
2.02.01.03.02	Post-employment obligations	14,193	14,789
2.02.01.03.03	Negative goodwill	19,256	19,256
2.02.01.03.04	Deferred taxes	76,276	49,352
2.02.01.03.05	Payables to related companies	0	0
2.02.01.04	Payables to related companies	5,032	21,194
2.02.01.05	Advance for future capital increase	0	0
2.02.01.06	Other	0	0
2.03	Deferred income	0	0
2.05	Stockholders' equity	1,917,933	2,020,729
2.05.01	Paid-up capital	2,036,032	2,036,032
2.05.02	Capital reserves	98,807	98,807
2.05.02.01	Special reserve Law 8200	5,973	5,973
2.05.02.02	Goodwill reserve	88,874	88,874
2.05.02.03	Stock options granted	3,960	3,960
2.05.03	Revaluation reserves	0	0
2.05.03.01	Own assets	0	0
2.05.03.02	Subsidiaries/Associated and similar companies	0	0
2.05.04	Revenue reserves	2,856	2,856
2.05.04.01	Legal	0	0
2.05.04.02	Statutory	0	0
2.05.04.03	Contingencies	0	0
2.05.04.04	Unrealized profits	0	0
2.05.04.05	Retained profits	2,856	2,856
2.05.04.06	Special for undistributed dividends	0	0
2.05.04.07	Other revenue reserves	0	0
2.05.05	Carrying value adjustments	(26,604)	64,247
2.05.05.01	Adjustments of marketable securities	0	0
2.05.05.02	Cumulative translation adjustments	(26,604)	64,247
2.05.05.03	Business combination adjustments	0	0
2.05.06	Retained earnings/accumulated deficit	(193,158)	(181,213)
2.05.07	Advance for future capital increase	0	0



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02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**03.01 - Statement of Operations (R\$ thousand)**

<b>1 - Code</b>	<b>2 - Description</b>	<b>3 - 4/1/2009 to 6/30/2009</b>	<b>4 - 1/1/2009 to 6/30/2009</b>	<b>5 - 4/1/2008 to 6/30/2008</b>	<b>6 - 1/1/2008 to 6/30/2008</b>
3.01	Gross sales and/or service revenues	307,421	570,092	429,297	741,104
3.02	Deductions from gross sales revenues	(64,497)	(121,834)	(100,233)	(171,416)
3.03	Net sales and/or service revenues	242,924	448,258	329,064	569,688
3.04	Cost of products and/or services sold	(150,573)	(288,372)	(201,101)	(341,682)
3.05	Gross profit	92,351	159,886	127,963	228,006
3.06	Operating expenses/income	(97,691)	(227,735)	(132,501)	(248,417)
3.06.01	Selling	(20,640)	(44,316)	(24,459)	(46,165)
3.06.02	General and administrative	(20,477)	(50,085)	(32,444)	(54,218)
3.06.03	Financial	(35,595)	(70,836)	(21,768)	(50,617)
3.06.03.01	Financial income	(18,879)	(15,251)	2,769	7,105
3.06.03.01.01	Financial income	1,646	7,200	9,982	13,054
3.06.03.01.02	Exchange/Monetary variation gains (losses)	(20,525)	(22,451)	(7,213)	(5,949)
3.06.03.02	Financial expenses	(16,716)	(55,585)	(24,537)	(57,722)
3.06.03.02.01	Financial expenses	(61,102)	(99,208)	(31,555)	(65,302)
3.06.03.02.02	Exchange/Monetary variation gains (losses)	44,386	43,623	7,018	7,580
3.06.04	Other operating income	6,678	17,087	18,062	18,197
3.06.05	Other operating expenses	(9,091)	(12,747)	(75,799)	(132,897)
3.06.05.01	Amortization of goodwill	0	0	(65,835)	(117,948)
3.06.05.02	Other operating expenses	(9,091)	(12,747)	(9,964)	(14,949)
3.06.06	Equity in the results of subsidiaries	(18,566)	(66,838)	3,907	17,283
3.07	Operating profit (loss)	(5,340)	(67,849)	(4,538)	(20,411)
3.08	Non-operating income	0	0	52,985	51,956
3.08.01	Income	0	0	59,966	61,926
3.08.02	Expenses	0	0	(6,981)	(9,970)
3.09	Profit (loss) before taxation and profit sharing	(5,340)	(67,849)	48,447	31,545
3.10	Provision for income tax and social contribution on net income	(2,099)	(2,444)	(6,069)	(13,282)
3.11	Deferred income tax	(4,506)	(3,675)	4,256	4,678
3.12	Statutory profit sharing/contributions	0	0	0	0
3.12.01	Profit sharing	0	0	0	0
3.12.02	Contributions	0	0	0	0
3.13	Reversal of interest on own capital	0	0	0	0
3.15	Net income (loss) for the period	(11,945)	(73,968)	46,634	22,941
	Number of shares (units), excluding treasury stock	213,082,583	213,082,583	181,595,496	181,595,496
	Net income per share - R\$			0.25680	0.12633
	Loss per share - R\$	(0.05606)	(0.34713)		

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**04.01 - Statements of Cash Flows - Indirect Method (R\$ thousand)**

1 - Code	2 - Description	3 - 4/1/2009 to 6/30/2009	4 - 1/1/2009 to 6/30/2009	5 - 4/1/2008 to 6/30/2008	6 - 1/1/2008 to 6/30/2008
4.01	Net cash from operating activities	(30,776)	(76,302)	(33,133)	(24,388)
4.01.01	Cash provided by (used in) operations	(17,482)	(20,346)	110,210	140,330
4.01.01.01	Net income (loss) for the period	(11,945)	(73,968)	46,634	22,941
4.01.01.02	Charges and monetary/exchange variations, net	(43,086)	(45,157)	(6,795)	(2,023)
4.01.01.03	Depreciation	14,477	27,367	12,699	23,425
4.01.01.04	Share options	0	899	0	0
4.01.01.05	Equity in results of subsidiaries	18,566	66,838	(3,907)	(17,283)
4.01.01.06	Deferred income tax and social contribution	4,506	3,675	(4,256)	(4,678)
4.01.01.07	Amortization of goodwill	0	0	65,835	117,948
4.01.02	Changes in assets and liabilities	(13,294)	(55,956)	(143,343)	(164,718)
4.01.02.01	Accounts receivable	(34,254)	(15,667)	(701)	(28,944)
4.01.02.02	Inventories	15,395	(18,851)	(20,291)	(2,907)
4.01.02.03	Taxes recoverable	6,976	(1,238)	(14,505)	(4,853)
4.01.02.04	Suppliers and subcontractors	21,574	10,016	786	1,695
4.01.02.05	Advances from customers	(5,851)	(1,774)	(6,010)	(2,087)
4.01.02.06	Taxes payable	7,723	3,054	(3,353)	(4,444)
4.01.02.07	Dividends payable	0	0	(454)	(20,018)
4.01.02.08	Receivables from sale of property, plant and equipment	1,643	(1,077)	(49,209)	(49,209)
4.01.02.09	Other	(26,500)	(30,419)	(49,606)	(53,951)
4.01.03	Other	0	0	0	0
4.02	Net cash from investing activities	2,692	(2,689)	108,114	(251,101)
4.02.01	Disposal of property, plant and equipment and investments	1,253	1,388	5,074	7,345
4.02.02	Exchange variation on investments	0	0	0	0
4.02.03	Additions to fixed assets, investments and intangible assets	(3,561)	(9,077)	(16,015)	(30,463)
4.02.04	Dividends received	5,000	5,000	7,100	37,100
4.02.05	Cash received due to merger	0	0	81,845	184,412
4.02.06	Company acquisitions including goodwill	0	0	30,110	(449,495)
4.03	Net cash from financing activities	22,426	(40,329)	285,968	640,740
4.03.01	New loans and financing	99,199	212,963	200,733	1,284,313
4.03.02	Payment of loans and financing	(50,957)	(111,573)	(19,779)	(960,562)
4.03.03	Net capital increase due to merger	0	0	111,079	323,054
4.03.04	Treasury shares	0	0	(6,476)	(6,476)
4.03.05	Interest on own capital lapsed	0	0	411	411
4.03.06	Payment of interest on loans/financing	(25,816)	(141,719)	0	0
4.04	Exchange variation on cash and cash equivalents	0	0	0	0
4.05	Increase (decrease) in cash and cash equivalents	(5,658)	(119,320)	360,949	365,251
4.05.01	Opening balance of cash and cash equivalents	125,098	238,760	89,773	85,471
4.05.02	Closing balance of cash and cash equivalents	119,440	119,440	450,722	450,722

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**FEDERAL GOVERNMENT SERVICE  
BRAZILIAN SECURITIES COMMISSION (CVM)  
QUARTERLY INFORMATION (ITR)  
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
June 30, 2009

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**05.01 - Statement of Changes in Stockholders' Equity from 4/1/2009 to 6/30/2009 (R\$ thousand)**

1 - Code	2 - Description	3 - Capital	4 -Capital reserves	5 - Revaluation reserves	6 - Revenue reserves	7 - Retained earnings/ accumulated losses	8 - Carrying value adjustments	9 - Total stockholders' equity
5.01	Opening balance	2,036,032	98,807	0	2,856	(181,213)	64,247	2,020,729
5.02	Prior-year adjustments	0	0	0	0	0	0	0
5.03	Adjusted balance	2,036,032	98,807	0	2,856	(181,213)	64,247	2,020,729
5.04	Net income/loss for the period	0	0	0	0	(11,945)	0	(11,945)
5.05	Appropriations	0	0	0	0	0	0	0
5.05.01	Dividends	0	0	0	0	0	0	0
5.05.02	Interest on capital	0	0	0	0	0	0	0
5.05.03	Other appropriations	0	0	0	0	0	0	0
5.06	Realization of revenue reserves	0	0	0	0	0	0	0
5.07	Carrying value adjustments	0	0	0	0	0	(90,851)	(90,851)
5.07.01	Adjustments of marketable securities	0	0	0	0	0	0	0
5.07.02	Cumulative translation adjustments	0	0	0	0	0	(90,851)	(90,851)
5.07.03	Business combination adjustments	0	0	0	0	0	0	0
5.08	Increase/decrease in capital	0	0	0	0	0	0	0
5.09	Increase/realization of capital reserves	0	0	0	0	0	0	0
5.10	Treasury stock	0	0	0	0	0	0	0
5.11	Other capital transactions	0	0	0	0	0	0	0
5.12	Other	0	0	0	0	0	0	0
5.13	Closing balance	2,036,032	98,807	0	2,856	(193,158)	(26,604)	1,917,933

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**FEDERAL GOVERNMENT SERVICE  
BRAZILIAN SECURITIES COMMISSION (CVM)  
QUARTERLY INFORMATION (ITR)  
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

**Unaudited**

**Corporate Legislation  
June 30, 2009**

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**05.02 - Statement of Changes in Stockholders' Equity from 1/1/2009 to 6/30/2009 (R\$ thousand)**

1 - Code	2 - Description	3 - Capital	4 -Capital reserves	5 - Revaluation reserves	6 - Revenue reserves	7 - Retained earnings/ accumulated losses	8 - Carrying value adjustments	9 - Total stockholders' equity
5.01	Opening balance	2,036,032	97,908	0	2,856	(119,190)	96,505	2,114,111
5.02	Prior-year adjustments	0	0	0	0	0	0	0
5.03	Adjusted balance	2,036,032	97,908	0	2,856	(119,190)	96,505	2,114,111
5.04	Net income/loss for the period	0	0	0	0	0	0	0
5.05	Appropriations	0	0	0	0	(73,968)	0	(73,968)
5.05.01	Dividends	0	0	0	0	0	0	0
5.05.02	Interest on capital	0	0	0	0	0	0	0
5.05.03	Other appropriations	0	0	0	0	0	0	0
5.06	Realization of revenue reserves	0	0	0	0	0	0	0
5.07	Carrying value adjustments	0	0	0	0	0	(123,109)	(123,109)
5.07.01	Adjustments of marketable securities	0	0	0	0	0	0	0
5.07.02	Cumulative translation adjustments	0	0	0	0	0	(123,109)	(123,109)
5.07.03	Business combination adjustments	0	0	0	0	0	0	0
5.08	Increase/decrease in capital	0	0	0	0	0	0	0
5.09	Increase/realization of capital reserves	0	0	0	0	0	0	0
5.10	Treasury stock	0	0	0	0	0	0	0
5.11	Other capital transactions	0	0	0	0	0	0	0
5.12	Other	0	899	0	0	0	0	899
5.13	Closing balance	2,036,032	98,807	0	2,856	(193,158)	(26,604)	1,917,933

(A free translation of the original in Portuguese)

**FEDERAL GOVERNMENT SERVICE  
BRAZILIAN SECURITIES COMMISSION (CVM)  
QUARTERLY INFORMATION (ITR)  
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

**Unaudited**

**Corporate Legislation  
June 30, 2009**

<b>01.01 - IDENTIFICATION</b>		
<b>1 - CVM CODE</b>	<b>2 - COMPANY NAME</b>	<b>3 - Federal Corporate Taxpayers' Registration Number - CNPJ</b>
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**08.01 - Consolidated Balance Sheet - Assets (R\$ thousand)**

<b>1 - Code</b>	<b>2 - Description</b>	<b>3 - 6/30/2009</b>	<b>4 - 3/31/2009</b>
1	Total assets	5,009,367	5,375,362
1.01	Current assets	1,386,604	1,539,949
1.01.01	Cash and cash equivalents	255,860	279,303
1.01.01.01	Cash and banks	151,984	150,962
1.01.01.02	Marketable securities	103,876	128,341
1.01.02	Credits	394,563	386,830
1.01.02.01	Customers	394,563	386,830
1.01.02.01.01	Trade accounts receivable - domestic market	174,922	157,182
1.01.02.01.02	Trade accounts receivable - foreign market	229,608	240,989
1.01.02.01.03	Allowance for doubtful accounts	(9,967)	(11,341)
1.01.02.02	Sundry credits	0	0
1.01.03	Inventories	587,473	691,582
1.01.03.01	Finished products	280,950	328,793
1.01.03.02	Work in process	41,300	49,048
1.01.03.03	Raw materials	214,746	262,437
1.01.03.04	Warehouse (replacement materials and other)	75,219	80,840
1.01.03.05	Provision for losses	(24,742)	(29,536)
1.01.04	Other	148,708	182,234
1.01.04.01	Other credits	31,804	38,932
1.01.04.02	Taxes recoverable	76,548	94,706
1.01.04.03	Receivables from sale of properties	40,356	48,596
1.02	Non-current assets	3,622,763	3,835,413
1.02.01	Long-term receivables	319,707	292,130
1.02.01.01	Sundry credits	0	0
1.02.01.02	Receivables from related companies	0	0
1.02.01.02.01	Associated and similar companies	0	0
1.02.01.02.02	Subsidiaries	0	0
1.02.01.02.03	Other related companies	0	0
1.02.01.03	Other	319,707	292,130
1.02.01.03.01	Special and escrow deposits	11,185	11,894
1.02.01.03.02	Tax credits	192,911	171,056
1.02.01.03.03	Taxes on purchases of property, plant and equipment	1,689	1,650
1.02.01.03.04	Receivables from sale of properties	25,026	18,429
1.02.01.03.05	Goodwill on merger of stockholder	88,874	88,874
1.02.01.03.06	Other	22	227
1.02.02	Permanent assets	3,303,056	3,543,283
1.02.02.01	Investments	2,169	2,266
1.02.02.01.01	Investments in associated and similar companies	0	0
1.02.02.01.02	Investments in subsidiaries	0	0
1.02.02.01.03	Other investments	2,169	2,266
1.02.02.02	Property, plant and equipment	1,008,202	1,122,008
1.02.02.02.01	Land	69,173	76,585
1.02.02.02.02	Buildings, improvements and mineral deposits	482,109	530,775
1.02.02.02.03	Machinery, facilities and equipment	962,832	1,009,520
1.02.02.02.04	Transportation equipment	16,264	17,467
1.02.02.02.05	Furniture and fixtures and other	44,882	49,474
1.02.02.02.06	Construction in progress	94,946	94,051
1.02.02.02.07	Accumulated depreciation	(662,004)	(655,864)
1.02.02.03	Intangible assets	2,292,685	2,419,009
1.02.02.03.01	Software and other	31,447	32,051
1.02.02.03.02	Goodwill on acquisition of investments	2,555,920	2,682,112
1.02.02.03.03	Accumulated amortization	(294,682)	(295,154)
1.02.02.04	Deferred charges	0	0

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Unaudited

**FEDERAL GOVERNMENT SERVICE  
BRAZILIAN SECURITIES COMMISSION (CVM)  
QUARTERLY INFORMATION (ITR)  
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Corporate Legislation  
June 30, 2009

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**08.02 - Consolidated Balance Sheet - Liabilities and Stockholders' Equity (R\$ thousand)**

