

(A free translation of the original in Portuguese)

Magnesita Refratários S.A.
Quarterly Information (ITR) at
September 30, 2010 and
Review Report of Independent Accountants



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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 September 30, 2010, 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 accounting practices adopted in Brazil applicable to the preparation of Quarterly Information, in accordance with the standards issued by the Brazilian Securities Commission (CVM).



Magnesita Refratários S.A.

- 4 As mentioned in Note 2(b), the CVM has approved several Pronouncements, Interpretations and Technical Guidance issued by the Brazilian Accounting Pronouncements Committee (CPC) to be effective as from 2010, which altered the accounting practices adopted in Brazil. As permitted by CVM Resolution 603/09, the Company's management has opted to present its Quarterly Information (ITR) by using the accounting standards adopted in Brazil until December 31, 2009. As required by the Resolution, the Company disclosed this fact in Note 2(b), as well as the description of the significant changes that may affect its financial statements at the end of the year and the clarifications of the reasons that prevent it from estimating the possible effects on stockholders' equity and statement of operations.

Belo Horizonte, November 12, 2010

A blue ink signature of a PricewaterhouseCoopers representative, written in a cursive style.

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP090160/O-5 "F" MG

A blue ink signature of Aníbal Manoel Gonçalves de Oliveira, written in a cursive style.

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

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

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

01.02 - HEAD OFFICE

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

01.03 - INVESTOR RELATIONS OFFICER (Company Mail Address)

1 - NAME				
Flavio Rezende Barbosa				
2 - ADDRESS			3 - SUBURB OR DISTRICT	
Praça Louis Ensck, 240			Cidade Industrial	
4 - POSTAL CODE		5 - MUNICIPALITY		6 - STATE
32210-902		Contagem		MG
7 - AREA CODE	8 - TELEPHONE	9 - TELEPHONE	10 - TELEPHONE	11 - TELEX
31	3328-1000	-	-	
12 - AREA CODE	13 - FAX	14 - FAX	15 - FAX	
	-	-	-	
16 - E-MAIL				
RI@magnesita.com				

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
1/1/2010	12/31/2010	3	7/1/2010	9/30/2010	2	4/1/2010	6/30/2010
9 - INDEPENDENT ACCOUNTANT PricewaterhouseCoopers Auditores Independentes						10 - CVM CODE 00287-9	
11 - PARTNER RESPONSIBLE Aníbal Manoel Goncalves de Oliveira					12 - INDIVIDUAL TAXPAYERS' REGISTRATION NUMBER (CPF) OF THE PARTNER RESPONSIBLE 851.939.507-44		

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01.05 - CAPITAL COMPOSITION

Number of shares (Units)	Current Quarter 9/30/2010	Prior quarter 6/30/2010	Same quarter in prior year 9/30/2009
Paid-up capital			
1 - Common	258,211,934	258,211,934	213,082,583
2 - Preferred	0	0	0
3 - Total	258,211,934	258,211,934	213,082,583
Treasury Stock			
4 - Common	0	0	0
5 - Preferred	0	0	0
6 - Total	0	0	0

01.06 - CHARACTERISTICS OF THE COMPANY

1 - TYPE OF COMPANY Commercial, Industrial and Other
2 - SITUATION Operating
3 - NATURE OF OWNERSHIP Local Private
4 - ACTIVITY CODE 1030 - Mineral Extraction
5 - MAIN ACTIVITY Mining, manufacture, sale, export of refractories
6 - TYPE OF CONSOLIDATION Full
7 - TYPE OF REPORT OF THE INDEPENDENT ACCOUNTANT 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 AND CLASS OF SHARE	7 - AMOUNT PER SHARE
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FEDERAL GOVERNMENT SERVICE

BRAZILIAN SECURITIES COMMISSION (CVM)

QUARTERLY INFORMATION (ITR)

COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES

Unaudited

Corporate Legislation

September 30, 2010

01.01 - IDENTIFICATION

1 - CVM CODE 02084-2	2 - COMPANY NAME MAGNESITA REFRATÁRIOS S.A.	3 - Federal Corporate Taxpayers' Registration Number (CNPJ) 08.684.547/0001-65
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01.09 - SUBSCRIBED CAPITAL AND ALTERATIONS IN THE CURRENT YEAR

1 - ITEM	2 - DATE OF ALTERATION	3 - CAPITAL (IN THOUSANDS OF REAIS)	4 - AMOUNT OF THE ALTERATION (IN THOUSANDS OF REAIS)	5 - NATURE OF ALTERATION	7 - NUMBER OF SHARES ISSUED (IN UNITS)	8 - SHARE PRICE ON ISSUE DATE (IN REAIS)
01	6/24/2010	2,388,845	2,813	Private subscription in cash	257,556	10.9200000000