1 - Code	2 - Description	3 - 6/30/2009	4 - 3/31/2009
2	Total liabilities and stockholders' equity	5,009,367	5,375,362
2.01	Current liabilities	681,955	740,946
2.01.01	Loans and financing	333,261	334,333
2.01.02	Debentures	0	0
2.01.03	Suppliers	155,384	158,370
2.01.04	Taxes, fees and contributions	36,756	48,358
2.01.04.01	Other taxes	36,756	48,358
2.01.05	Dividends payable	1,071	1,071
2.01.06	Provisions	155,483	198,814
2.01.06.01	Salaries and social security charges	84,125	111,324
2.01.06.02	Advances from customers	4,543	10,729
2.01.06.03	Agent commissions abroad	2,289	3,128
2.01.06.04	Liabilities on the transfer of rights	12,267	13,067
2.01.06.05	Freights and insurance	3,745	3,389
2.01.06.06	Royalties payable	634	608
2.01.06.07	Attorneys' and consultant's fees payable	2,820	10,332
2.01.06.08	Third-parties' services payable	13,692	14,189
2.01.06.09	Provision for warranty indemnification payable	7,234	8,405
2.01.06.10	Contract retentions payable	11,129	10,397
2.01.06.11	Other accounts payable	13,005	13,246
2.01.07	Payables to related companies	0	0
2.01.08	Other	0	0
2.02	Non-current liabilities	2,393,728	2,595,766
2.02.01	Long-term liabilities	2,393,728	2,595,766
2.02.01.01	Loans and financing	1,841,167	2,048,741
2.02.01.02	Debentures	0	0
2.02.01.03	Provisions	552,561	547,025
2.02.01.03.01	Contingencies	101,515	92,561
2.02.01.03.02	Post-employment obligations	255,107	293,689
2.02.01.03.03	Negative goodwill	19,256	19,256
2.02.01.03.04	Deferred income tax and social contribution	168,571	132,129
2.02.01.03.05	Other	8,112	9,390
2.02.01.04	Payables to related parties	0	0
2.02.01.05	Advance for future capital increase	0	0
2.02.01.06	Other	0	0
2.03	Deferred income	0	0
2.04	Minority interest	16,862	18,761
2.05	Stockholders' equity	1,916,822	2,019,889
2.05.01	Paid-up capital	2,036,032	2,036,032
2.05.02	Capital reserves	98,807	98,807
2.05.02.01	Special reserve Law 8200	5,973	5,973
2.05.02.02	Special goodwill reserve	88,874	88,874
2.05.02.03	Stock options granted	3,960	3,960
2.05.03	Revaluation reserves	0	0
2.05.03.01	Own assets	0	0
2.05.03.02	Subsidiaries/Associated and similar companies	0	0
2.05.04	Revenue reserves	2,856	2,856
2.05.04.01	Legal	0	0
2.05.04.02	Statutory	0	0
2.05.04.03	Contingencies	0	0
2.05.04.04	Unrealized profits	0	0
2.05.04.05	Retained profits	2,856	2,856
2.05.04.06	Special for undistributed dividends	0	0
2.05.04.07	Other revenue reserves	0	0
2.05.05	Carrying value adjustments	(26,604)	64,247
2.05.05.01	Adjustments of marketable securities	0	0
2.05.05.02	Cumulative translation adjustments	(26,604)	64,247
2.05.05.03	Business combination adjustments	0	0
2.05.06	Retained earnings/accumulated deficit	(194,269)	(182,053)
2.05.07	Advance for future capital increase	0	0

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**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

**Unaudited**  
**Corporate Legislation**  
**June 30, 2009**

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**09.01 - Consolidated Statement of Operations (R\$ thousand)**

1 - Code	2 - Description	3 - 4/1/2009 to 6/30/2009	4 - 1/1/2009 to 6/30/2009	5 - 4/1/2008 to 6/30/2008	6 - 1/1/2008 to 6/30/2008
3.01	Gross sales and/or service revenues	520,935	1,031,445	407,163	814,577
3.02	Deductions from gross sales revenues	(66,706)	(126,216)	(89,025)	(174,277)
3.03	Net sales and/or service revenues	454,229	905,229	318,138	640,300
3.04	Cost of products and/or services sold	(309,985)	(631,636)	(185,560)	(370,861)
3.05	Gross profit	144,244	273,593	132,578	269,439
3.06	Operating expenses/income	(137,868)	(338,603)	(136,416)	(271,643)
3.06.01	Selling	(47,577)	(99,714)	(24,769)	(49,945)
3.06.02	General and administrative	(50,426)	(113,567)	(35,123)	(62,323)
3.06.03	Financial	(32,902)	(115,151)	(19,725)	(46,759)
3.06.03.01	Financial income	(16,098)	(6,111)	5,853	22,030
3.06.03.01.01	Financial income	2,594	9,222	11,741	17,158
3.06.03.01.02	Exchange/Monetary variation gains (losses)	(18,692)	(15,333)	(5,888)	4,872
3.06.03.02	Financial expenses	(16,804)	(109,040)	(25,578)	(68,789)
3.06.03.02.01	Financial expenses	(93,465)	(152,128)	(31,705)	(65,744)
3.06.03.02.02	Exchange/Monetary variation gains (losses)	76,661	43,088	6,127	(3,045)
3.06.04	Other operating income	15,146	28,661	18,977	21,131
3.06.05	Other operating expenses	(22,109)	(38,832)	(75,776)	(133,747)
3.06.05.01	Amortization of goodwill	0	0	(65,835)	(117,948)
3.06.05.02	Other operating expenses	(22,109)	(38,832)	(9,941)	(15,799)
3.06.06	Equity in the results of subsidiaries	0	0	0	0
3.07	Operating profit (loss)	6,376	(65,010)	(3,838)	(2,204)
3.08	Non-operating income	0	0	54,166	47,307
3.08.01	Income	0	0	60,981	63,566
3.08.02	Expenses	0	0	(6,815)	(16,259)
3.09	Profit (loss) before taxation and profit sharing	6,376	(65,010)	50,328	45,103
3.10	Provision for income tax and social contribution on net income	(3,505)	(8,332)	(11,042)	(30,601)
3.11	Deferred income tax	(14,587)	(116)	7,354	8,507
3.12	Statutory profit sharing/contributions	0	0	0	0
3.12.01	Profit sharing	0	0	0	0
3.12.02	Contributions	0	0	0	0
3.13	Reversal of interest on own capital	0	0	0	0
3.14	Minority interest	(500)	(681)	2	(1)
3.15	Net income (loss) for the period	(12,216)	(74,139)	46,642	23,008
	Number of shares (units), excluding treasury stock	213,082,583	213,082,583	0.25685	0.12670
	Net income per share - R\$				
	Loss per share - R\$	(0.05733)	(0.34794)		

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**FEDERAL GOVERNMENT SERVICE  
BRAZILIAN SECURITIES COMMISSION (CVM)  
QUARTERLY INFORMATION (ITR)  
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
June 30, 2009

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**10.01 - Consolidated Statements of Cash Flows - Indirect Method (R\$ thousand)**

1 - Code	2 - Description	3 - 4/1/2009 to 6/30/2009	4 - 1/1/2009 to 6/30/2009	5 - 4/1/2008 to 6/30/2008	6 - 1/1/2008 to 6/30/2008
4.01	Net cash from operating activities	(4,358)	(29,325)	53,473	69,532
4.01.01	Cash provided by (used in) operations	(30,139)	(25,817)	114,322	159,694
4.01.01.01	Net income (loss) for the period	(12,216)	(74,139)	46,642	23,008
4.01.01.02	Charges and monetary/exchange variations, net	(65,367)	(19,298)	(7,508)	(2,365)
4.01.01.03	Depreciation	32,357	65,924	13,090	25,993
4.01.01.04	Stock options	0	899	0	0
4.01.01.05	Deferred income tax and social contribution	14,587	116	(3,737)	(4,890)
4.01.01.06	Adjustment of minority interest	500	681	0	0
4.01.01.07	Amortization of goodwill	0	0	65,835	117,948
4.01.02	Changes in assets and liabilities	25,781	(3,508)	(60,849)	(90,162)
4.01.02.01	Accounts receivable	(28,327)	26,331	2,838	(21,074)
4.01.02.02	Inventories	70,519	53,518	(23,361)	(13,484)
4.01.02.03	Taxes recoverable	15,072	6,645	(13,284)	(474)
4.01.02.04	Suppliers and undertakers	10,651	(47,053)	2,853	985
4.01.02.05	Advances from customers	(7,363)	(1,219)	(6,016)	5,650
4.01.02.06	Taxes payable	(9,172)	(9,057)	(4,196)	(12,804)
4.01.02.07	Interest on capital	0	0	(454)	(31,681)
4.01.02.08	Receivables from sale of property, plant and equipment	1,643	(1,077)	(49,209)	(49,209)
4.01.02.09	Other	(27,242)	(31,596)	29,980	31,929
4.01.03	Other	0	0	0	0
4.02	Net cash from investing activities	(7,083)	(17,289)	(8,095)	(330,961)
4.02.01	Disposal of property, plant and equipment and investments	3,528	4,108	5,197	13,161
4.02.02	Additions to fixed assets intangible assets and investments	(10,611)	(21,397)	(13,292)	(344,122)
4.03	Net cash from financing activities	(3,236)	(66,890)	282,094	458,373
4.03.01	New loans and financing	99,348	213,112	195,986	1,279,566
4.03.02	Payments of loans and financing	(51,517)	(111,974)	(18,861)	(970,360)
4.03.03	Capital increase	0	0	111,079	155,277
4.03.04	Treasury shares	0	0	(6,476)	(6,476)
4.03.05	Interest on own capital lapsed	0	0	366	366
4.03.06	Payment of interest on loans/financing	(51,067)	(168,028)	0	0
4.04	Exchange variation on cash and cash equivalents	(8,766)	(15,118)	0	0
4.05	Increase (decrease) in cash and cash equivalents	(23,443)	(128,622)	327,472	196,944
4.05.01	Opening balance of cash and cash equivalents	279,303	384,482	214,121	344,649
4.05.02	Closing balance of cash and cash equivalents	255,860	255,860	541,593	541,593



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BRAZILIAN SECURITIES COMMISSION (CVM)  
QUARTERLY INFORMATION (ITR)  
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
June 30, 2009

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**11.01 – Consolidated Statement of Changes in Stockholders' Equity from 4/1/2009 to 6/30/2009 (R\$ thousand)**

1 - Code	2 - Description	3 - Capital	4 -Capital reserves	5 - Revaluation reserves	6 - Revenue reserves	7 - Retained earnings/ accumulated losses	8 - Carrying value adjustments	9 - Total stockholders' equity
5.01	Opening balance	2,036,032	98,807	0	2,856	(182,053)	64,247	2,019,889
5.02	Prior-year adjustments	0	0	0	0	0	0	0
5.03	Adjusted balance	2,036,032	98,807	0	2,856	(182,053)	64,247	2,019,889
5.04	Net income/loss for the period	0	0	0	0	(12,216)	0	(12,216)
5.05	Appropriations	0	0	0	0	0	0	0
5.05.01	Dividends	0	0	0	0	0	0	0
5.05.02	Interest on capital	0	0	0	0	0	0	0
5.05.03	Other appropriations	0	0	0	0	0	0	0
5.06	Realization of revenue reserves	0	0	0	0	0	0	0
5.07	Carrying value adjustments	0	0	0	0	0	(90,851)	(90,851)
5.07.01	Adjustments of marketable securities	0	0	0	0	0	0	0
5.07.02	Cumulative translation adjustments	0	0	0	0	0	(90,851)	(90,851)
5.07.03	Business combination adjustments	0	0	0	0	0	0	0
5.08	Increase/decrease in capital	0	0	0	0	0	0	0
5.09	Increase/realization of capital reserves	0	0	0	0	0	0	0
5.10	Treasury stock	0	0	0	0	0	0	0
5.11	Other capital transactions	0	0	0	0	0	0	0
5.12	Other	0	0	0	0	0	0	0
5.13	Closing balance	2,036,032	98,807	0	2,856	(194,269)	(26,604)	1,916,822

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**FEDERAL GOVERNMENT SERVICE  
BRAZILIAN SECURITIES COMMISSION (CVM)  
QUARTERLY INFORMATION (ITR)  
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
June 30, 2009

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**11.02 – Consolidated Statement of Changes in Stockholders' Equity from 1/1/2009 to 6/30/2009 (R\$ thousand)**

1 - Code	2 - Description	3 - Capital	4 -Capital reserves	5 - Revaluation reserves	6 - Revenue reserves	7 - Retained earnings/ accumulated losses	8 - Carrying value adjustments	9 - Total stockholders' equity
5.01	Opening balance	2,036,032	97,908	0	2,856	(120,130)	96,505	2,113,171
5.02	Prior-year adjustments	0	0	0	0	0	0	0
5.03	Adjusted balance	2,036,032	97,908	0	2,856	(120,130)	96,505	2,113,171
5.04	Net income/loss for the period	0	0	0	0	(74,139)	0	(74,139)
5.05	Appropriations	0	0	0	0	0	0	0
5.05.01	Dividends	0	0	0	0	0	0	0
5.05.02	Interest on capital	0	0	0	0	0	0	0
5.05.03	Other appropriations	0	0	0	0	0	0	0
5.06	Realization of revenue reserves	0	0	0	0	0	0	0
5.07	Carrying value adjustments	0	0	0	0	0	(123,109)	(123,109)
5.07.01	Adjustments of marketable securities	0	0	0	0	0	0	0
5.07.02	Cumulative translation adjustments	0	0	0	0	0	(123,109)	(123,109)
5.07.03	Business combination adjustments	0	0	0	0	0	0	0
5.08	Increase/decrease in capital	0	0	0	0	0	0	0
5.09	Increase/realization of capital reserves	0	0	0	0	0	0	0
5.10	Treasury stock	0	0	0	0	0	0	0
5.11	Other capital transactions	0	0	0	0	0	0	0
5.12	Other	0	899	0	0	0	0	899
5.13	Closing balance	2,036,032	98,807	0	2,856	(194,269)	(26,604)	1,916,822

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**06.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

**1. OPERATIONS**

Magnesita Refratários S.A. ("Company" or "Magnesita") was formed on December 11, 2006, and its objective is to invest in other companies. At the Extraordinary General Meeting of stockholders held on August 6, 2007, its name was changed from Sibaúma Participações S.A. to RPAR Holding S.A., and at the Extraordinary General Meeting held on March 17, 2008, again changed from RPAR Holding S.A. to Magnesita Refratários S.A.

On September 27, 2007, the Company concluded the acquisition of stock representing, directly and indirectly, 70.7% of the voting capital of Magnesita S.A. (common shares) and 3.1% of its preferred non-voting shares, totaling 38.6% of the total capital of that company.

On December 11, 2007, the Company acquired through the Stock Exchange new preferred class A and class C shares of Magnesita S.A., representing 16.83% of the outstanding preferred shares, by means of a Voluntary Public Share Offering.

Also in December 2007, the Company made a Public Offer for the Acquisition of common shares of Magnesita S.A., representing 29.27% of its voting capital and 15.39% of its total capital. The price was R\$ 61.60 per thousand common shares, which is equivalent to 80% of the amount paid by the Company to the majority stockholders.

Between January 3 and 31, 2008, the Company acquired in the open market of the São Paulo Stock Exchange - BOVESPA, 955,392,390 common shares and 2,951,731,751 preferred class A shares issued by Magnesita S.A. for R\$ 192,004.

On January 31, 2008, the Company held an auction at BOVESPA for the Public Offer for the Acquisition of common shares of Magnesita S.A. (as established in art. 254. A of Law 6404/76), acquiring 4,512,220,813 common shares of Magnesita S.A. for R\$ 287,601.

On February 2, 2008, the Company presented a proposal for the merger of the subsidiaries Magnesita S.A. and Partimag S.A., which became effective on February 21, 2008. The base date of the merger was December 31, 2007. The stockholders of Magnesita S.A. received shares from Magnesita Refratários S.A. (formerly RPAR Holding S.A.). In the particular case of Partimag S.A., a wholly-owned subsidiary of Magnesita Refratários S.A., whose main asset was its investment in Magnesita S.A., the merger did not generate any issue of shares.

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**06.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

On April 30, 2008, the Extraordinary General Meeting of the Company's stockholders approved the merger of the following subsidiaries:

- Magnesita Service Ltda.;
- Risa Refratários e Isolantes Ltda.;
- Risa Materiais Cerâmicos Ltda.;
- Refratec Produtos Eletrofundidos Ltda.;
- Ikerá Indústria e Comércio Ltda.;
- Refratec Participações Ltda.; and
- São José Administração de Matérias Primas Ltda.

These merger transactions did not result in a capital increase to the Company since it already held 100% of the capital quotas of the merged companies. Accordingly, there was no change in the Company's consolidated financial position arising from the mergers carried out.