01.10 - INVESTOR RELATIONS OFFICER

1 - DATE 11/12/2010	2 - SIGNATURE
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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 - 9/30/2010	4 - 6/30/2010
1	Total assets	3,915,842	3,854,786
1.01	Current assets	1,121,049	1,087,727
1.01.01	Cash and cash equivalents	352,411	309,157
1.01.01.01	Cash and banks	19,637	37,839
1.01.01.02	Marketable securities	332,774	271,318
1.01.02	Credits	333,149	333,514
1.01.02.01	Customers	333,149	333,514
1.01.02.01.01	Trade accounts receivable - domestic market	239,517	228,983
1.01.02.01.02	Trade accounts receivable - foreign market	94,704	105,661
1.01.02.01.03	Allowance for doubtful accounts	(1,072)	(1,130)
1.01.02.02	Sundry credits	0	0
1.01.03	Inventories	305,930	310,647
1.01.03.01	Finished products	103,735	110,404
1.01.03.02	Work in process	35,811	34,872
1.01.03.03	Raw materials	127,829	121,681
1.01.03.04	Warehouse (replacement materials and other)	38,555	43,690
1.01.04	Other	129,559	134,409
1.01.04.01	Other credits	1,133	1,618
1.01.04.02	Taxes recoverable	43,080	43,490
1.01.04.03	Receivables from sale of properties	19,572	22,942
1.01.04.04	Amounts receivable - Eletrobrás	65,189	65,189
1.01.04.05	Prepaid expenses	585	1,170
1.02	Non-current assets	2,794,793	2,767,059
1.02.01	Long-term receivables	402,515	404,005
1.02.01.01	Sundry credits	0	0
1.02.01.02	Receivables from related companies	49,689	53,685
1.02.01.02.01	Associated and similar companies	0	0
1.02.01.02.02	Subsidiaries	49,689	53,685
1.02.01.02.03	Other related companies	0	0
1.02.01.03	Other	352,826	350,320
1.02.01.03.01	Special and escrow deposits	10,663	9,987
1.02.01.03.02	Tax credits	207,926	192,068
1.02.01.03.03	Taxes on purchases of property, plant and equipment	1,897	1,873
1.02.01.03.04	Receivables from sale of properties	59,018	57,518
1.02.01.03.05	Goodwill on merger of stockholder	73,322	88,874
1.02.01.03.06	Other	0	0
1.02.02	Permanent assets	2,392,278	2,363,054
1.02.02.01	Investments	678,954	656,907
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	677,823	655,764
1.02.02.01.04	Investments in subsidiaries - goodwill	0	0
1.02.02.01.05	Other investments	1,131	1,143
1.02.02.02	Property, plant and equipment	336,904	345,773
1.02.02.02.01	Land	12,564	12,564
1.02.02.02.02	Buildings, improvements and mineral deposits	152,366	151,778
1.02.02.02.03	Machinery, facilities and equipment	664,156	658,912
1.02.02.02.04	Transportation equipment	12,144	12,150
1.02.02.02.05	Furniture and fixtures and other	20,731	18,435
1.02.02.02.06	Construction in progress	27,765	31,100
1.02.02.02.07	Accumulated depreciation	(552,822)	(539,166)
1.02.02.03	Intangible assets	1,376,420	1,360,374
1.02.02.03.01	Software and others	63,123	57,507
1.02.02.03.02	Goodwill on acquisition of investments	1,613,397	1,600,683
1.02.02.03.03	Accumulated amortization	(300,100)	(297,816)
1.02.02.04	Deferred charges	0	0

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

1 - Code	2 - Description	3 - 9/30/2010	4 - 6/30/2010
2	Total liabilities and stockholders' equity	3,915,842	3,854,786
2.01	Current liabilities	252,377	371,054
2.01.01	Loans and financing	91,985	206,733
2.01.02	Debentures	0	0
2.01.03	Suppliers	59,778	75,917
2.01.04	Taxes, fees and contributions	18,855	17,630
2.01.05	Dividends payable	410	410
2.01.06	Provisions	81,349	70,364
2.01.06.01	Salaries and social security charges	63,290	48,818
2.01.06.02	Advances from customers	2,013	2,061
2.01.06.03	Foreign agent commissions	539	1,674
2.01.06.04	Liabilities on the transfer of rights	8,267	9,067
2.01.06.05	Freights and insurance payable	1,082	1,797
2.01.06.06	Third-party services payable	3,174	2,705
2.01.06.07	Other accounts payable	2,984	4,242
2.01.07	Payables to related companies	0	0
2.01.08	Other	0	0
2.02	Non-current liabilities	1,439,200	1,313,610
2.02.01	Long-term liabilities	1,439,200	1,313,610
2.02.01.01	Loans and financing	1,110,193	994,312
2.02.01.02	Debentures	0	0
2.02.01.03	Provisions	329,007	319,298
2.02.01.03.01	Contingencies	91,388	93,126
2.02.01.03.02	Post-employment liabilities	26,074	24,567
2.02.01.03.03	Negative goodwill	19,256	19,256
2.02.01.03.04	Deferred taxes	192,289	182,349
2.02.01.04	Payables to related companies	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
2.05	Stockholders' equity	2,224,265	2,170,122
2.05.01	Paid-up capital	2,388,845	2,388,845
2.05.01.01	Paid-up capital	2,388,845	2,388,845
2.05.02	Capital reserves	103,214	101,851
2.05.02.01	Special reserve Law 8200	5,973	5,973
2.05.02.02	Special reserve - goodwill on merger	88,874	88,874
2.05.02.03	Stock options granted	9,567	8,204
2.05.02.04	Share premium reserve	26	26
2.05.02.05	Share issue expenses	(1,226)	(1,226)
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	3,495	3,495
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	3,495	3,495
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	(193,443)	(214,502)
2.05.05.01	Adjustments of marketable securities	0	0
2.05.05.02	Cumulative translation adjustments	(193,443)	(214,502)
2.05.05.03	Business combination adjustments	0	0
2.05.06	Retained earnings/accumulated deficit	(77,846)	(109,567)
2.05.07	Advance for future capital increase	0	0

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03.01 - Statement of Operations (R\$ thousand unless otherwise indicated)

1 - Code	2 - Description	3 - 7/1/2010 to 9/30/2010	4 - 1/1/2010 to 9/30/2010	5 - 7/1/2009 to 9/30/2009	6 - 1/1/2009 to 9/30/2009
3.01	Gross sales and/or service revenues	416,989	1,196,424	339,837	909,929
3.02	Deductions from gross revenues	(93,971)	(274,615)	(78,088)	(199,922)
3.03	Net sales and/or service revenues	323,018	921,809	261,749	710,007
3.04	Cost of products and/or services sold	(205,530)	(583,087)	(164,121)	(452,493)
3.05	Gross profit	117,488	338,722	97,628	257,514
3.06	Operating expenses/income	(76,133)	(239,127)	(78,908)	(306,643)
3.06.01	Selling	(32,135)	(94,841)	(22,575)	(66,891)
3.06.02	General and administrative	(33,324)	(95,566)	(22,888)	(72,973)
3.06.03	Financial	(25,183)	(81,935)	(57,690)	(128,526)
3.06.03.01	Financial income	73	22,397	(12,884)	(28,135)
3.06.03.01.01	Financial income	8,873	18,681	3,340	10,540
3.06.03.01.02	Exchange/monetary variation gains	(8,800)	3,716	(16,224)	(38,675)
3.06.03.02	Financial expenses	(25,256)	(104,332)	(44,806)	(100,391)
3.06.03.02.01	Financial expenses	(37,968)	(105,430)	(50,114)	(149,322)
3.06.03.02.02	Exchange/monetary variation losses	12,712	1,098	5,308	48,931
3.06.04	Other operating income	4,508	30,003	6,984	24,071
3.06.05	Other operating expenses	(3,016)	(10,789)	6,765	(5,982)
3.06.06	Equity in the results of investees	13,017	14,001	10,496	(56,342)
3.07	Operating profit (loss)	41,355	99,595	18,720	(49,129)
3.08	Non-operating income	0	0	0	0
3.08.01	Income	0	0	0	0
3.08.02	Expenses	0	0	0	0
3.09	Profit (loss) before taxation and profit sharing	41,355	99,595	18,720	(49,129)
3.10	Provision for income tax and social contribution on net income	0	(954)	4,724	2,280
3.11	Deferred income tax	(9,634)	(27,313)	194	(3,481)
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 capital	0	0	0	0
3.15	Net income (loss) for the period	31,721	71,328	23,638	(50,330)
	Number of shares (units), excluding treasury shares	258,211,934	258,211,934	213,082,583	213,082,583
	Net income per share - R\$	0.12285	0.27624	0.11093	
	Loss per share - R\$				(0.23620)