On April 25, 2008, the Company executed an agreement for the acquisition of all the quotas representing the capital of Insider - Insumos Refratários para Siderurgia Ltda. (subsequently merged into the subsidiary MAG-Sé Participações Ltda.), a company that manufactures high-tech monolithical and premolded refractories, which is based in the City of Coronel Fabriciano, State of Minas Gerais. The agreed acquisition for R\$ 55 million was concluded on October 30, 2008, at the total restated value of R\$ 57.4 million, according to the contract terms.

On September 7, 2008, the Company executed with REARDEN L. HOLDINGS 2 S.À R.L., a Company of Rhône Group, agreements to acquire ownership of all shares of LWB Group ("LWB"), leader in the segment of dolomitic refractories, with industrial operations in North America, Europe and Asia.

On November 5, 2008, at the transaction closing date, the stockholders of LWB received from the Company R\$ 785.4 million, as follows: R\$ 297.8 million in cash and the remaining portion of R\$ 487.6 million, through 23,457,778 common shares issued by the Company, equivalent to 10.97% of its total capital. To calculate the amount of the transaction mentioned above, R\$ 20.79 was considered the value per share of the Company.

The Company's stockholders agreement was amended to enable the inclusion of Rhône Group with 9.14% of the Company's shares and providing for its participation in the Board of Directors through one member.

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**06.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

Accordingly, Magnesita Refratários S.A., a listed company registered in the BOVESPA's "New Market", became, together with its subsidiaries, a manufacturer of magnesian and dolomitic refractories with plants located in South America, North America, Europe and Asia.

In addition to the plant located in Contagem, State of Minas Gerais (MG), Brazil, the Company has plants for the production of refractory materials through the following subsidiaries:

- LWB Refractories Company – United States
- LWB Refractories GmbH - Germany
- Refratarios Argentinos S.A.I.C.y M - Argentina
- LWB Refractories S.C.S. - France
- LCH Resource (Anhui) Co. Ltd. - China
- Mag-sé Participações Ltda. - Brazil
- Sinterco S.A. - Belgium
- Shanxi LWB Taigang Refractories Co. Ltd. - China

In addition to these, the Company has other direct and indirect subsidiaries, including holding, commercial, mining or non-operating companies, which are part of the consolidated financial statements.

## **2. PRESENTATION OF THE QUARTERLY INFORMATION AND SIGNIFICANT ACCOUNTING PRACTICES**

The quarterly information was prepared and is presented in accordance with specific instructions of the Brazilian Securities Commission (CVM). The accounting practices adopted in this quarterly information are consistent with those adopted to prepare the Company's financial statements as of December 31, 2008.

The accounting estimates adopted to prepare the quarterly information were based on objective factors and on management judgment to determine the appropriate amount to be recorded in the quarterly information, in conformity with current accounting practices. Significant items subject to these estimates and assumptions include estimates relating to the selection of the useful lives of property, plant and equipment, provisions for contingent liabilities, income tax, social contribution on net income and other similar liabilities. The actual results may differ from those estimates.

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**06.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

**Alterations to the Brazilian Corporation Law**

Law 11638 was enacted on December 28, 2007, and altered by Provisional Measure (MP) 449/08 (converted into Law 11941/09), amending and introducing new provisions to Brazilian Corporation Law. The main purpose of this Law and MP was to amend the Brazilian Corporation Law to allow the process of convergence of the accounting practices adopted in Brazil with those included in the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). The adoption of this Law and MP is mandatory for annual financial statements for years that began on or after January 1, 2008.

The changes in the Brazilian Corporation Law had the following principal impacts on the Company's financial statements:

- (i) Investments in marketable securities: trading and available for sale securities are now stated at fair value with contra-entry to income for the year and stockholders' equity, respectively.
- (ii) Derivative financial instruments - the Company began to record the derivative financial instruments at fair value.
- (iii) Financial lease - certain IT equipment leased from financial institutions was recorded in property, plant and equipment and the corresponding debt balance was recorded in the account "Loans and financing".
- (iv) Investments abroad - the effect arising from the exchange variation on investments in the subsidiaries located abroad, which have functional currencies different from that of the Company and operations that do not represent an extension of the Company's activities, is now recorded in the account "Carrying value adjustments", in stockholders' equity.
- (v) Stock option plan: the Company now recognizes the stock option plan in the financial statements.
- (vi) The goodwill generated in the acquisition of investments, based on "expected future profitability" was reclassified from investments to intangible assets. As from January 1, 2009, this goodwill is no longer systematically amortized. As from 2008, the impairment test of goodwill is mandatory. Possible adjustments are included in the statement of operations.

(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER**  
**COMPANIES**

Unaudited

Corporate Legislation  
June 30, 2009

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**06.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

(vii) Replacement of the statement of changes in financial position with the statement of cash flows.

(viii) Presentation of the statement of value added.

As of June 30, 2008, the Company was awaiting regulation of the main alterations introduced by Law 11638/07 and, as permitted by CVM Instruction 469 of May 2, 2008, decided to apply the provisions of the new law only to the financial statements for the year ended December 31, 2008. At the time, management did not expect any significant changes in the Company's financial position at June 30, 2008, and this, in fact, did not occur.

In accordance with CVM/SNC/SEP Official Letter No. 20/0209, the Company opted to present the information relating to the six months ended June 30, 2008 according to the same accounting practices applicable on that date, i.e., without the adjustments required by the new accounting practices effective in the current period.

Had the Company applied the provisions of Law 11638/07 and its subsequent regulations, there would have been the following changes in the result for the quarter and six-month period ended June 30, 2008:

	<b>2nd quarter/08</b> <b>R\$ thousand</b>	<b>1st half/08</b> <b>R\$ thousand</b>
Administrative expenses - Stock options granted	(548)	(1,096)
Decrease in equity accounting results due to the recording of foreign exchange variation on investments abroad directly in the stockholders' equity account	(1,594)	(2,841)
Decrease in the result for the period	<u>(2,242)</u>	<u>(4,037)</u>

Also, the non-operating result started to be recorded under other operating income (expenses).

<b>01.01 - IDENTIFICATION</b>		
<b>1 - CVM CODE</b>	<b>2 - COMPANY NAME</b>	<b>3 - Federal Corporate Taxpayers' Registration Number - CNPJ</b>
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**06.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

**3. CONSOLIDATION CRITERIA**

The consolidated financial statements at June 30 and at March 31, 2009 include those of the parent company and the following subsidiaries:

	<b>6.30.09</b>	<b>3.31.09</b>
CSC - Cerâmica São Caetano Ltda.	100	100
MAG-Sé Participações Ltda.	100	100
Magnesita Grundstucks Beteiligungs GmbH	100	100
LWB Islands Company Ltd. and its subsidiaries	100	100
Refractarios Magnesita Colombia S.A.	100	100
Refractarios Magnesita Uruguay S.A.	100	100
RASA - Refractarios Argentinos S.A.I.CyM and its subsidiaries	100	100
Refractarios Magnesita del Peru S.A.C	100	100
Iliama Participações S.L. and its subsidiary	100	100
Massambaba Mineração S.A.	100	100
MAG-Tec Ltda. (former MSA Service Ltda.)	100	100
MSA Agropecuária Ltda.	100	100
Magnesita Refractories Corporation Ltd.	100	100

The fiscal years of the direct and indirect subsidiaries coincide with those of the parent company, and the accounting policies were applied on a standardized basis in the consolidated companies.

The financial statements of subsidiaries operating abroad are converted into Reais (R\$) in conformity with the guidelines of Technical Pronouncement CPC No. 2 - Effects of Changes in the Foreign Exchange Rates and Conversion of the Financial Statements, as follows:

- (i) Assets and liabilities based on the closing rate at the balance sheet date.
- (ii) Changes in stockholders' equity for the year considering the rates in force at the dates when they occurred; and the opening stockholders' equity of each balance sheet is represented by the closing stockholders' equity of the previous year, according to the conversion made at that date.
- (iii) Income and expenses of the statement of operations at the average rates for the period.
- (iv) The foreign exchange variations related to items (i), (ii) and (iii) mentioned above are recognized in the specific account of stockholders' equity "Carrying value adjustment".



<b>01.01 - IDENTIFICATION</b>		
<b>1 - CVM CODE</b>	<b>2 - COMPANY NAME</b>	<b>3 - Federal Corporate Taxpayers' Registration Number - CNPJ</b>
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**06.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

The process of consolidating the direct and indirect subsidiaries consists of the summation of the balances of the accounts of assets, liabilities, income and expenses, according to the nature of each balance, complemented by the following eliminations:

- (i) interests in capital, reserves and accumulated results between companies;
- (ii) current account balances and other asset and/or liability intercompany balances including unrealized results; and
- (iii) identification of minority interest.

The reconciliation of Stockholders' Equity and Net Income (loss) between consolidated and parent company is as follows:

	<b>Stockholders' equity</b>		<b>Net income (loss)</b>	
	<b>6.30.09</b>	<b>3.31.09</b>	<b>1st half/09</b>	<b>1st half/08</b>
Consolidated	1,916,822	2,019,889	(74,139)	23,008
Unrealized profits in inventories	1,111	840	171	(67)
Parent company	1,917,933	2,020,729	(73,968)	22,941

**4. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are as follows:

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>6.30.09</b>	<b>3.31.09</b>	<b>6.30.09</b>	<b>3.31.09</b>
Cash and Banks	51,490	42,436	151,984	150,962
Marketable securities	67,950	82,662	103,876	128,341
Total	119,440	125,098	255,860	279,303

At June 30, 2009 the consolidated "Cash and banks" account presents a balance of R\$2,304 (R\$4,325 at 03.31.09) in local currency and R\$149,680 (R\$146,637 at 03.31.09) in foreign currency and basically represents deposits in bank current account.

"Marketable securities" were classified as trading securities and correspond to fixed income securities with earnings that approximate the variation of Interbank Deposit Certificates (CDI), and

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**06.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

are available for immediate redemption. In the consolidated, a part of these fixed income securities, amounting to R\$ 7,042 (R\$ 10,957 at 03.31.09) is linked to foreign exchange variations, mainly the U.S. dollar.

**5. LONG-TERM RECEIVABLES - INCOME TAX AND SOCIAL CONTRIBUTION**

The Company recognizes, in long-term receivables, deferred tax assets referring to income tax (25%) and social contribution (9%) on temporary differences and tax loss carryforwards, the realization of which does not exceed the expected future taxable income. For subsidiaries operating abroad, the deferred tax assets, in the consolidated, correspond to income tax at various rates. Deferred tax assets on temporary differences, by nature, are as follows:

	Parent Company		Consolidated	
	6.30.09	3.31.09	6.30.09	3.31.09
Provision for losses in permanent assets	4,290	4,290	4,290	4,290
Provision for contingencies	22,230	20,359	23,308	21,437
Post-employment obligations	4,826	5,028	69,231	69,998
Provision for bonuses	3,665	9,513	3,665	9,513
Other	14,530	6,034	14,531	6,033
	49,541	45,224	115,025	111,271
Deferred taxes on income tax and social contribution tax loss carryforwards	77,886	59,785	77,886	59,785
Total deferred tax assets	127,427	105,009	192,911	171,056

The realization of the deferred income tax and social contribution tax credits is subject to future events that will make the provisions deductible, in conformity with current tax legislation, as well as the generation of future taxable income.

Management estimates indicate that the provision for permanent assets should be realized over the next 3 (three) years. The provision related to the payment of bonuses will be realized during the next year. The provisions for contingencies should be realized in the next ten years, in accordance with the nature of the lawsuits in progress. The provision for post-employment obligations will be realized as the benefits from the Fund for Complementation of Retirement and Pensions are paid.

(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER**  
**COMPANIES**

Unaudited

Corporate Legislation  
June 30, 2009

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**06.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

The estimates of future results available, combined with the history of operations, indicate that the Company and its subsidiaries will generate future taxable income in an amount sufficient to absorb the deferred taxes. The projections of future taxable income take into consideration estimates related, among other aspects, to the performance of the Company, the behavior of its market and the economy. Actual results may differ from those estimates.

The deferred tax assets recorded are supported by a technical study in compliance with CVM Instruction No. 371/02.

The reconciliation of the standard and the effective income tax and social contribution expenses, including current and deferred effects, is as follows:

	1st Half of 2009		1st Half of 2008	
	<u>Parent</u>	<u>Consolidated</u>	<u>Parent</u>	<u>Consolidated</u>
Profit (loss) before taxation, net of management profit sharing	(67,849)	(65,691)	31,545	45,103
Standard rate	34%	34%	34%	34%
	23,069	22,335	(10,725)	(15,335)
Income tax and social contribution on:				
Permanent differences	(4,168)	(5,793)	91	382
Equity in the results of subsidiaries	(22,725)	-	5,876	-
Definite taxation on subsidiaries result	-	-	(3,846)	(3,846)
Provision for contingencies	(2,295)	(2,295)	-	(1,880)
Gains with the presumed profit system in subsidiaries	-	-	-	134
Unrecognized tax credits on tax losses	-	-	-	(1,549)
Effect of limitation on interest deductions in Germany		(13,249)		
Effect of different rates of subsidiaries located in other jurisdictions	-	(8,662)	-	-
Other	-	(784)	-	-
	<u>(6,119)</u>	<u>(8,448)</u>	<u>(8,604)</u>	<u>(22,094)</u>

In the six month period ended June 30, 2008, the Company had tax losses and credits in part "B" of the Taxable Income Control Register (LALUR) arising from the amortization of goodwill prior to the merger of Magnesita S.A., which would result in tax credits of R\$ 19,192, not recorded. These credits were recognized at the end of the year, supported by the technical study referred to in CVM Instruction 371/02.

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**06.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

**6. PERMANENT ASSETS**

The Company's investments refer basically to investments in subsidiaries accounted for on the equity method, which were eliminated in the consolidated quarterly information.

Changes in the investments account in the second quarter and first half of 2009 were as follows:

	<u>2nd quarter/09</u>	<u>1st half/09</u>
Opening balance	792,825	852,925
Foreign exchange variation	(89,862)	(120,717)
Capitalization of loan		18,641
Equity in the results of subsidiaries	(18,566)	(66,838)
Interest on own capital received	(5,000)	(5,000)
Other, net	(1)	385
Closing balance	<u>679,396</u>	<u>679,396</u>

The main changes in property, plant and equipment in the first half of 2009 are as follows:

	<u>Parent company 2nd quarter/09</u>	<u>Parent company 1st half/09</u>	<u>Consolidated 2nd quarter/09</u>	<u>Consolidated 1st half/09</u>
Opening balance	417,651	428,362	1,122,008	1,171,145
Additions	3,351	4,856	10,207	16,580
Disposals	(1,253)	(1,388)	(2,304)	(2,560)
Depreciation	(13,521)	(25,602)	(31,015)	(63,773)
Foreign exchange variation on assets abroad	-	-	(90,694)	(113,190)
Closing balance	<u>406,228</u>	<u>406,228</u>	<u>1,008,202</u>	<u>1,008,202</u>

(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER**  
**COMPANIES**

Unaudited

Corporate Legislation  
June 30, 2009

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**06.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

The main changes in intangible assets in the first half of 2009 are as follows:

	Parent company 2nd quarter/09	Parent company 1st half/09	Consolidated 2nd quarter/09	Consolidated 1st half/09
Opening balance	1,398,492	1,395,674	2,419,009	2,453,471
Additions	209	3,836	209	3,947
Reductions	-	-	(1,662)	(1,662)
Amortization	(956)	(1,765)	(1,215)	(2,151)
Foreign exchange variation on assets abroad	(988)	(988)	(123,656)	(160,920)
Closing balance	1,396,757	1,396,757	2,292,685	2,292,685

There are no indications of significant unaccrued losses in the permanent assets of the Company and its subsidiaries at June 30, 2009. The impairment test of goodwill for future profitability will be carried out at December 31, 2009.

**7. TRANSACTIONS WITH RELATED PARTIES (PARENT COMPANY)**

Transactions with related parties in the first half of 2009 are as follows:

Subsidiaries	Sales	Purchases
RASA - Refractorios Argentinos SAICyM.	7,018	14
Iliama Participações SL	17,206	
Refractorios Magnesita Uruguay S.A.	594	
Refractorios Magnesita Chile S.A.	1,761	
Refractorios Magnesita Colombia	11,064	
Refractorios Magnesita Peru S.A.C.	1,400	
Mag-Sé Participações Ltda	1,262	1,825
LWB Refractories	11,628	
<b>Total up to 6.30.09</b>	<b>51,933</b>	<b>1,839</b>

(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER**  
**COMPANIES**

Unaudited

Corporate Legislation  
June 30, 2009

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**06.01 - Notes to the Quarterly Information**

(All amounts in thousands of reais unless otherwise indicated)

Subsidiaries	Parent company balances	
	Receivable	Payable (*)
Cerâmica São Caetano Ltda.	-	1,472
RASA - Refractorios Argentinos SAICyM.	17,671	-
Iliama Participações SL	23,994	-
Refractorios Magnesita Uruguay S.A.	179	-
Refractorios Magnesita Chile S.A.	821	-
Refractorios Magnesita Colombia	1,783	-
Refractorios Magnesita Peru S.A.C.	-	-
LWB Refractories	2,897	4,384
MSA Agropecuária Ltda.	-	2,528
MagSé Participações Ltda.	41	861
Massambaba Mineração S.A.	3,680	-
<b>Total at 6.30.09</b>	<b>51,066</b>	<b>9,245</b>

(\*)These include accounts with related companies, classified in Long-term liabilities and accounts payable in connection with business transactions between the companies.