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

1 - Code	2 - Description	3 - 7/1/2010 to 9/30/2010	4 - 1/1/2010 to 9/30/2010	5 - 7/1/2009 to 9/30/2009	6 - 1/1/2009 to 9/30/2009
4.01	Net cash from operating activities	76,415	205,147	40,388	(11,995)
4.01.01	Cash provided by operations	72,838	236,051	32,603	71,793
4.01.01.01	Net income (loss) for the period	31,721	71,328	23,638	(50,330)
4.01.01.02	Interest and monetary/exchange variations, net	27,179	101,641	5,609	19,988
4.01.01.03	Depreciation and depletion	13,674	40,807	13,174	38,776
4.01.01.04	Amortization of intangible assets	2,284	4,875	872	2,637
4.01.01.05	Equity in the results of investees	(13,017)	(14,001)	(10,496)	56,342
4.01.01.06	Deferred income tax and social contribution	9,634	27,313	(194)	3,481
4.01.01.07	Share options	1,363	4,088	0	899
4.01.02	Changes in assets and liabilities	3,577	(30,904)	7,785	(83,788)
4.01.02.01	Accounts receivable	366	(14,675)	(24,869)	(40,536)
4.01.02.02	Inventories	4,717	(38,689)	23,205	4,354
4.01.02.03	Taxes recoverable	410	7,170	(3,426)	(4,664)
4.01.02.04	Receivables from sale of property, plant and equipment	1,870	(4,316)	(5,673)	(6,750)
4.01.02.05	Restricted bank deposits	0	24,485	3,078	(32,539)
4.01.02.06	Suppliers	(16,139)	(19,517)	5,653	15,669
4.01.02.07	Advances from customers	(48)	(349)	(1,322)	(3,096)
4.01.02.08	Taxes payable	1,225	(6,448)	(1,232)	1,822
4.01.02.09	Cash – merged companies	0	19,435	0	0
4.01.02.10	Other	11,176	2,000	12,371	(18,048)
4.01.03	Other	0	0	0	0
4.02	Net cash from investing activities	(11,104)	98,664	355	(2,334)
4.02.01	Disposals of PP&E, intangible assets and investments	59	501	7,191	8,579
4.02.02	Payment of capital in subsidiary	0	(11,250)	0	0
4.02.03	Additions to fixed assets and intangible assets	(11,163)	(23,787)	(6,836)	(15,913)
4.02.04	Dividends received	0	0	0	5,000
4.02.05	Capital decrease in subsidiary	0	133,200	0	0
4.03	Net cash from financing activities	(22,057)	(139,895)	377,457	277,592
4.03.01	New loans and financing	251,530	401,464	57,394	210,821
4.03.02	Payment of loans and financing	(234,750)	(377,299)	(13,624)	(125,197)
4.03.03	Payment of interest on loans and financing	(38,837)	(167,512)	(1,085)	(142,804)
4.03.04	Unclaimed interest on capital	0	639	0	0
4.03.05	Capital increase	0	2,813	0	0
4.03.06	Advance for future capital increase	0	0	334,772	334,772
4.04	Exchange variation on cash and cash equivalents	0	0	0	0
4.05	Increase (decrease) in cash and cash equivalents	43,254	163,916	418,200	263,263
4.05.01	Opening balance of cash and cash equivalents	309,157	188,495	83,823	238,760
4.05.02	Closing balance of cash and cash equivalents	352,411	352,411	502,023	502,023

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

05.01 - Statement of Changes in Stockholders' Equity from 7/1/2010 to 9/30/2010 (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	2,388,845	101,851	0	3,495	(109,567)	(214,502)	2,170,122
5.02	Prior-year adjustments	0	0	0	0	0	0	0
5.03	Adjusted balance	2,388,845	101,851	0	3,495	(109,567)	(214,502)	2,170,122
5.04	Net income (loss) for the period	0	0	0	0	31,721	0	31,721
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	21,059	21,059
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	21,059	21,059
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 shares	0	0	0	0	0	0	0
5.11	Other capital transactions	0	0	0	0	0	0	0
5.12	Other	0	1,363	0	0	0	0	1,363
5.12.01	Share options granted	0	1,363	0	0	0	0	1,363
5.12.02	Unclaimed interest on capital	0	0	0	0	0	0	0
5.13	Closing balance	2,388,845	103,214	0	3,495	(77,846)	(193,443)	2,224,265

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 1/1/2010 to 9/30/2010 (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	2,386,032	99,126	0	2,856	(149,174)	(118,507)	2,220,333
5.02	Prior-year adjustments	0	0	0	0	0	0	0
5.03	Adjusted balance	2,386,032	99,126	0	2,856	(149,174)	(118,507)	2,220,333
5.04	Net income (loss) for the period	0	0	0	0	71,328	0	71,328
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	(74,936)	(74,936)
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	(74,936)	(74,936)
5.07.03	Business combination adjustments	0	0	0	0	0	0	0
5.08	Increase/decrease in capital	2,813	0	0	0	0	0	2,813
5.09	Increase/realization of capital reserves	0	0	0	0	0	0	0
5.10	Treasury shares	0	0	0	0	0	0	0
5.11	Other capital transactions	0	0	0	0	0	0	0
5.12	Other	0	4,088	0	639	0	0	4,727
5.12.01	Share options granted	0	4,088	0	0	0	0	4,088
5.12.02	Unclaimed interest on capital	0	0	0	639	0	0	639
5.13	Closing balance	2,388,845	103,214	0	3,495	(77,846)	(193,443)	2,224,265

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

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

1 - Code	2 - Description	3 - 9/30/2010	4 - 6/30/2010
1	Total assets	5,077,913	5,080,953
1.01	Current assets	1,727,822	1,707,145
1.01.01	Cash and cash equivalents	449,996	459,756
1.01.01.01	Cash and banks	96,507	166,640
1.01.01.02	Marketable securities	353,489	293,116
1.01.02	Credits	479,662	466,374
1.01.02.01	Customers	479,662	466,374
1.01.02.01.01	Trade accounts receivable - domestic market	247,448	234,541
1.01.02.01.02	Trade accounts receivable - foreign market	241,022	240,443
1.01.02.01.03	Allowance for doubtful accounts	(8,808)	(8,610)
1.01.02.02	Sundry credits	0	0
1.01.03	Inventories	614,181	601,950
1.01.03.01	Finished products	286,406	296,979
1.01.03.02	Work in process	47,068	46,297
1.01.03.03	Raw materials	234,610	203,417
1.01.03.04	Warehouse (replacement materials and other)	67,469	73,843
1.01.03.05	Provision for losses	(21,372)	(18,586)
1.01.04	Other	183,983	179,065
1.01.04.01	Other credits	23,709	17,687
1.01.04.02	Taxes recoverable	70,600	67,253
1.01.04.03	Receivables from sale of properties	19,572	22,942
1.01.04.04	Amounts receivable - Eletrobrás	65,189	65,189
1.01.04.05	Prepaid expenses	4,913	5,994
1.02	Non-current assets	3,350,091	3,373,808
1.02.01	Long-term receivables	407,973	433,256
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	407,973	433,256
1.02.01.03.01	Special and escrow deposits	17,802	15,872
1.02.01.03.02	Tax credits	255,935	244,055
1.02.01.03.03	Taxes on purchases of property, plant and equipment	1,897	1,872
1.02.01.03.04	Receivables from sale of properties	59,018	57,518
1.02.01.03.05	Goodwill on merger of stockholder	73,321	88,874
1.02.01.03.06	Derivative instruments – fair value swap	0	25,065
1.02.02	Permanent assets	2,942,118	2,940,552
1.02.02.01	Investments	1,522	1,522
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	1,522	1,522
1.02.02.02	Property, plant and equipment	797,257	819,566
1.02.02.02.01	Land	57,974	58,803
1.02.02.02.02	Buildings, improvements and mineral deposits	430,635	435,644
1.02.02.02.03	Machinery, facilities and equipment	954,766	947,384
1.02.02.02.04	Transportation equipment	14,896	15,035
1.02.02.02.05	Furniture and fixtures and other	46,132	44,230
1.02.02.02.06	Construction in progress	60,526	61,932
1.02.02.02.07	Accumulated depreciation	(767,672)	(743,462)
1.02.02.03	Intangible assets	2,143,339	2,119,464
1.02.02.03.01	Software and other	65,424	59,764
1.02.02.03.02	Goodwill on acquisition of investments	2,380,304	2,359,702
1.02.02.03.03	Accumulated amortization	(302,389)	(300,002)
1.02.02.04	Deferred charges	0	0