Purchase and sales transactions of products and services between the parent company and its subsidiaries are carried out at conditions agreed between the parties. Considering that the Company owns 100% of the subsidiaries, these are eliminated in the consolidated information.

The remuneration of the Board of Directors and Executive Board in the 1st half of 2009 was R\$ 3,082. In addition, the fair value of the stock options granted in the amount of R\$ 899 is recorded in the result for the period.

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**06.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

**8. LOANS AND FINANCING**

		Average annual interest rate	Parent company		Consolidated	
	Currency		6.30.09	3.31.09	6.30.09	3.31.09
Export credit notes	R\$	CDI+1.39%	961,133	991,970	961,133	991,970
Import financing	US\$	7.80%	9,195	11,085	9,195	11,085
Property, plant and equipment financing						
In local currency	R\$	TJLP+2.05%	872	-	872	-
Leasing	R\$	CDI	1,115	1,162	1,115	1,162
Advances on export invoices						
In foreign currency	US\$	6.05%	223,356	243,017	223,356	243,017
Swap - Loss at fair value			31,443		31,443	
Senior Export Facility						
JP Morgan	US\$	Libor+2.50%	-	-	938,583	1,130,995
(-) Transaction costs to be amortized			-	-	(16,593)	(20,197)
Loan linked to share purchase agreement	US\$	7.25%	-	-	16,967	20,589
Other	€	6.67%	-	-	8,357	4,453
			<u>1,227,114</u>	<u>1,247,234</u>	<u>2,174,428</u>	<u>2,383,074</u>
		Short-term	<u>315,648</u>	<u>301,330</u>	<u>333,261</u>	<u>334,333</u>
		Long-term	<u>911,466</u>	<u>945,904</u>	<u>1,841,167</u>	<u>2,048,741</u>

**Export credit notes**

The Company has export credit note transactions with the following characteristics:

- Creditors - Banco Bradesco S.A. and Banco Itaú BBA S.A.
- Term - 5 years
- Grace period - 2 years
- Annual interest - Interbank Deposit Certificates (CDI) +1.39%

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**06.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

Annual financial covenants are as follows:

	<u>2008</u>	<u>As from 2009</u>
Net debt/EBITDA	Maximum of 4	Maximum of 3.5
EBITDA/net financial expense	Minimum of 2	Minimum of 2

The conditions of this credit note were changed on August 14, 2009, as described below.

**Advances on export invoices**

Advances on export invoices refer to transactions to be carried out by the Company, obtained from financial institutions. At June 30, 2009, there were no foreign trade notes given as guarantee for these transactions either in the consolidated or parent company. The banks are: Bradesco, Banco do Brasil, Santander, HSBC and Safra.

**JPMORGAN**

Senior Export Facility obtained under the following conditions:

- Term: 6 years
- Grace period: 30 months
- Annual interest: Libor + 3.65%

Quarterly financial covenants are as follows:

	<u>2008</u>	<u>As from 2009</u>
Net debt/EBITDA (accumulated of the last 12 months)	Maximum of 4	Maximum of 3.5
EBITDA/Net financial expense (accumulated of the last 12 months)	Minimum of 2	Minimum of 2

**Renegotiation of debt - (See note 18 Relevant Fact)**

On August 14, 2009 the Board of Directors approved a series of measures to realign the indebtedness and the contractual conditions of the main loan agreements of the Company, making certain obligations of ratios related to total indebtedness and financial expenses more flexible, as follows:



<b>01.01 - IDENTIFICATION</b>		
<b>1 - CVM CODE</b>	<b>2 - COMPANY NAME</b>	<b>3 - Federal Corporate Taxpayers' Registration Number - CNPJ</b>
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**06.01 - Notes to the Quarterly Information**

**(All amounts in thousands of reais unless otherwise indicated)**

- Approval of capital increase in the amount of R\$ 350,000 through the issue of 44,871,795 nominative book entry common shares with no par value, with the same rights as the other capital shares.
- Agreement with BNDES Participações S.A.- BNDESPAR named "Contract of Promise for Shares Subscription and other Covenants" in which BNDESPAR, subject to certain conditions, is committed to participate of the Company's capital increase.
- Commitment of allocating US\$ 175 million of the resources arising from the above-mentioned capital increase for partial repayment of the debt with JPMorgan Chase.
- Renegotiation with the financial institutions JPMorgan Chase, Banco Bradesco S.A. and Banco Itaú BBA S.A. of the conditions of the Company's loan agreements, mainly as regards:

(i) Indebtedness and financial expenses indices:

	<b>Net Debt/Ebitda</b>	<b>Ebitda/Net Financial Expense</b>
<b>4Q 2009</b>	6.0	1.50
<b>1Q 2010</b>	5.5	1.50
<b>2Q 2010</b>	5.0	1.75
<b>3Q 2010</b>	4.5	1.75
<b>4Q 2010</b>	4.5	2.00
<b>1Q 2011</b>	4.0	2.00
<b>2Q 2011 onwards</b>	3.5	2.00

(ii) Cost of the operation:

	<b>Debt Amount (Principal)</b>	<b>Beginning of Repayment</b>	<b>Maturity</b>	<b>Cost of Debt</b>
<b>Bradesco</b>	R\$ 133,544,000.00	2009	2013	CDI + 4.0%
<b>Unibanco (Itaú BBA)</b>	R\$ 800,000,000.00	2011	2013	CDI + 4.0%
<b>JP Morgan</b>	US\$ 475,000,000.00	2011	2014	Libor + 5.0%

At June 30, 2009, long-term debts in the consolidated and parent company fall due as follows:

	<b>6.30.09 Consolidated</b>	<b>6.30.09 Parent company</b>
6 months of 2010	122,293	3,887
2011	539,882	305,262
2012	537,118	302,054
2013	534,678	300,252
2014	107,196	11
	<b>1,841,167</b>	<b>911,466</b>

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**06.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

**9. PROVISION FOR CONTINGENCIES**

The Company and its subsidiaries are parties to lawsuits and administrative proceedings in various courts and government agencies, resulting from the normal course of their operations, involving mainly tax matters, in addition to labor and social security aspects. The provisions for contingencies are determined based on the analysis of pending lawsuits, tax demands and evaluations of risk. The composition is as follows:

	Parent company		Consolidated	
	6.30.09	3.31.09	6.30.09	3.31.09
Tax - Provision	83,576	79,752	83,588	79,764
Tax - Judicial deposit	(3,638)	(3,638)	(3,638)	(3,638)
Labor - Provision	16,627	11,627	20,148	15,059
Labor - Judicial deposit	(321)	(321)	(321)	(321)
Social security - Provision	1,738	1,697	1,738	1,697
	<b>97,982</b>	<b>89,117</b>	<b>101,515</b>	<b>92,561</b>
Current - Provision	942	942	942	942
Current - Judicial deposit	(942)	(942)	(942)	(942)
Long-term - Provision	100,999	92,134	104,532	95,578
Long-term - Judicial deposit	(3,017)	(3,017)	(3,017)	(3,017)
	<b>97,982</b>	<b>89,117</b>	<b>101,515</b>	<b>92,561</b>

Based on information provided by its legal advisors, management recorded provisions at amounts considered sufficient to cover probable losses for the lawsuits in progress, classified between current and non-current, in accordance with the expectation of their outcome, as detailed above.

At June 30, 2009, the Company and its subsidiaries are not involved in significant tax and social security lawsuits with risks of unfavorable outcomes classified by management as possible (for which no provision is recorded), based on the assessment of its legal advisors.

Magnesita S.A., merged into the Company, received assessment notices from the social security authorities - INSS, in the restated amount of R\$ 26,677 (at June 30, 2008), related to issues considered by management as requiring the recording of provisions, restated to June 30, 2008, in the amount of R\$ 17,970. Such notices were issued without respecting the five-year statute of limitations. On June 12, 2008, the Binding Precedent No. 8 was issued, in which the

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**06.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

Federal Supreme Court (STF) confirmed the five-year statute of limitations period, declaring articles 45 and 46 of Law No. 8212/91 as unconstitutional. Considering this fact, and the assessment of the legal advisors in charge of the defense filed by the Company, the latter reversed the provisions corresponding to periods in which the statute of limitations for supposed infraction was proved to have expired.

In the third quarter of 2006, a final and irrevocable decision favorable to the Company was handed down on the lawsuit in which Magnesita S.A. was claiming its right to the full inflation indexation of the Eletrobrás compulsory loans. No appeal can be made regarding its merit. The lawsuit is in the phase of judicial calculation of the amounts of the inflation indexation and interest. The Company estimates, based on a report prepared by an expert and filed in the lawsuit, that the gross amount may reach R\$ 37,420 (unaudited), or approximately R\$ 20,000 (unaudited) net of legal fees and taxes (Income Tax/Social Contribution on Net Income). Additionally, and resulting from the same legal decision, Eletrobrás was sentenced to deliver its shares to Magnesita S.A., stipulated in the said expert's report to be 167,212,493 preferred shares. The amounts of the settlement are subject to challenge by Eletrobrás. There is no estimate for the conclusion of the lawsuit as regards the determination of values, and for this reason the Company has not recorded the asset.

During the process, Eletrobrás recognized and deposited in court R\$ 8,101, which was released to the Company on July 30, 2007 (R\$ 4,705, net of legal fees and IR/CSLL) and recorded as income in said month. The collection of the amount over that deposited by Eletrobrás is in course.

For the labor and civil lawsuits, management adopts the criterion of recording provisions for all ongoing lawsuits at amounts estimated as probable losses, based on average losses for the last three years.

## **10. POST-EMPLOYMENT OBLIGATIONS**

Magnesita Refratários S.A. and its subsidiary Cerâmica São Caetano Ltda. are sponsors of Magnus Sociedade Previdenciária, a not-for-profit civil entity, established for the purpose of partially complementing retirement and pension benefits granted by the National Institute of Social Security (INSS).

Magnus adopts the defined benefit plan and the "Financial System of Capitalization" for retirement benefits. The costs of the plan, defined on an actuarial basis, are exclusively met by contributions of the sponsors.

(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER**  
**COMPANIES**

Unaudited

Corporate Legislation  
June 30, 2009

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**06.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

At June 30, 2009, Magnus had 4,744 active participants (5,606 at March 31, 2009), 223 retired participants and pensioners (205 at March 31, 2009) and 1,454 participants awaiting benefits (791 at March 31, 2009).

The Company, as determined by CVM Resolution No. 371/01, evaluated on an actuarial basis the benefit plan for 2008, through an external actuary (Mercer Human Resources Consulting Ltda.), using the projected unit credit method to determine the present value of the obligations.

The effects of the plan at December 31, 2008 were as follows:

	<b>Consolidated</b>
Total present value of liabilities	(174,155)
Fair value of assets	175,265
Net value of unrecognized gains	(16,566)
Liability recorded	<u>(15,456)</u>

The sponsoring companies are jointly liable with respect to the retirement plan. Accordingly, actuarial calculations were made on a consolidated basis, and the segregation calculated by the outside actuary, by company, proportionally to payroll figures.

The actuarial cost estimated for 2009 is as follows:

	<b>Consolidated</b>
Cost of current service	(3,201)
Cost of interest	(20,682)
Expected return from plan assets	21,830
Participant contributions	181
Total	<u>(1,872)</u>

Costs for 2009 are proportionately recorded in the first six months, charged to income in accordance with the employees' allocation. These costs, considering procedures defined by CVM Resolution No. 371, represented R\$1,266 in the six month period ended June 30, 2009. The costs include the costing of administrative expenses of the plan of R\$ 330. Amounts paid in the period totaled R\$2,529.

The contribution rate in relation to payroll is 4.19% (6.00% in 2008) as defined by the external actuary.

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

#### 06.01 - Notes to the Quarterly Information

(All amounts in thousands of reais unless otherwise indicated)

The Secretaria de Previdência Complementar (SPC) approved, on July 27, the Rules of the Benefits Plan of Magnus Sociedade Previdenciária, the pension fund sponsored by Magnesita. Magnesita now offers its employees a Defined Contribution (DC) plan, with contributions coming from the sponsor and the participants, while its previous plan was Defined Benefit (DB), without contributions from the participants. 'Defined Contribution' are the most modern plans in the world, based on building up assets over time and totally transparent to their participants. Furthermore, due to the contribution model, both in the stages of capitalization and payment of benefits, the risk of actuarial liabilities for the sponsor are mitigated, since the benefits depend on the contributions and accumulated performance of the fund.

#### LWB Group

In the case of LWB Group, its subsidiaries maintain retirement plans for their employees, and their actuarial liabilities, recognized in the consolidated financial statements as of December 31, 2008, are as follows:

Description	Europe	United States	China	Total
Defined benefit plan	101,358	102,914	-	204,272
Premium for length of service	4,977	-	-	4,977
Early retirement plan	-	-	31,665	31,665
<b>Total</b>	<b>106,335</b>	<b>102,914</b>	<b>31,665</b>	<b>240,914</b>

#### Defined Contribution Plans

LWB Group operates a defined contribution plan in the United States named "Thrift Savings Plan (401K)" with the objective of encouraging its employees to build up their supplementary retirement assets over the years. All the employees of LWB USA are eligible to participate in the plan. There is another defined contribution plan of a less significant amount for the employees located in the United Kingdom.

The total cost incurred for these plans was R\$ 1,260 in the first half of 2009, calculated at the rates defined in the respective rules. Of this total amount, R\$ 385 were recorded in the cost of products sold, R\$ 345 in selling expenses and R\$ 521 in administrative expenses.

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**06.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

**Defined Benefit Plans**

LWB Group also maintains defined benefit plans in Europe and in the United States, the liabilities of which are annually calculated under the projected unit credit method by an independent actuary, and at December 31, 2008 are as follows:

	<b>Europe</b>	<b>United States</b>
Present value of actuarial liability	(101,358)	(227,904)
Fair value of assets	-	151,499
Unrecognized actuarial gains/losses	-	(26,509)
Actuarial liability	<u>(101,358)</u>	<u>(102,914)</u>
Active participants	626	681
Beneficiaries	187	554
Participants terminated but eligible for the Plan	1,206	497
Economic actuarial assumptions:		
Discount rate	6% p.a.	6.25% p.a.
Return on investments	-	8.75% p.a.
Salary growth	2.50% p.a.	3.50% p.a.
Readjustment of benefits	1.75% p.a.	-
Inflation	-	2.25% p.a.

The total cost incurred for these plans was R\$ 3,004 in the first half of 2009. Of this amount, R\$ 1,428 were recorded in the cost of products sold, R\$ 655 in selling expenses and R\$ 921 in administrative expenses.

**Early Retirement Plan**

In 2007 LWB Group restructured the activities of its subsidiary in China, and 222 employees were dismissed. These employees are entitled to a benefit proportional to their compensation until they reach the age stipulated for official retirement. This liability was calculated by external actuaries and is part of the actuarial liabilities of the Group.

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**06.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

**11. STOCK OPTION PLAN**

In conformity with its Articles of Incorporation, the Company has a stock option plan approved by the General Meeting of Stockholders with the objective of enabling the participation of executives in the process of development of the Company in the medium and long term. This plan is managed by the Board of Directors or, at their discretion, by a committee that will approve the stock option programs. These options will represent at most 6% of the total number of shares.

The options granted will ensure the holders the right to acquire shares over five years as from the date of grant, at 20% of the number granted each year, and the condition for exercising the option is to maintain an employment relationship with the Company until the time of exercising the option. The shares acquired each year may not be transferred during one year.

The number of stock options and their corresponding weighted average prices at June 30, 2009 are presented below:

	2009	
	Number (thousands)	Average Price (R\$)
Outstanding at 12.31.08	6,556	1,78
Balance of options	6,556	1,78
Adjustment of probability	77.8%	
Number to be accounted for on the accrual basis	5,100	1,78

The amount to be recorded on the accrual basis, considering a five-year term for exercising the options, adjusted for probability, amounts to R\$9,057 for the entire period, of which R\$899 was recognized in the first half of 2009.

- Model used - Black-Scholes-Merton.
- Annual volatility - historical volatility based on periods of the same duration as the option calculated up to the date of grant.
- Effective rate of interest - annual rate of National Treasury Notes - series B (NTN-B), maturing on May 15, 2011, at December 30, 2008. The term of the NTN-B chosen is similar to the average term of options.
- Spot value - value of the Company's share at the date of grant.