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 - 9/30/2010	4 - 6/30/2010
2	Total liabilities and stockholders' equity	5,077,913	5,080,953
2.01	Current liabilities	469,052	601,230
2.01.01	Loans and financing	98,415	223,837
2.01.02	Debentures	0	0
2.01.03	Suppliers	159,709	187,439
2.01.04	Taxes, fees and contributions	57,865	53,762
2.01.05	Dividends payable	432	432
2.01.06	Provisions	152,631	135,760
2.01.06.01	Salaries and social charges	95,123	80,391
2.01.06.02	Advances from customers	2,013	2,061
2.01.06.03	Foreign agent commissions	539	1,674
2.01.06.04	Liabilities on the transfer of rights	8,267	9,067
2.01.06.05	Freights and insurance payable	2,164	2,694
2.01.06.06	Attorneys' and consultant's fees payable	1,159	1,182
2.01.06.07	Third-party services payable	9,963	12,369
2.01.06.08	Provision for warranties	2,654	7,890
2.01.06.09	Contract retentions payable	8,860	8,716
2.01.06.10	Other accounts payable	14,135	9,716
2.01.06.11	Derivative instruments – fair value swap	7,754	0
2.01.07	Payables to related companies	0	0
2.01.08	Other	0	0
2.02	Non-current liabilities	2,370,993	2,296,094
2.02.01	Long-term liabilities	2,370,993	2,296,094
2.02.01.01	Loans and financing	1,137,765	1,025,634
2.02.01.02	Debentures	0	0
2.02.01.03	Provisions	575,334	569,134
2.02.01.03.01	Contingencies	91,400	93,137
2.02.01.03.02	Post-employment liabilities	205,602	208,516
2.02.01.03.03	Negative goodwill	19,256	19,256
2.02.01.03.04	Deferred income tax and social contribution	243,287	234,814
2.02.01.03.05	Other	15,789	13,411
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	657,894	701,326
2.02.01.06.01	Issue of debt securities	657,894	701,326
2.03	Deferred income	0	0
2.04	Minority interest	14,824	14,590
2.05	Stockholders' equity	2,223,044	2,169,039
2.05.01	Paid-up capital	2,388,845	2,388,845
2.05.01.01	Paid-up capital	2,388,845	2,388,845
2.05.02	Capital reserves	103,214	101,851
2.05.02.01	Special reserve Law 8200	5,973	5,973
2.05.02.02	Special reserve - goodwill on merger	88,874	88,874
2.05.02.03	Stock options granted	9,567	8,204
2.05.02.04	Share premium reserve	26	26
2.05.02.05	Share issue expenses	(1,226)	(1,226)
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	3,495	3,495
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	3,495	3,495
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	(193,443)	(214,502)
2.05.05.01	Adjustments of marketable securities	0	0
2.05.05.02	Cumulative translation adjustments	(193,443)	(214,502)
2.05.05.03	Business combination adjustments	0	0
2.05.06	Retained earnings/accumulated deficit	(79,067)	(110,650)
2.05.07	Advance for future capital increase	0	0

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 unless otherwise indicated)

1 - Code	2 - Description	3 - 7/1/2010 to 9/30/2010	4 - 1/1/2010 to 9/30/2010	5 - 7/1/2009 to 9/30/2009	6 - 1/1/2009 to 9/30/2009
3.01	Gross sales and/or service revenues	668,532	1,973,028	564,582	1,596,027
3.02	Deductions from gross revenues	(97,995)	(284,836)	(80,954)	(207,170)
3.03	Net sales and/or service revenues	570,537	1,688,192	483,628	1,388,857
3.04	Cost of products and/or services sold	(375,597)	(1,097,870)	(313,929)	(945,565)
3.05	Gross profit	194,940	590,322	169,699	443,292
3.06	Operating expenses/income	(151,107)	(481,912)	(143,486)	(482,089)
3.06.01	Selling	(59,484)	(184,127)	(49,096)	(148,810)
3.06.02	General and administrative	(53,404)	(168,979)	(47,342)	(160,909)
3.06.03	Financial	(35,571)	(151,882)	(53,983)	(169,134)
3.06.03.01	Financial income	7,617	48,439	(11,050)	(17,161)
3.06.03.01.01	Financial income	9,365	20,346	4,114	13,336
3.06.03.01.02	Exchange/monetary variation gains	(1,748)	28,093	(15,164)	(30,497)
3.06.03.02	Financial expenses	(43,188)	(200,321)	(42,933)	(151,973)
3.06.03.02.01	Financial expenses	(54,107)	(172,531)	(67,471)	(219,599)
3.06.03.02.02	Exchange/monetary variation losses	10,919	(27,790)	24,538	67,626
3.06.04	Other operating income	11,659	54,445	12,856	41,517
3.06.05	Other operating expenses	(14,307)	(31,369)	(5,921)	(44,753)
3.06.06	Equity in the results of investees	0	0	0	0
3.07	Operating profit (loss)	43,833	108,410	26,213	(38,797)
3.08	Non-operating income	0	0	0	0
3.08.01	Income	0	0	0	0
3.08.02	Expenses	0	0	0	0
3.09	Profit (loss) before taxation and profit sharing	43,833	108,410	26,213	(38,797)
3.10	Provision for income tax and social contribution on net income	(3,681)	(13,093)	3,704	(4,628)
3.11	Deferred income tax	(8,445)	(25,070)	(5,040)	(5,156)
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 capital	0	0	0	0
3.14	Minority interest	(124)	501	(483)	(1,164)
3.15	Net income (loss) for the period	31,583	70,748	24,394	(49,745)
	Number of shares (units), excluding treasury shares	258,211,934	258,211,934	213,082,583	213,082,583
	Net income per share - R\$	0.12231	0.27399	0.11448	
	Loss per share - R\$				(0.23345)

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 Statement of Cash Flows - Indirect Method (R\$ thousand)