<b>01.01 - IDENTIFICATION</b>		
<b>1 - CVM CODE</b>	<b>2 - COMPANY NAME</b>	<b>3 - Federal Corporate Taxpayers' Registration Number - CNPJ</b>
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**06.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

- Strike - as stipulated in the stock option plan (R\$ 10.00).
- Term - average term of options.
- Dividend - R\$ 30,000 per annum.

**12. LONG-TERM LIABILITIES - DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION**

These are as follows:

	<b>Parent company</b>		<b>Consolidated</b>	
	<b>6.30.09</b>	<b>3.31.09</b>	<b>6.30.09</b>	<b>3.31.09</b>
Deferred taxes on real estate profit	22,219	22,326	22,219	22,326
Deferred taxes on tax amortization of goodwill	54,057	27,026	54,057	27,026
Deferred taxes on accelerated tax depreciation	-	-	92,295	82,777
	<b>76,276</b>	<b>49,352</b>	<b>168,571</b>	<b>132,129</b>

- (1) As from January 1, 2009, in accordance with Technical Pronouncement CPC 13, goodwill based on the expectation of future profitability is no longer amortized. The Company has been recognizing the tax amortization of this goodwill, according to the provisions of MP 449/08 (converted into Law 11941/09), through the Transitional Tax System. The tax effect of this amortization resulted in deferred income tax and social contribution on net income, recorded in non-current liabilities.

**13. CAPITAL**

At June 30, 2009 the Company's capital is R\$ 2,036,032 represented by 213,082,583 common shares.



(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER**  
**COMPANIES**

Unaudited

Corporate Legislation  
June 30, 2009

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**06.01 - Notes to the Quarterly Information**

(All amounts in thousands of reais unless otherwise indicated)

**14. OTHER OPERATING INCOME (EXPENSES)**

Other operating income (expenses) for the period ended June 30, 2009 are summarized as follows:

	Parent company		Parent company	
	2Q/09	2Q/08	1H/09	1H/08
Severance pay	(6,961)	(5,427)	(8,556)	(9,297)
Sundry indemnities	-	(1,198)	(12)	(1,198)
Provision for contingencies	(1,129)	(2,645)	(2,532)	(3,536)
Judicial recovery/taxes	3,231	16,838	3,231	16,838
Gain/loss on sale of property, plant and equipment	1,438	-	2,819	-
Assignment of rights for payroll processing	800	-	1,600	-
Gains (losses) on real estate ventures	(74)	-	6,936	-
Amortization of goodwill		(65,835)		(117,948)
Other	282	530	854	441
<b>Total</b>	<b>(2,413)</b>	<b>(57,737)</b>	<b>4,340</b>	<b>(114,700)</b>

	Parent company		Parent company	
	2Q/09	2Q/08	1H/09	1H/08
Operating Income	6,678	18,062	17,087	18,197
Operating Expenses	(9,091)	(9,964)	(12,747)	(14,949)
Goodwill	-	(65,835)	-	(117,948)
<b>Total</b>	<b>(2,413)</b>	<b>(57,737)</b>	<b>4,340</b>	<b>(114,700)</b>

	Consolidated		Consolidated	
	2Q/09	2Q/08	1H/09	1H/08
Severance pay	(7,668)	(5,422)	(9,627)	(9,322)
Sundry indemnities	-	(1,198)	(12)	(1,198)
Provision for contingencies	(1,024)	(2,645)	(2,532)	(4,359)
Judicial recovery/taxes	3,871	16,838	3,871	16,838
Gain/loss from sale of property, plant and	1,438	-	3,017	-

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

## 06.01 - Notes to the Quarterly Information

(All amounts in thousands of reais unless otherwise indicated)

	Consolidated		Consolidated	
	2Q/09	2Q/08	1H/09	1H/08
equipment				
Commissions received	-	586	-	2,025
Restructuring expenditures	(2,598)	-	(10,023)	-
Assignment of rights for payroll processing	800	-	1,600	-
Gains (losses) on real estate ventures	(74)	-	6,936	-
Amortization of goodwill	-	(65,835)	-	(117,948)
Other	(1,708)	877	(3,401)	1,348
<b>Total</b>	<b>(6,963)</b>	<b>(56,799)</b>	<b>(10,171)</b>	<b>(112,616)</b>
	Consolidated		Consolidated	
	2Q/09	2Q/08	1H/09	1H/08
Operating Income	15,146	18,977	28,661	21,131
Operating Expenses	(22,109)	(9,941)	(38,832)	(15,799)
Goodwill	-	(65,835)	-	(117,948)
<b>Total</b>	<b>(6,963)</b>	<b>(56,799)</b>	<b>(10,171)</b>	<b>(112,616)</b>

## 15. NON-OPERATING RESULT - 2008

The non-operating result for the 1st. Half of 2008 refers mainly to the sale of part of the real estate venture located in the city of São Caetano do Sul, State of São Paulo, named "Espaço Cerâmica". The sale for the 2nd quarter corresponded to 58,074 m<sup>2</sup> (30% of the total venture), generating a gain of R\$45,075; the purchasers were the companies Gafisa and Lindencorp.

## 16. FINANCIAL INSTRUMENTS

### (a) Identification of financial instruments

The Company's and its subsidiaries' financial instruments are recorded in asset and liability accounts at June 30, 2009 and March 31, 2009. The Company adopts a responsible policy for the management of its financial assets and liabilities, which is systematically monitored by the Board of Directors. This policy aims to: (i) maintain the desired liquidity, (ii) define the level of concentration of its operations and (iii) control the level of exposure to the financial market risks. The Company carries out transactions with derivatives aiming always to protect its financial

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**06.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

liabilities and reduce its foreign exchange exposure, so as to prevent the mismatching between currencies and to reduce the volatility in its cash flows. The Company does not carry out transactions with derivatives for speculative purposes.

The accounting values of the main financial instruments are compared to the market or realization values, as follows:

- Marketable securities - the rates and terms are substantially compatible with those practiced in the market.
- Trade accounts receivable - the values recorded approximate the realization values.
- Investments - the subsidiaries do not have quotas or shares traded in the market, and their activities are substantially complementary to the parent company's business.
- Loans and financing - the rates and terms of the operations are substantially compatible with those practiced in the market and, according to management's evaluation, the book values approximate the market values.

**(b) Credit risk**

The Company's sales policy is subordinated to the credit rules determined by its management, which seek to minimize possible problems resulting from customers' default. The risk is also minimized by the quality of the customers in the domestic market, mainly in the steel and cement sectors, as well as export insurance and letters of credit. The Company also records an allowance for doubtful accounts to cover the credit risk.

**(c) Interest rate risk**

The interest rates on loans and financing are basically CDI and Libor (Note 8). The interest rates contracted on the financial investments are basically CDI (Note 4).

Based on management's assessment, the future variation in these floating interest rates will not generate effects that the Company's business cannot support.

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**06.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

**(d) Foreign exchange rate risk**

The Company's and its subsidiaries' net exposure to foreign exchange fluctuations, arising mainly from the US dollar, is as follows:

	Consolidated - 2009		
	In thousand - R\$		
	USD	€	Other currencies
Assets and liabilities in foreign currency			
Cash and banks of subsidiaries abroad	76,750	59,066	13,864
Marketable securities	5,837	-	1,205
Accounts receivable, net of provision for credit risks	86,088	111,497	22,056
Suppliers	(38,140)	(40,657)	(15,047)
Loans and financing	(1,175,362)	(4,503)	-
Other net monetary liabilities abroad	(101,592)	(175,342)	(38,948)
	<u>(1,146,419)</u>	<u>(49,939)</u>	<u>(16,870)</u>

The loan linked to the US dollar variation is backed by transactions carried out in the United States and Europe, in addition to exports of the parent company in this currency. Therefore, management considers that the exchange variation risk is mitigated by these transactions.

Additionally, the Company has subsidiaries abroad with non-monetary assets, mainly in Euros and U.S. Dollars, in an amount equivalent to R\$1,743,509, any future devaluation of which will not affect cash.

**(e) Derivatives**

The Company enters into swap transactions in order to manage and hedge risks related to foreign currency and interest rate variations. The Company does not have derivative transactions for speculative purposes, nor does it usually settle these transactions before maturity. At June 30, 2009, the swap transactions of the Company and its subsidiaries can be summarized as follows:

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**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER**  
**COMPANIES**

Unaudited

Corporate Legislation  
June 30, 2009

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**06.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

		Parent company - 2009		
Description	Maturity range month/year	Notional amount	Fair value R\$	Contract curve
Exchange rate hedge (swap):				
<u>Bradesco</u>	11/09			
Assets		US\$ 20,000 + 6,775 p.a.	42,123	41,045
Liabilities		R\$ 48,610 + 103% CDI	(52,056)	(52,007)
Results			(9,933)	(10,962)
<u>Santander</u>	11/09			
Assets		US\$ 20,000 + 6,775 p.a.	41,523	41,045
Liabilities		R\$ 48,610 + 101.5% CDI	(51,981)	(51,956)
Results			(10,458)	(10,911)
<u>Banco do Brasil</u>	11/09 to 12/09			
Assets		US\$ 24,000 + 5.95 p.a.	49,709	48,777
Liabilities		R\$ 56,326 + 98.6% CDI	(60,761)	(60,773)
Results			(11,052)	(11,996)

The subsidiary LWB has entered into certain Non Deliverable Forward (NDF) contracts related to the euro exchange rate for purposes of protecting cash flows in connection with export contracts in pounds as follows:

		LWB - 2009	
Description	Maturity range month/year	Notional amount	Fair value R\$
Exchange rate hedge (NDF):	07/09 to 11/09		
Assets		€ 742	
Liabilities		Pound 633	(26)

**Sensitivity analysis**

The sensitivity analysis was prepared using the quotations available in the financial market to calculate the future amounts of swap transactions so as to present the scenario considered "probable" by management, which is the fair value of the contract at June 30, 2009. In addition, scenarios II and III were calculated considering the worsening of the US dollar rate by 25% and

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**06.01 - Notes to the Quarterly Information**

**(All amounts in thousands of reais unless otherwise indicated)**

50%, respectively, in comparison with the probable scenario, maintaining these hypotheses up to the end of the transaction.

Instrument	Risk	Parent company Gain (loss)		
		Scenario I (probable)	Scenario II	Scenario III
Swap	Appreciation of R\$ against US dollar	(31,443)	(57,936)	(90,105)

It should be noted that the Company obtained an advance on foreign exchange contract (ACC), the amount of which was fully invested in Interbank Deposit Certificate (CDI) with the same terms and rates as the derivatives indicated above.

Instrument	Risk	LWB Gain (loss)		
		Scenario I (probable)	Scenario II	Scenario III
NDF	Appreciation of Pound against Euro	(26)	(749)	(2,106)

**17. ORDERS/CONTRACTS SIGNED DURING THE QUARTER (NOT REVIEWED BY INDEPENDENT ACCOUNTANTS)**

The refractory industry, our business sector, is characterized by a system of sale of its products, whereby the sales are made for deliveries over periods of up to one year, subject also to price renegotiations.

During the 2<sup>nd</sup> quarter of the current year, consolidated sales to comply with the contracts already signed, amounted to 190,979 metric tons, which represents a decrease of 5.7% in relation to the sales levels achieved in the 1st. quarter of 2009 (volume of refractories).

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**06.01 - Notes to the Quarterly Information**

**(All amounts in thousands of reais unless otherwise indicated)**

**18. SUBSEQUENT EVENTS - RELEVANT FACT**

On August 14, 2009 the Company communicated to its shareholders and to the market in general the following:

1. At this date the Board of Directors approved a capital increase, within the Company's authorized capital limit, in the amount of R\$350,000,001.00, through the issue of 44,871,795 nominative book entry common shares with no par value, for private subscription. These shares will be entitled the same rights as other capital shares. The new shares will be issued at the price of R\$7.80 per share, which reflects an average quotation based on approximately 90 trading sessions.
2. As set forth in law, the Company will issue a Notice to Shareholders with a description of the increase and the necessary information for the participation of the shareholders who wish to do so, and will grant them the term of 30 consecutive days for the exercise of their right of first refusal for the share subscription, under the conditions included in the mentioned communication.
3. Also at this date, the Company and its Controlling Shareholders signed an agreement with BNDES Participações S.A. - BNDESPAR, "Contract of Promise for Shares Subscription and Other Covenants". In the terms of the mentioned agreement, among others and subject to certain conditions, the Company's majority shareholders (i) will subscribe and pay the minimum amount of 13,440,212 shares, corresponding to R\$ 104,833,653.60 and (ii) will no longer exercise, without cost and on behalf of BNDESPAR, part of their right of first refusal related to 7,179,487 shares, corresponding to R\$ 55,999,998.60. Further, BNDESPAR will assure the subscription and payment of the total capital increase that is not subscribed and paid by the other Company shareholders (including the controlling shareholders), with restrictions on the right of all to participate in a possible apportionment of the remaining shares. In the terms of the "Contract of Promise for Shares Subscription and Other Covenants", BNDESPAR will subscribe the maximum amount of 31,431,583 shares and the controlling shareholders will subscribe a minimum amount of 13,440,212 shares.
4. On the other hand the Company informs that it has successfully concluded the renegotiation with the financial institutions JPMorgan Chase, Banco Bradesco S.A. and Unibanco - União dos Bancos Brasileiros S.A. (succeeded by Banco Itaú BBA S.A.), of the financial instruments which represent approximately 90% of the group total indebtedness, and among other conditions, the increase of interest rates at amounts compatible with those presently practiced by the market

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**06.01 - Notes to the Quarterly Information**

**(All amounts in thousands of reais unless otherwise indicated)**

has been agreed, as well as the change in and greater flexibility of the obligation for maintenance of certain indices of total indebtedness and financial expenses.

5. Also, in the terms of mentioned renegotiation (and as its condition), the Company agreed to allocate resources arising from the above-mentioned capital increase, in the amount equivalent to US\$175 million for partial and prompt payment of its debt with JPMorgan Chase, which will result in a reduction of approximately 20% in the Company's total net debt, significantly improving its capital structure.
6. Thus, the Company's controlling shareholders reiterate their confidence in the Company's business model, which will continue operating to accomplish its goals and objectives, aimed mainly at the leadership position in the global refractories market and continuous increase of its profitability.

\* \* \*



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**FEDERAL GOVERNMENT SERVICE  
BRAZILIAN SECURITIES COMMISSION (CVM)  
QUARTERLY INFORMATION (ITR)  
COMMERCIAL, INDUSTRIAL AND OTHER  
COMPANIES**

---

**Unaudited**

**Corporate Legislation  
June 30, 2009**

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRAATÓRIOS S.A.	08.684.547/0001-65

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**07.01 - Comments on Company Performance During the Quarter**

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Comments on the Company performance during the quarter are presented in Schedule 12.01 - Comments on Consolidated Performance during the Quarter.

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

## 12.01 - Comments on Consolidated Performance During the Quarter

### MAIN INDICATORS

Indicator	Quarter			Variation %		Accumulated		Variation %
	2Q08*(a)	1Q09 (b)	2Q09 (c)	(c/b)	(c/a)	1H08* (d)	1H09 (e)	(e/d)
Net operating revenues (R\$ thousand)	592,107	451,000	454,229	0.7	(23.3)	1,197,243	905,229	(24.4)
Net revenues in the domestic market (%)	46.7	38.8	39.7	-	-	44.9	39.2	-
Net revenues in the foreign market (%)	53.3	61.2	60.3	-	-	55.1	60.8	-
Gross profit (R\$ thousand)	224,614	129,349	144,244	11.5	(35.8)	457,728	273,593	(40.2)
Gross margin (%)	37.9	28.7	31.8	-	-	38.2	30.2	-
Operating profit - EBIT (R\$ thousand)	100,472	10,863	39,278	261.6	(60.9)	152,593	50,141	(67.1)
Cash generation - EBITDA (R\$ thousand)	192,715	44,430	71,635	61.2	(62.8)	323,411	116,065	(64.1)
EBITDA Margin (%)	32.5	9.9	15.8	-	-	27.0	12.8	-
Net income (loss) (R\$ thousand)	42,536	(61,923)	(12,216)	(80.3)	(128.7)	13,286	(74,139)	(658.0)
Net indebtedness (R\$ thousand)	522,064	2,103,771	1,918,568	(8.8)	267.5	522,064	1,918,568	267.5
Stockholders' equity (R\$ thousand)	1,439,934	2,019,889	1,916,822	(5.1)	33.1	1,439,934	1,916,822	33.1
CAPEX (R\$ million)	24.0	10.2	9.8	(3.9)	(59.2)	52.4	20.0	(61.8)

Pro forma data (unaudited) include the figures of the subsidiary LWB for comparison purposes.