1 - Code	2 - Description	3 - 7/1/2010 to 9/30/2010	4 - 1/1/2010 to 9/30/2010	5 - 7/1/2009 to 9/30/2009	6 - 1/1/2009 to 9/30/2009
4.01	Net cash from operating activities	41,307	144,729	88,604	83,198
4.01.01	Cash provided by operations	48,722	290,517	42,182	75,901
4.01.01.01	Net income (loss) for the period	31,583	70,748	24,394	(49,745)
4.01.01.02	Interest and monetary/exchange variations, net	(22,025)	100,148	(17,665)	22,573
4.01.01.03	Depreciation and depletion	26,745	85,818	28,594	92,752
4.01.01.04	Amortization of intangible assets	2,487	5,146	1,336	3,102
4.01.01.05	Deferred income tax and social contribution	8,445	25,070	5,040	5,156
4.01.01.06	Share options	1,363	4,088	0	899
4.01.01.07	Minority interest	124	(501)	483	1,164
4.01.02	Changes in assets and liabilities	(7,415)	(145,788)	46,422	7,297
4.01.02.01	Accounts receivable	2,872	(55,834)	(31,630)	(5,299)
4.01.02.02	Inventories	682	(121,482)	43,788	97,306
4.01.02.03	Taxes recoverable	(14,133)	(12,216)	7,534	14,179
4.01.02.04	Receivables from sale of property, plant and equipment	1,870	(4,316)	(5,673)	(6,750)
4.01.02.05	Restricted bank deposits	0	24,485	3,078	(32,539)
4.01.02.06	Suppliers	(41,781)	(5,577)	19,032	(28,021)
4.01.02.07	Advances from customers	(48)	(916)	(1,298)	(2,517)
4.01.02.08	Taxes payable	2,611	(9,728)	2,667	(6,390)
4.01.02.09	Derivative instruments - fair value swap	33,935	7,859	0	0
4.01.02.10	Other	6,577	31,937	8,924	(22,672)
4.01.03	Other	0	0	0	0
4.02	Net cash from investing activities	(17,112)	(37,103)	(918)	(18,207)
4.02.01	Disposal of property, plant and equipment and investments	3,272	3,871	9,265	11,825
4.02.02	Additions to PP&E, intangible assets and investments	(20,384)	(40,974)	(10,183)	(30,032)
4.03	Net cash from financing activities	(41,054)	7,644	381,185	254,759
4.03.01	New loans and financing	251,530	1,141,649	61,263	214,839
4.03.02	Payment of loans and financing	(234,750)	(932,264)	(13,765)	(125,739)
4.03.03	Payment of interest on loans and financing	(57,834)	(205,193)	(1,085)	(169,113)
4.03.04	Unclaimed interest on capital	0	639	0	0
4.03.05	Capital increase	0	2,813	0	0
4.03.06	Advance for future capital increase	0	0	334,772	334,772
4.04	Exchange variation on cash and cash equivalents	7,099	(8,432)	(7,734)	(22,852)
4.05	Increase (decrease) in cash and cash equivalents	(9,760)	106,838	461,137	296,898
4.05.01	Opening balance of cash and cash equivalents	459,756	343,158	220,243	384,482
4.05.02	Closing balance of cash and cash equivalents	449,996	449,996	681,380	681,380

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 7/1/2010 to 9/30/2010 (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	2,388,845	101,851	0	3,495	(110,650)	(214,502)	2,169,039
5.02	Prior-year adjustments	0	0	0	0	0	0	0
5.03	Adjusted balance	2,388,845	101,851	0	3,495	(110,650)	(214,502)	2,169,039
5.04	Net income/loss for the period	0	0	0	0	31,583	0	31,583
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	21,059	21,059
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	21,059	21,059
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 shares	0	0	0	0	0	0	0
5.11	Other capital transactions	0	0	0	0	0	0	0
5.12	Other	0	1,363	0	0	0	0	1,363
5.12.01	Share options granted	0	1,363	0	0	0	0	1,363
5.12.02	Unclaimed interest on capital	0	0	0	0	0	0	0
5.13	Closing balance	2,388,845	103,214	0	3,495	(79,067)	(193,443)	2,223,044

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 1/1/2010 to 9/30/2010 (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	2,386,032	99,126	0	2,856	(149,815)	(118,507)	2,219,692
5.02	Prior-year adjustments	0	0	0	0	0	0	0
5.03	Adjusted balance	2,386,032	99,126	0	2,856	(149,815)	(118,507)	2,219,692
5.04	Net income/loss for the period	0	0	0	0	70,748	0	70,748
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	(74,936)	(74,936)
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	(74,936)	(74,936)
5.07.03	Business combination adjustments	0	0	0	0	0	0	0
5.08	Increase/decrease in capital	2,813	0	0	0	0	0	2,813
5.09	Increase/realization of capital reserves	0	0	0	0	0	0	0
5.10	Treasury shares	0	0	0	0	0	0	0
5.11	Other capital transactions	0	0	0	0	0	0	0
5.12	Other	0	4,088	0	639	0	0	4,727
5.12.01	Share options granted	0	4,088	0	0	0	0	4,088
5.12.02	Unclaimed interest on capital	0	0	0	639	0	0	639
5.13	Closing balance	2,388,845	103,214	0	3,495	(79,067)	(193,443)	2,223,044

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

Acquisition of Magnesita S.A.