### HIGHLIGHTS



#### **Recovery in profitability**

The Company's efforts to adapt to the new industry and macroeconomic situation, as well as the ongoing restructuring, have started to show results. In 2Q09, gross margin reached 31.8%, 3.1 p.p. higher than in 1Q09. EBITDA margin was 15.8% in 2Q09, 5.9 p.p. higher than 1Q09.



#### **South American units return to profitability**

The adjustments were faster and deeper in Magnesita units in South America. Thus, 2Q09 net income reached R\$ 5.5 million, versus a R\$ 13.9 million loss in 1Q09.



#### **Increased participation of exports**

Magnesita started to explore new regions, which has led to an increased share of exports in net revenues. The participation of export markets has increased from 53.3% in 2Q08 to 60.3% in 2Q09.

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**12.01 - Comments on Consolidated Performance During the Quarter**

**ECONOMIC AND INDUSTRY ENVIRONMENT**

World macroeconomic and industrial activity indicators have started to show timid signs of recuperation. These signs are stronger in emerging economies such as Brazil and China. In the developed economies of Europe, as well as the US, the signs are alternating between positive and negative, with no clear trend emerging.

Global steel output still remains below last year, but has shown clear signs of improvement. According to data from the World Steel Association (WSA), the world's steel production dropped by 16% in June when compared with the same month in 2008, but grew 4.1% in relation to the previous month. Data from Bloomberg point to an evident movement of blast furnace reactivation, and in 2Q09, ten were reactivated, of which two are located in Brazil and three in the USA. For 3Q09, 16 more blast furnaces are expected to resume operations worldwide. In Brazil, stocks at steelmakers are low. Plants which have not turned on their blast furnaces have indicated they will do so soon, which will boost steel production and increase capacity. Strong demand for automobiles and white goods, favored by a reduction in taxes, has allowed for a tentative turnaround in the industry.

The Brazilian cement industry is still growing, boosted by country-wide public works as well as by the development in the real estate market. According to sector data, the real estate market in Brazil - a country with a huge housing deficit - boosted by public financing as well as by the Federal Government's '*Minha casa, minha vida*' (My house, my life) Program which foresees the building of up to 1 million homes, has already reached pre-crisis levels of production and sales. It is worth reminding that there will be great demand for infrastructure projects in the run up to the soccer World Cup of 2014.

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

## 12.01 - Comments on Consolidated Performance During the Quarter

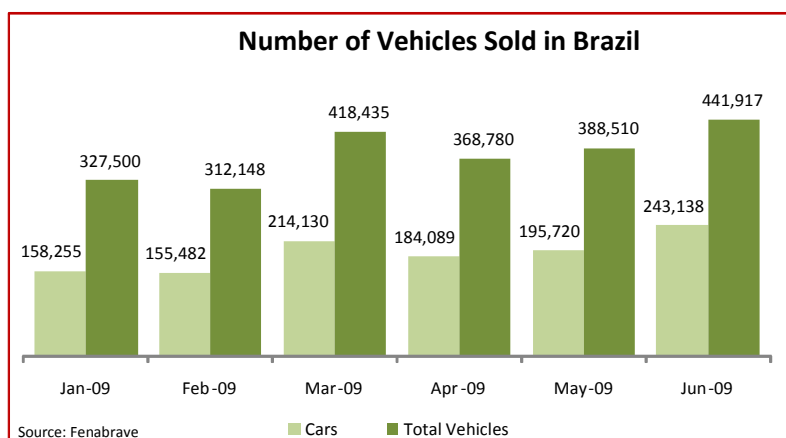
### **Brazil**

The fiscal and monetary measures which have been gradually adopted by the Federal Government to fight the effects of foreign shocks to the Brazilian economy, have started to show results. The tax cuts for civil construction, automobiles and white goods have showed positive results, leading to an increase in sales.

The expansionist monetary policy adopted by the Central Bank, which has been possible due to the control of inflation, has allowed for reductions in the basic interest rate (SELIC). In Brazil, where the real interest rates were the highest in the world, the basic rate at the end of

June was 8.75%. This has boosted investments, as well as a recuperation in credit supply. Foreign reserves have stayed high, closing 2Q09 at US\$ 208.4 billion. The net result in international reserves in the month of June, to the tune of US\$ 4.626 billion, was the highest since December 2006, when it reached US\$ 5.052 billion. The trade balance surplus was US\$ 10.985 billion, an increase of 29% over the same period last year.

The strength of the foreign accounts and good macroeconomic performance have boosted consumption and production. Data from the Brazilian Statistics Institute (IBGE) show that retail sales increased by 0.8% in May. A broader retail measure which includes the construction and automotive sectors increased by 3.7%. According to the IBGE, industrial production increased by 0.2% in June, the 6th consecutive month of growth in 2009. From January to June, industrial production increased by 7.9%. On a quarterly basis, 2Q09 showed an increase of 3.4% over 1Q09, the first increase after two quarterly falls. The IBGE also showed growth in 13 of the 27 industrial sectors researched. Another relevant indicator, capacity utilization, as measured by



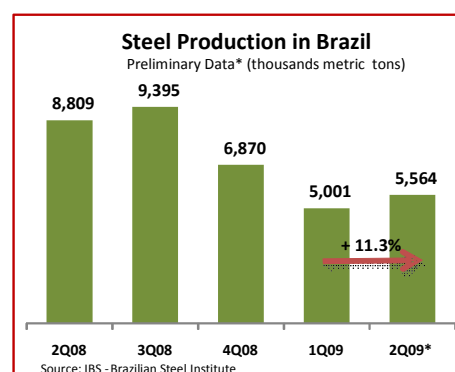
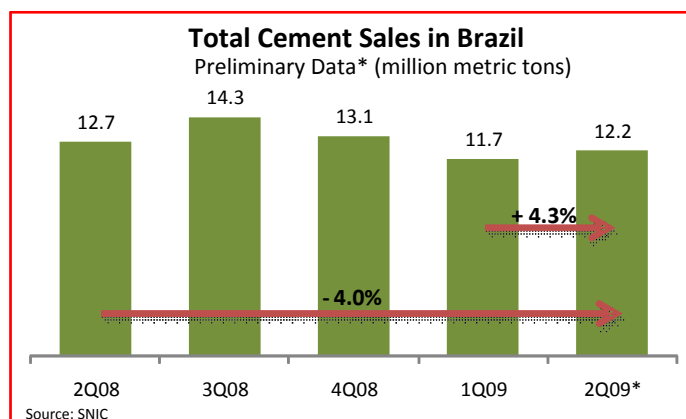
01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

## 12.01 - Comments on Consolidated Performance During the Quarter

the National Industry Confederation (CNI), also increased in May for the 4th month in a row to 79.8%. The labor market is also showing the first signs of recovery. In June, the unemployment rate fell to 8.1% from 8.8% in May, a downward trend that had started in March.

The construction sector, boosted by the 'My house, my life' Program and by Federal Government fiscal incentives, is practically operating at pre-crisis levels. According to the São Paulo State Housing Union (SECOVI), 21.3% of new housing units for sale in May were sold. This indicator had fallen to 4.9% in October 2008, when many construction companies slowed down their new unit launchings. The fall in the base interest rate has also stimulated real estate investments. This has benefited the cement market, which is booming and having one of its best moments. Quarterly sales increased by 4.3% compared with the previous quarter, and sales in the last 12-month period increased by 6.8% over the same previous period.

The automotive sector had record sales in June. 2009 sales have reached 1.4 million cars, which exceeds the figure registered in the same period in 2008.



01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

## 12.01 - Comments on Consolidated Performance During the Quarter

In June, Brazilian production of crude steel reached 1.9 million tons, an increase of 2.5% over May. The accumulated production from January to June 2009 was 10.6 million tons of crude steel, 39.5% lower than in the same period last year.

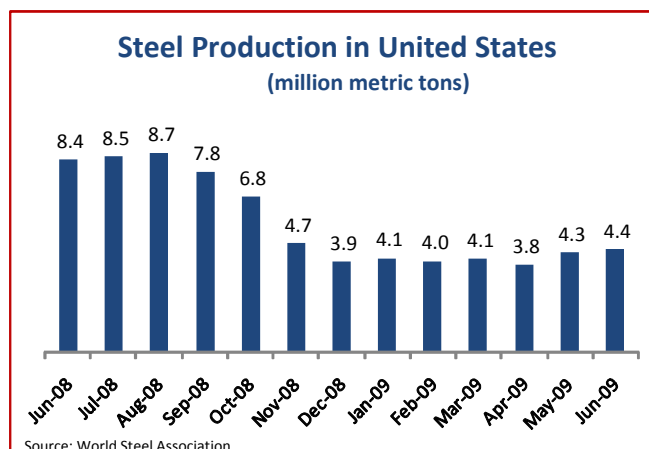
Sales of crude steel products in June increased by 0.8% to 1.3 million tons, reflecting a gradual turnaround. According to the National Institute of Steel Distributors (INDA), 2Q09 inventories were approaching historic levels (2.6 months). In June, distributors' inventories of flat steel were 848,600 metric tons, 6.3% lower than May and 10.7% lower than the peak registered in March 2009.

### **USA**

The US Federal Reserve has indicated that the contraction in the economy in 2009 may be smaller than expected due to the possibility of higher growth in the second half. At present, the interest rates are near zero and GDP is expected to end the year with a fall of between 1% and 1.5%.

The US economy is recovering slowly, but the unemployment rate is still high, dampening economic growth. June unemployment reached 9.5%, the highest rate in 26 years. This affects people's consumption and confidence, potentially affecting the turnaround in the country's economy.

Production indicators are not yet showing a definite trend. On one hand, automobile sales increased by 18.2% compared with the previous quarter. In June 2009, sales reached 859,847 units, a fall of 27.7% compared to June 2008, but maintaining a tendency of recovery, since for every month since February 2009, the contractions - when compared with the same month in 2008 - have



01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

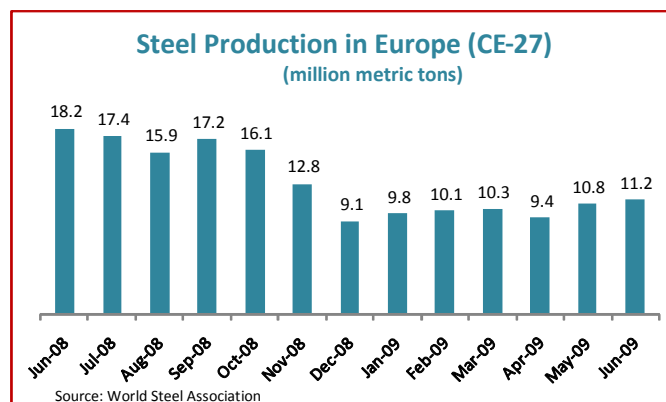
## 12.01 - Comments on Consolidated Performance During the Quarter

been falling. One sign of this turnaround is that GM, now renamed GMC (General Motors Company), has emerged from Chapter 11 after 40 days and an injection of around US\$ 50 billion from the US and Canadian governments. The real estate and the steel industries are also showing signs of a turnaround. US used property sales increased by 3.6% in June to an annual average of 4.89 million units and the production of steel in the quarter increased by 4% over the previous quarter.

Retail sales are still falling, after 10 months of decline. In department stores and discount stores, the fall was 4.9% in June. Industrial production continued to fall, with annualized contraction of 11.6% at the end of the quarter, much lower than the first quarter's annualized contraction of 19.1%.

### **Europe**

Eurozone economies are showing few signs of economic turnaround. June Consumer Price Index - CPI - registered its first deflation, falling 0.1% when compared to the same month in 2008. This is a reflection of a fall in consumer demand, leading to lower investment and increase in unemployment.



Due to the fall in energy prices of 11.8% in the month, food prices fell by 0.2%. Monthly inflation reached 0.2% and the interest rate has been at its historic low since May 2009: 1% p.a. (ECB - European Central Bank).

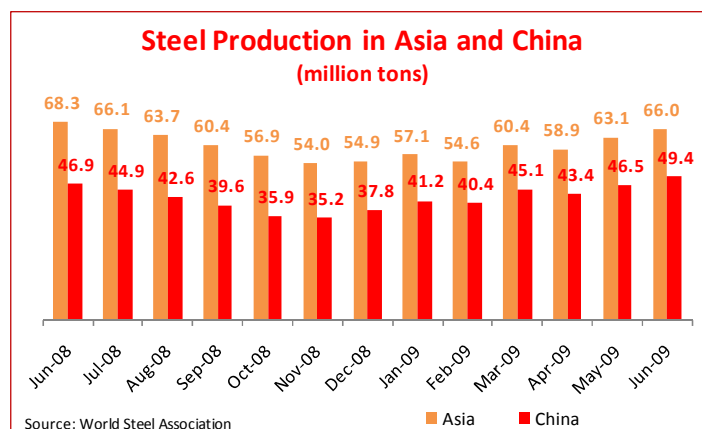
On the other hand, steel production in the quarter increased by 4% when compared with the previous quarter. Since April, monthly increases in Germany have averaged 6% while Spanish production in the quarter increased by 33% in relation to the previous quarter. In the automobile sector, sales reacted after 14 consecutive months of falls, with an increase of 2.4% in June, helped by incentive programs, particularly in Germany and France.

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

## 12.01 - Comments on Consolidated Performance During the Quarter

### Asia

The markets have reacted well to recent data on the Chinese economy. The US\$ 580 billion economic stimulus package has had a better than expected effect on the economy. GDP increased by 7.1% in 2Q09 compared to the same period in 2008. GDP growth was influenced strongly by automobile sales, up 48% in the past 12 months and real estate sales, up 57.1% in the first 6 months. One of the reasons for the quick rebound in civil construction is that the previous contraction was caused by government policy, which reduced credit lines in 2007 to curb excessive demand for new units.



With the current ample credit lines available to the population and industry, investment in construction increased by 43.6% in the six-month period, led by mortgages which increased by 32.6%. Performance was enhanced by sales tax cuts and a reduction in the downpayments required. The government has achieved the aim of creating jobs and stimulating consumption, with retail sales totaling US\$ 859.60 billion, an increase of 15% over the same period in 2008. Employment has been stable since March, with the June unemployment rate at 4.3%. Concerning crude steel, in 2Q09 China accounted for 49% of world production and 74% of the Asia production. Considering partial June data, 2Q09 steel production increased by 9.9% over 1Q09 and 1.2% over 2Q08.

Industrial production in Asia is back to pre-crisis levels due to China, which grew at an annual rate of 10.7% in June, and attracted US\$ 8.96 billion in Foreign Direct Investments (FDI) in the month. Although FDI dropped 6.8% from June 2008, it was better than the May year-over-year contraction, which was 17.8%.



01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**12.01 - Comments on Consolidated Performance During the Quarter**

**OPERATING PERFORMANCE**

**Comparison basis**

*Operating and financial data presented and discussed herein include LWB's pro-forma and unaudited results for the period prior to its acquisition, exclusively for comparison purposes.*

**Net Revenues**

**Net revenues** totaled **R\$ 454.2 million** in 2Q09, 0.7% over R\$ 451.0 million in 1Q09. South American units contributed 55.8% of net revenues in 2Q09, compared with 48.6% in 1Q09. Growth in South American units' net revenues was 15.5% in 2Q09 over 1Q09, increasing from R\$ 219.4 million to R\$ 253.4 million. The increase can be explained by steel plants restarting their blast furnaces, as well as growth in the cement industry, particularly in Brazil. The other units' net revenues fell by 13.3% in the quarter (-7.2% in local currency terms), reflecting the poor situation of the industry and economy in the US and Europe, as well as the devaluation of the Euro and the US Dollar vis-à-vis the Brazilian Real. In relation to 2Q08, net revenues fell by 23.3%. In 1H09, net revenues were R\$ 905.2 million versus R\$ 1,197.2 million in the same period in 2008.

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Unaudited

Corporate Legislation  
June 30, 2009

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

**12.01 - Comments on Consolidated Performance During the Quarter**

***Net Revenue - R\$ thousand***

Products/Market	Quarter			Variation %		Accumulated		Variation %
	2Q08* (a)	1Q09 (b)	2Q09 (c)	(c/b)	(c/a)	1H08* (d)	1H09 (e)	(e/d)
<b>Domestic Market</b>	<b>276,497</b>	<b>174,884</b>	<b>180,214</b>	<b>3.0</b>	<b>(34.8)</b>	<b>537,082</b>	<b>355,098</b>	<b>(33.9)</b>
Refractories - units in SA	210,646	142,468	148,763	4.4	(29.4)	419,354	291,231	(30.6)
Magnesite Sinter	1,136	2,189	530	(75.8)	(53.3)	1,726	2,719	57.5
Other Minerals (*)	20,718	8,373	9,651	15.3	(53.4)	32,802	18,024	(45.1)
Services	43,997	21,853	21,270	(2.7)	(51.7)	83,200	43,123	(48.2)
<b>Export Market</b>	<b>315,610</b>	<b>276,117</b>	<b>274,015</b>	<b>(0.8)</b>	<b>(13.2)</b>	<b>660,161</b>	<b>550,132</b>	<b>(16.7)</b>
Refractories - units in SA	39,757	42,648	52,751	23.7	32.7	83,317	95,399	14.5
Refractories – other units	263,068	222,828	195,022	(12.5)	(25.9)	533,564	417,850	(21.7)
Magnesite Sinter	547	1,081	19,780	1,729.8	3,516.1	16,302	20,861	28.0
Dolomite Sinter	3,182	3,257	1,983	(39.1)	(37.7)	7,299	5,240	(28.2)
Other Minerals (**)	4,738	5,815	4,428	(23.8)	(6.5)	12,428	10,243	(17.6)
Other (***)	3,844	470	51	(89.2)	(98.7)	6,698	521	(92.2)
Services	474	17	-	-	-	553	17	(96.9)
<b>Total</b>	<b>592,107</b>	<b>451,000</b>	<b>454,229</b>	<b>0.7</b>	<b>(23.3)</b>	<b>1,197,243</b>	<b>905,229</b>	<b>(24.4)</b>
Refractories	513,471	407,945	396,536	(2.8)	(22.8)	1,036,235	804,481	(22.4)
Magnesite/Dolomite Sinter	4,865	6,527	22,293	241.6	358.2	25,327	28,820	13.8
Other Minerals (**)	25,456	14,188	14,079	(0.8)	(44.7)	45,230	28,267	(37.5)
Other (***)	3,844	470	51	(89.2)	(98.7)	6,698	521	(92.2)
Services	44,471	21,870	21,270	(2.7)	(52.2)	83,753	43,140	(48.5)

Note: SA = South America.

(\*) Pro-forma data (unaudited) include the figures from the subsidiary LWB, for the purpose of comparison.

(\*\*) "Other minerals" correspond to dolomite, chromite, talc and magnesium oxide, etc.

(\*\*\*) "Other" corresponds to byproducts sold by LWB's units.

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

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### Sales Volume (metric tons)

Products/Market	Quarter			Variation %		Accumulated		Variation %
	2Q08* (a)	1Q09 (b)	2Q09 (c)	(c/b)	(c/a)	1H08* (d)	1H09 (e)	(e/d)
<b>Domestic Market</b>	<b>335,627</b>	<b>70,043</b>	<b>72,526</b>	<b>3.5</b>	<b>(78.4)</b>	<b>448,202</b>	<b>142,569</b>	<b>(68.2)</b>
Refractories - Units in SA	76,832	52,890	57,765	9.2	(24.8)	155,933	110,655	(29.0)
Magnesite Sinter	1,773	1,830	390	(78.7)	(78.0)	2,693	2,220	(17.6)
Other Minerals (**)	257,022	15,323	14,371	(6.2)	(94.4)	289,576	29,694	(89.7)
<b>Export Market</b>	<b>322,999</b>	<b>291,271</b>	<b>353,964</b>	<b>21.5</b>	<b>9.6</b>	<b>697,978</b>	<b>645,235</b>	<b>(7.6)</b>
Refractories - Units in SA	24,768	16,305	20,594	26.3	(16.9)	49,395	36,899	(25.3)
Refractories - Other units	177,854	111,554	112,620	1.0	(36.7)	355,242	224,174	(36.9)
Magnesite Sinter	1,104	858	24,411	2,745.1	2,111.1	29,411	25,269	(14.1)
Dolomite Sinter	12,062	7,961	6,375	(19.9)	(47.1)	30,261	14,336	(52.6)
Other Minerals (**)	106,024	153,990	189,452	23.0	78.7	231,681	343,442	48.2
Other (***)	1,187	602	512	(15.0)	(56.9)	1,988	1,114	(43.9)
<b>Total</b>	<b>658,626</b>	<b>361,314</b>	<b>426,490</b>	<b>18.0</b>	<b>(35.2)</b>	<b>1,146,180</b>	<b>787,804</b>	<b>(31.3)</b>
Refractories	279,454	180,749	190,979	5.7	(31.7)	560,570	371,728	(33.7)
Magnesite/Dolomite	14,939	10,649	31,176	192.7	108.7	62,365	41,825	(32.9)
Other Minerals (**)	363,046	169,313	203,823	20.4	(43.9)	521,257	373,136	(28.4)
Other (***)	1,187	602	512	(15.0)	(56.9)	1,988	1,114	(43.9)

SA = South America.

(\*) Pro-forma data (unaudited) include the figures from the subsidiary LWB, for the purpose of comparison.

(\*\*) "Other minerals" correspond to dolomite, chromite, talc and magnesium oxide, etc. Exceptionally, in 2Q08, 210,000 t of magnesium silicate were sold (R\$ 2.5 million).

(\*\*\*) "Other" corresponds to byproducts sold by LWB's units.

Due to the discovery of inconsistencies arising from SAP implementation in November 2008, 1Q09 volumes have been restated in this report. Net revenues per product line have not been affected.

### Domestic Market

The cement industry, boosted by strong demand from the construction industry, practically did not feel the crisis, maintaining stable its demand for refractories. In the steel industry, the high level of inventories of almost all types of steel and the slow turnaround in foreign demand for Brazilian steel were a great source of concern. However, at the end of 2Q09, there was a

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change in this situation, particularly in relation to crude steel. Some plants have already reactivated their blast furnaces and others have announced they will do so soon. There was also a noticeable increase in activity from semi-integrated steel plants using electric arc furnaces.

In 2Q09, refractories accounted for 79.6% of the sales volume in the Brazilian market, 4.1 percentage points higher than in 1Q09. Domestic **refractory** sales by South American units totaled R\$ 148.8 million, an increase of 4.4% over 1Q09 and 29.4% lower than 2Q08. In 1H09, sales totaled R\$ 291.2 million compared with R\$ 419.3 million in 1H08.

With respect to other minerals, except for magnesite and dolomite sinter, we would highlight talc sales, which are directed mostly to the cosmetic and automobile markets, industries that were less affected by the crisis. In 2Q09, net sales of 'other minerals' were R\$ 9.6 million versus R\$ 8.4 million in 1Q09 and R\$ 20.7 million in 2Q08.

Services, mainly refractory removal and placement, totaled R\$ 21.3 million in the quarter, in line with the previous quarter (R\$ 21.8 million) but still lower than R\$ 44.0 million in 2Q08.

Due to higher refractories sales, a similar level of services related to these products and good opportunities in other minerals, net revenues in 2Q09 increased by 3.0% in relation to 1Q09. Overall, the Brazilian domestic market generated sales of **R\$ 180.2 million** in 2Q09 versus R\$ 174.9 million in 1Q09 and R\$ 276.5 million in 2Q08, accounting for 39.7% of total net revenues in 2Q09 versus 46.7% of total net revenues in 2Q08. In the first half, domestic sales were R\$ 355.1 million compared with R\$ 537.1 million in 1H08.

### **Export Market**

In the refractories export market, the Company had to deal with a diversity of market conditions. In Argentina, where the Company sells mainly to producers of carbon steel, sales volumes fell considerably due to the economic downturn.

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1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

#### 12.01 - Comments on Consolidated Performance During the Quarter

As was the case in Brazil, the cement industry in South America maintained a good level of activity in almost all countries attended by Magnesita, with the exception of Argentina.

In the USA, where refractories sales are distributed among three major segments: cement, carbon steel producers using electric arc furnaces, and specialty steels, there is a slow, but progressive recuperation. The cement companies, which kept demand up in 1Q09 as they brought forward kiln maintenance, slowed down considerably in 2Q09.

The profile of European clients is slightly different. The specialty steel industry, mainly stainless, accounts for 40% of the purchase volume of Magnesita's refractories sales. Unlike the US, a net importer of stainless steels, Europe is an exporter, and both the domestic and foreign demand for this product fell drastically in 1H09 impacting directly on Magnesita's sales volumes. In Germany, many of the Company's clients are integrated steelmakers, highly dependent on the transportation industry, which is not doing well at the moment in that country.

In Asia, Magnesita's largest markets are Taiwan and Japan. China is a strategic market, where the Company is growing fast, but as yet not very representative. With the start of own operations in China the production capacity of refractories directed to the specialty steels industry is already taken up and new investments are being considered to meet demand. In Taiwan, after a slow first quarter, the production of specialty steels has rebounded, impacting favorable on refractories sales volumes. In Japan, signs of a turnaround are still fragile at the moment.

In the quarter, sales of refractories by South American units in the export markets were R\$ 52.7 million, with increases of 23.7% and 32.7% in relation to 1Q09 and 2Q08, respectively. 1H09 sales were R\$ 95.4 million, up 14.5% over 1H08.

In the remaining units, refractories sales in the quarter totaled **R\$195.0 million** compared to R\$ 222.8 million in 1Q09 and R\$ 263.1 million in 2Q08.

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**12.01 - Comments on Consolidated Performance During the Quarter**

In line with its business model, Magnesita is directing efforts to close contracts under the Cost per Performance (CPP) model, which has been adopted in Brazil with great success. In May, the Company signed the first contract to supply refractories based on the CPP model for a unit of the company Gerdau in the USA. At the moment there are negotiations with several strategic clients with plants in various countries.

The exports of magnesite sinter were also important for the quarter's results. Although the level of inventories was high, both in the distributors and in the end clients, the Company succeeded in selling significant amounts of sinter, particularly the M-30. In total 24,400 tons were sold representing net sales of R\$ 19.8 million in the quarter. The Chinese market, greatly responsible for the fundamentals underlying the sale of this product, continues to make use of export licenses. Due to the recovery in the level of sea transportation activities, China took the lead in an attempt to increase freight prices during the quarter.

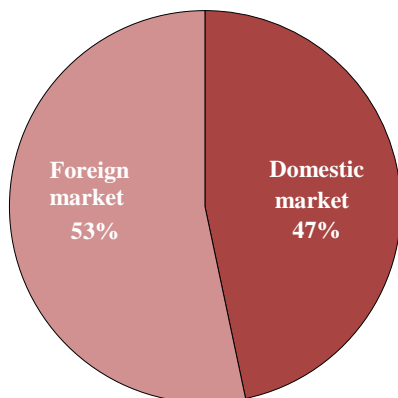
Thus, net revenues from sales to export markets totaled **R\$274.0 million** in 2Q09, representing falls of 0.8% and 13.2% in relation to 1Q09 and 2Q08, respectively. In relation to total net revenues, the external market accounted for 60.3%. In 1H09 net revenue totaled R\$ 550.1 million compared to R\$ 660.2 million in 1H08.

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02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

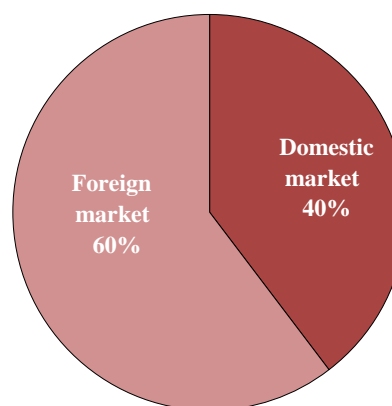
**12.01 - Comments on Consolidated Performance During the Quarter**

**NET OPERATING REVENUE BREAKDOWN  
DOMESTIC AND FOREIGN MARKET**

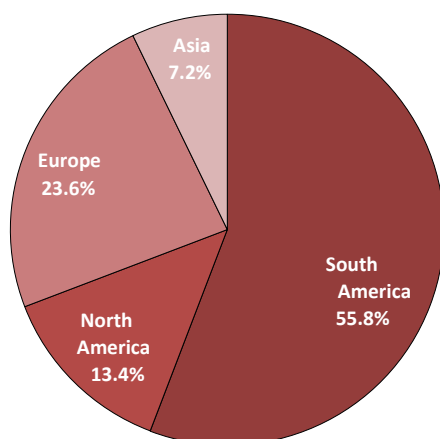
**2Q08**



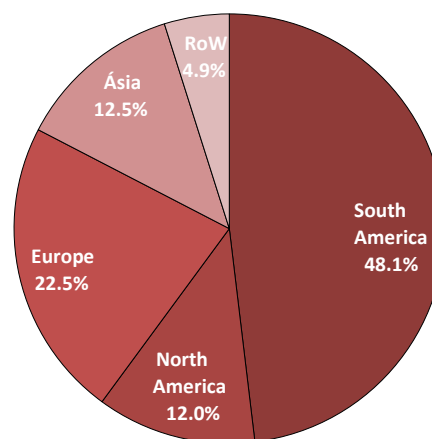
**2Q09**



**TOTAL NET REVENUE  
BY OPERATING LOCATION - 2Q09**



**TOTAL NET REVENUE  
BY CUSTOMER LOCATION - 2Q09**



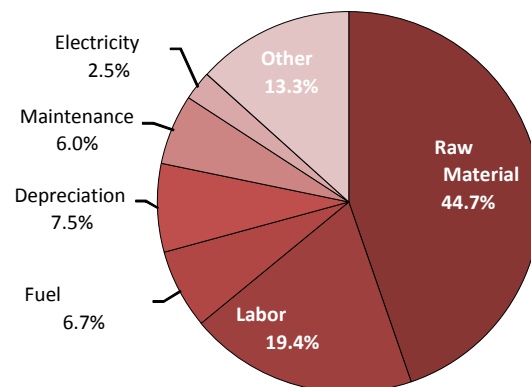
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1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

## 12.01 - Comments on Consolidated Performance During the Quarter

### **COSTS**

In 2Q09, Cost of Goods Sold (COGS) totaled R\$ 310.0 million, 3.6% lower than 1Q09 and 15.6% below 2Q08. In the South American units, COGS totaled R\$ 153.4 million in 2Q09 (1Q09: R\$143.6 million) increasing by 6.8% vis-à-vis an increase of 15.5% in net revenues. In the other units, COGS fell by 12.0% to R\$ 156.6 million in 2Q09 (1Q09: R\$ 178.0 million) following a fall of 13.3% in net revenues. COGS in 1H09 reached R\$ 631.6 million, a fall of 14.6% in relation to R\$ 739.5 million in 1H08. As with operating expenses, the measures taken to minimize the effects of the crisis helped the consolidated gross margin to increase by 3.1 percentage points in 2Q09.

### **COGS Breakdown - 2Q09**



### **OPERATING EXPENSES (INCOME)**

Net operating expenses were R\$ 105.0 million in 2Q09 compared to R\$ 118.5 million in 1Q09 and R\$ 58.3 million in 2Q08. The fall of 11.4% in relation to the previous quarter reflects **adjustments** undertaken in all units, particularly in South America. In 2Q09, there are still expenses associated with the implementation of these measures, which is not expected to happen in the coming quarters. In comparison with the same period in the previous year, there was an increase of 80.1%, explained by an income of R\$ 64.0 million in 2Q08, mostly due to an accounting gain of R\$ 54.2 million arising from the sale of non-operating assets located in the states of São Paulo and Minas Gerais.



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In 2Q09, selling expenses totaled R\$47.6 million, falling 8.7% and 18.5% in relation to 1Q09 and 2Q08, respectively. Administrative expenses also fell in 2Q09, reflecting adjustments and **restructuring** of the Company, to R\$ 50.4 million, or by 20.1% in relation to 1Q09 and 21.1% in relation to 2Q08.

In 1H09, operating expenses totaled R\$223.5 million, representing an increase of 19.4% in relation to the corresponding period in 2008. However, the 1H08 result had included the 2Q08 income of R\$ 64.0 million already mentioned. In the first 6 months of 2009, administrative expenses totaled R\$113.6 million, 5.2% **lower** than 1H08, while selling expenses fell 5.2% in the same period to R\$ 99.7 million.

These results were only possible after adjustments were made in the Company. With the sudden and generalized change in the industry and macroeconomic scenario which directly affected the businesses of Magnesita's customers, particularly those in the steel sector, worldwide demand for refractories fell suddenly. Magnesita's management was faced with the need to redesign the Company, making it more efficient, streamlined, and accelerating the integration of its international operations. More than just redesigning the Company in line with the new reality, adjusting its size and capacity, Magnesita also acted quickly. Speed was the determining factor to minimize the effects of the crisis on the results and allowed for a turnaround in profitability already in the second quarter of 2009.

#### **EBITDA**

EBITDA (earnings before interest, tax, depreciation and amortization) was R\$ 71.6 million in 2Q09, an increase of 61.2% over R\$ 44.4 million in 1Q09. The South American units accounted for R\$ 60.2 million of this, compared to R\$36.1 million in 1Q09, an increase of 66.4%. In the other units, EBITDA increased from R\$ 8.3 million (1Q09) to R\$ 11.5 million (2Q09), or 38.6%.

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The performance resulted in a 5.9 percentage points increase in **operating margin** in 2Q09 compared to 1Q09, with EBITDA margin reaching 15.8%. On a regional basis, South American units achieved an EBITDA margin of 23.7%, an increase of 7.2 p.p., while the other units had an EBITDA margin of 5.7%, an increase of 2.1 p.p. over 1Q09.

However, the consolidated EBITDA in 1H09 fell 64.1% in comparison with the same period of 2008, reflecting the different market conditions in each period, especially with the worsening of the world economic crisis in the first quarter of 2009. In 1H09, EBITDA totaled R\$ 116.1 million, a margin of 12.8%, vs. R\$ 323.4 million and margin of 27.0% in 1H08.

#### **FINANCIAL RESULT**

The financial result in the quarter was a net financial expense of R\$ 32.9 million. Of this total, R\$ 90.9 million refers to net financial expenses which compare to R\$ 52.0 million in 1Q09 and R\$ 48.1 million in 2Q08. The increase in the last quarter refers to losses on swap operations contracted by the Company in November 2008 to protect lines of Advances on Foreign Exchange Contracts (ACC). Net monetary variations represent an accounting gain of R\$ 58.0 million in the quarter versus a R\$ 30.2 million loss in 1Q09, reflecting the effect of a 15.7% devaluation of the US Dollar, relative to the Real, in 2Q09.

As of June 30, 2009, consolidated net debt was R\$ 1,918.6 million, or R\$ 185.2 million lower than the R\$ 2,103.8 million of March 31, 2009.

There was also a change in the debt costs after the conclusion of negotiations with some of the Company's major creditors. As stated in the previous performance report, the drastic changes in the world economic scenario, and subsequent deterioration of the Company's results, resulted in exceeding the limit established by some banks of the net debt/EBITDA ratio. Aware that it is a temporary situation and that the Company's capacity to repay continues as planned, these financial institutions agreed to change some of the conditions, without any alterations in the payment schedule.

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02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

#### 12.01 - Comments on Consolidated Performance During the Quarter

### NET INCOME (LOSS)

The higher sales volume in some regions, together with the results stemming from the adjustment measures taken by the Company, contributed to the performance during the quarter, pointing to a positive trend. The Company had a net loss of R\$ 12.2 million in 2Q09 versus a net loss of R\$ 61.9 in the previous quarter. In 2Q08, the result was a net profit of R\$ 42.5 million. In the first half, the net result was a negative R\$ 74.1 million, compared to a net income of R\$ 13.3 million in 1H08.

Reflecting the effectiveness of Magnesita's management model, the South American units posted a **net profit** of R\$5.5 million in 2Q09, versus a loss of R\$ 13.9 million in 1Q09.

Magnesita is committed to use all available tools in the search for efficiency and reduction of costs and expenses in its units. The integration of units outside of South America, where adjustments occur more gradually, can already be considered a determining factor in this process. At the end of the planned changes, and with an eventual increase in production, caused by more favorable market conditions, the Company will be able to capture more **synergy** gains, reaching new levels of competitiveness and profitability.

### TAXES

In the quarter, a total of R\$18.1 million was provisioned for income tax and social contributions, with American units provisioning R\$ 7.8 million and other units R\$ 10.3 million. Although units outside of South America posted losses, the effect of the rules that limit the deductibility of interest - which in Germany, since 2008, cannot exceed 30% of taxable operating profit - as well as other adjustments related to the tax exemption on certain expenses - have transformed this loss into a fiscal profit.

In 1H09, the provision for income tax and social contribution resulted in an R\$ 8.4 million expense, versus a R\$ 33.6 million expense in the same period of the previous year.

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02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

## 12.01 - Comments on Consolidated Performance During the Quarter

### INVESTMENTS

During 2Q09, investments in all units totaled R\$ 9.8 million, primarily in renovations, maintenance, systems upgrades, environment and investments in customers. Over the first half, investments totaled R\$ 20.0 million, of which R\$11.1 in South America, R\$ 3.2 million in Asia, R\$ 4.5 million in Europe and R\$ 1.2 million in North America.

### STOCK MARKET

#### Stock Performance

The price of Magnesita's common shares (MAGG3) went up by 60.9% in the second quarter of 2009, to R\$ 7.95 at the end of June. In the same period, the Ibovespa, the main index of the São Paulo Stock Exchange, went up by 25.8%. In the period there were 23,071 trades involving 32.6 million shares, with a financial volume of R\$ 222.7 million. Average daily volume was R\$ 3.6 million.

Stock Market Performance	
Avg. Daily Trading Volume 2Q09 (R\$ thousands)	3,590
Avg. Daily Trading Volume 2Q09 (shares)	534,925
Closing Price - Jun/09	7.95
Closing Price - Mar/09	4.94
Closing Price - Jun/08	22.55
Stock Performance - 2Q09 (%)	60.9
Stock Performance - 12 months (%)	(64.7)
Ibovespa Performance - 2Q09 (%)	25.8
Ibovespa Performance - 12 months (%)	(20.8)

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### QUALITY AUDIT

From June 15 to 26, the units of Cubatão (SP), Vitória (ES) and Contagem (MG) had an external audit carried out by Completely Integrated Certification Services Ltd (CICS). As a result, we have kept the certification ISO 9001 in all units and ISO 14001, related to environmental issues, in the Contagem unit. In Vitória we have initiated the process of ISO 14001 certification, with the next stage beginning in the second half of 2009.

### AWARDS

#### **IR Magazine Brazil Awards 2009**

In an award ceremony in São Paulo on June 22, 2009, Magnesita was elected the company with **BEST EVOLUTION IN INVESTOR RELATIONS (SMALL & MID-CAP COMPANIES)**. The award is a result of independent research carried out by the Brazilian Economy Institute of the Fundação Getúlio Vargas, contracted by IR Magazine, involving 400 of the main Brazilian capital market professionals and 4,000 individual investors. The award bears witness to the investor community's recognition of Magnesita's efforts in seeking excellence and building a Company committed to transparency and best practice in investor relations.

### SIGNIFICANT SUBSEQUENT EVENTS

#### **New CFO and Investor Relations Officer**

In a meeting on July 21, Magnesita's Board of Directors elected Mr. Thiago Emanuel Rodrigues as its new CFO and Investor Relations Officer. Mr. Rodrigues joined GP Investments in 2005 and was a member of our Board of Directors since August 2007.

#### **Pension Fund - New Plan**

The Secretaria de Previdência Complementar (SPC) approved, on July 27, the Rules of the Benefits Plan of Magnus Sociedade Previdenciária, the pension fund sponsored by Magnesita. Magnesita now offers its employees a Defined Contribution (DC) plan, with contributions coming from the sponsor and the participants, while its previous plan was Defined Benefit (DB), without contributions from the participants. 'Defined Contribution' are the most modern

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02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

#### 12.01 - Comments on Consolidated Performance During the Quarter

plans in the world, based on building up assets over time and totally transparent to their participants. Furthermore, due to the contribution model, both in the stages of capitalization and payment of benefits, the risk of actuarial liabilities for the sponsor are mitigated, since the benefits depend on the contributions and accumulated performance of the fund.

#### **Capital Increase**

On August 14, the Board of Directors approved a capital increase of R\$ 350.0 million, which will result in the issue of 44,871,795 shares at the price of R\$ 7.80 each.

The Company's controlling shareholders will subscribe a minimum of 13,440,212 shares, equivalent to R\$ 104.8 million. As agreed on the same date, the balance of shares remaining from the amount of the controlling shareholders preemptive right, as well as the shares that may remain at the end of the process, after the closure of the distribution procedures to all of the Company's shareholders, will be subscribed and registered by BNDESPar - BNDES Participações Ltda. From the total proceeds arising from this issue, US\$175 million will be used to repay part of the debt with JPMorgan Chase.

Thus, the Company's controlling shareholders reiterate their confidence in the Company's business model, which will continue operating to accomplish its goals and objectives, aimed mainly at the leadership position in the global refractories market and continuous increase of its profitability.

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

## 20.01 – OTHER INFORMATION CONSIDERED RELEVANT BY THE COMPANY

### 1. Composition of Stockholders with more than 5% of Voting Capital

COMPOSITION OF STOCKHOLDERS WITH MORE THAN 5% OF EACH TYPE AND CLASS OF COMPANY SHARES, UP TO THE LEVEL OF INDIVIDUALS				
Company: MAGNESITA REFRATARIOS S.A.		Position at 6/30/09 (In units of shares)		
Stockholder	Common Shares		Total	
	Number	%	Number	%
Alumina Holdings LLC	76,248,799	35.78	76,248,799	35.78
GIF II FDO INVEST. PARTICIP.	22,699,623	10.65	22,699,623	10.65
Rearden L Holdings 3 Sa RL	19,553,561	9.18	19,553,561	9.18
Other	94,580,600	44.39	94,580,600	44.39
<b>Total</b>	<b>213,082,583</b>	<b>100.0</b>	<b>213,082,583</b>	<b>100.0</b>
Company: MAGNESITA REFRATARIOS S.A.		Position at 6/30/08 (In units of shares)		
Alumina Holdings LLC	75,546,113	41.60	75,546,113	41.60
GIF II FDO INVEST. PARTICIP.	22,681,991	12.50	22,681,991	12.50
Treasury shares	822,747	0.50	822,747	0.50
Other	82,544,645	45.40	82,544,645	45.40
<b>Total</b>	<b>181,595,496</b>	<b>100.0</b>	<b>181,595,496</b>	<b>100.0</b>

We inform that Alumina Holdings LLC, headquartered in Delaware, has Grafita Holdings Inc., as its only shareholder (headquartered in Cayman Islands), whose only shareholders that indirectly hold more than 5% of the voting capital of Magnesita Refratários S.A. ("Company") are the private equity funds Magma Fund LP ("Magma") and GP Capital Partners IV LP ("GPCP4"). Magma indirectly holds 8.83% of Magnesita Refratários whereas GPCP4 indirectly holds 18.04% of the Company's capital.

Magma fund has no quotaholder who, indirectly, holds more than 5% of the Company's total capital. GPCP4, in turn, has GP Investments Ltd. as the only quotaholder that indirectly holds 7.89% of Magnesita Refratários total capital. GP Investments Ltd., a listed company headquartered in Bermudas, has no shareholder with indirect holding in the Company above 5%.

GIF II Fundo de Investimento em Participações ("FIP") owns a 10.65% investment in Magnesita Refratários capital, and no individual shareholder with indirect holding above 5%.

Rearden L Holdings 3 S.À R.L., which owns 9.18% of Magnesita Refratários capital, has as the majority stockholder Rhône Onshore Partners III LP, that owns an indirect holding in the Company of 4.99%.

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

## 20.01 – OTHER INFORMATION CONSIDERED RELEVANT BY THE COMPANY

### 2. Consolidated Shareholding of the Controlling Stockholders, Directors and Shares Outstanding in the Market

At June 30, 2009 and 2008, the shareholding position of the directors and the audit committee, as well as the majority stockholders position and shares outstanding in the market is as follows:

<b>CONSOLIDATED SHAREHOLDING OF THE CONTROLLING STOCKHOLDERS, DIRECTORS AND SHARES OUTSTANDING IN THE MARKET</b>				
<b>Position at 6/30/2009</b>				
<b>1 Stockholder</b>	<b>Number of Common Shares (In Units)</b>	<b>%</b>	<b>Total Shares (In Units)</b>	<b>%</b>
<b>Controlling stockholders</b>	127,647,002	59.90	127,647,002	59.90
<b>Management</b>	152,648	0.07	152,648	0.07
Board of Directors	2,048	0.00	2,048	0.00
Executive Board	150,600	0.07	150,600	0.07
<b>Audit Committee</b>	100,001	0.05	100,001	0.05
<b>Other Stockholders</b>	85,182,932	39.98	85,182,932	39.98
<b>Treasury shares</b>	0	0.00	0	0.00
<b>Total</b>	<b>213,082,583</b>	<b>100</b>	<b>213,082,583</b>	<b>100</b>
<b>Shares Outstanding in the Market</b>	85,282,933	40.02	85,282,933	40.02
<b>CONSOLIDATED SHAREHOLDING OF THE CONTROLLING STOCKHOLDERS, DIRECTORS AND SHARES OUTSTANDING IN THE MARKET</b>				
<b>Position at 6/30/2008</b>				
<b>Controlling stockholders</b>	108,093,441	59.52	108,093,441	59.52
<b>Management</b>	20,140	0.01	20,140	0.01
Board of Directors	3,311	0.00	3,311	0.00
Executive Board	16,829	0.00	16,829	0.00
<b>Audit Committee</b>	60,658	0.03	60,658	0.03
<b>Other Stockholders</b>	72,598,510	39.99	72,598,510	39.99
<b>Treasury shares</b>	822,747	0.45	822,747	0.45
<b>Total</b>	<b>181,595,496</b>	<b>100</b>	<b>181,595,496</b>	<b>100</b>
<b>Shares Outstanding in the Market</b>	72,659,168	40.01	72,659,168	40.01



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**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

---

**Unaudited**

**Corporate Legislation**  
**June 30, 2009**

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

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**20.01 – OTHER INFORMATION CONSIDERED RELEVANT BY THE COMPANY**

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**3. New Market**

The Company is subject to the Market Arbitration Chamber of BOVESPA and in accordance with the Market Arbitration Chamber Regulation, according to a Commitment Clause contained in its By-Laws.

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

#### **21.01 - Report on the Special Review - Without Exceptions**

### **Review Report of Independent Accountants**

To the Board of Directors and Stockholders  
Magnesita Refratários S.A.

- 1 We have reviewed the accounting information included in the Quarterly Information (ITR) of Magnesita Refratários S.A. and subsidiaries (parent company and consolidated), for the quarter ended June 30, 2009, comprising the balance sheet and the statements of operations, of changes in stockholders' equity and of cash flows, explanatory notes and the performance report. This Quarterly Information is the responsibility of the Company's management.
- 2 Our review was carried out in accordance with specific standards established by the Institute of Independent Auditors of Brazil (IBRACON), in conjunction with the Federal Accounting Council (CFC), and mainly comprised: (a) inquiries of and discussions with management responsible for the accounting, financial and operating areas of the Company with regard to the main criteria adopted for the preparation of the Quarterly Information; and (b) a review of information and of subsequent events which have, or could have, significant effects on the financial position and operations of the Company and its subsidiaries.
- 3 Based on our limited review, we are not aware of any material modifications that should be made to the accounting information included in the Quarterly Information referred to above in order that it be stated in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of Quarterly Information, including CVM Instruction No. 469/08.

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**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

**Unaudited**  
**Corporate Legislation**  
**June 30, 2009**

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRAATÓRIOS S.A.	08.684.547/0001-65

**21.01 - Report on the Special Review - Without Exceptions**

- 4 As mentioned in Note 2, the accounting practices adopted in Brazil were altered during 2008 and the effects of the first-time adoption were recorded by the Company and its subsidiaries only during the fourth quarter of 2008 and disclosed in the financial statements at December 31, 2008. The statements of operations and of cash flows for the quarter and six month period ended June 30, 2008, presented together with the information for the current quarter, were not restated for comparison purposes, as permitted by the Circular Letter/CVM/SNC/SEP No. 02/2009.

Belo Horizonte, August 14, 2009.

PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5 "F" MG

Aníbal Manoel Gonçalves de Oliveira  
Contador CRC 1RJ056588/O "S" MG

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**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
June 30, 2009

01.01 - IDENTIFICATION		
1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number - CNPJ
02084-2	MAGNESITA REFRATÁRIOS S.A.	08.684.547/0001-65

## Contents

GROUP	TABLE	DESCRIPTION	PAGE
01	01	Identification	1
01	02	Head Office	1
01	03	Investor Relations Officer (Company Mail Address)	1
01	04	General Information/Independent Accountant	1
01	05	Capital Composition	2
01	06	Characteristics of the Company	2
01	07	Companies Excluded from the Consolidated Financial Statements	2
01	08	Dividends Approved and/or Paid During and After the Quarter	2
01	09	Subscribed Capital and Alterations in the Current Year	3
01	10	Investor Relations Officer	3
02	01	Balance Sheet - Assets	4
02	02	Balance Sheet - Liabilities and Stockholders' Equity	5
03	01	Statement of Operations	6
04	01	Statement of Cash Flows - Indirect Method (R\$ thousand)	7
05	01	Statement of Changes in Stockholders' Equity from 4/1/2009 to 6/30/2009	8
05	02	Statement of Changes in Stockholders' Equity from 1/1/2009 to 6/30/2009	9
08	01	Consolidated Balance Sheet - Assets	10
08	02	Consolidated Balance Sheet - Liabilities and Stockholders' Equity	11
09	01	Consolidated Statement of Operations	12
10	01	Consolidated Statement of Cash Flows - Indirect Method	13
11	01	Consolidated Statement of Changes in Stockholders' Equity from 4/1/2009 to 6/30/2009	14
11	02	Consolidated Statement of Changes in Stockholders' Equity from 1/1/2009 to 6/30/2009	15
06	01	Notes to the Quarterly Information	16
07	01	Comments on Company Performance During the Quarter	46
12	01	Comments on Consolidated Performance During The Quarter	47
16	01	Comments on the Behavior of Business Projections	68
21	01	Report on the Special Review - Without Exceptions	71