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

On December 11, 2007, the Company acquired, on the stock exchange, further preferred class A and class C shares of Magnesita S.A., which represent 16.83% of the outstanding preferred shares, through a voluntary public share offering, representing an increase of 7.98% of the total capital.

Between January 3 and 31, 2008, the Company acquired, on the stock exchange, 955,392,390 common shares and 2,951,731,751 class A preferred shares issued by Magnesita S.A., increasing its interest by 9.18% of capital.

On January 31, 2008, the Company carried out, on BM&FBOVESPA, a public offer for the acquisition of common shares of Magnesita S.A. (in conformity with article 254.A of Law 6404/76) and acquired 4,512,220,813 common shares, representing 10.61% of total capital.

Merger of Magnesita S.A.

On February 2, 2008, the Company presented a proposal for the merger into the Company of the subsidiaries Magnesita S.A. and Partimag S.A., which was made effective on February 21, 2008, considering the base date of December 31, 2007. The stockholders of Magnesita S.A. received shares of Magnesita Refratários S.A. In the case of Partimag S.A., a wholly-owned subsidiary of Magnesita Refratários S.A., the main assets of which consisted of its ownership interest in Magnesita S.A., the merger did not generate the issuance of shares.

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Merger of wholly-owned subsidiaries

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

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

On April 28, 2010, at the Extraordinary General Meeting, the stockholders approved the merger into the Company of the following subsidiaries:

- Cerâmica São Caetano Ltda.
- Massambaba Mineração Ltda.
- MSA Agropecuária Ltda.

These mergers did not result in an increase in the capital of the Company, since it already held all the capital quotas of the merged companies. Thus, there were no changes in the consolidated financial position of the Company in connection with these merger transactions.

Acquisition of Insider

On April 25, 2008, the Company executed an agreement for the acquisition of all the capital quotas of Insider - Insumos Refratários para Siderurgia Ltda. (subsequently merged into the subsidiary MAG-Sé Participações Ltda.), a company that manufactures high-tech monolithic 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 contractual conditions.

Acquisition of LWB Group

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

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On November 5, 2008, the transaction closing date, the stockholders of LWB received from the Company the amount of R\$ 785.4 million: a portion corresponding to R\$ 297.8 million in cash and the remaining part, equivalent to R\$ 487.6 million, through 23,457,778 common shares issued by the Company, which represent 10.97% of its total capital. To calculate the amount of the transaction, 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 participation in the Board of Directors through one member.

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

Production Plants

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:

- Magnesita Insider Refratários Ltda. - Brazil
- Magnesita Refractories Company - United States
- Magnesita Refractories GmbH - Germany
- Magnesita Refractories S.C.S. - France
- LCH Resource (Anhui) Co. Ltd. - China
- Refractarios Argentinos S.A.I.C.y M - Argentina
- Shanxi LWB Taigang Refractories Co. Ltd. - China
- Raia S.A. Belgium

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

2 Presentation of the Quarterly Information and Significant Accounting Practices

(a) Presentation of the Quarterly Information

This quarterly information was approved by the Board of Directors on November 11, 2010.

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The quarterly information (parent company and consolidated) was prepared and is presented in accordance with accounting practices adopted in Brazil, in compliance with the requirements of Brazilian Corporation Law and the Brazilian Securities Commission (CVM). These accounting practices correspond to the standards and technical guidance which were in effect for the financial statements for the year ended December 31, 2009, that will differ from those that will be used to prepare the financial statements at December 31, 2010, as described in item 2 (b) below.

Pursuant to CVM Resolution 603, of November 10, 2009, public corporations are allowed to present their quarterly information (ITR) forms during 2010 in accordance with the accounting standards in effect up to December 31, 2009. In this event, it will be necessary for the companies to disclose this fact in the respective Note and resubmit the ITRs for 2010, as well as those for 2009, for comparison purposes, also adjusted to the 2010 standards, upon the presentation of the financial statements for the year starting January 1, 2010.

The preparation of quarterly information requires the use of estimates to record certain assets, liabilities, revenue and expenses. Therefore, the Company's quarterly information includes estimates related to the selection of the useful lives of property, plant and equipment, provisions for contingent liabilities, income tax and other similar liabilities. Actual results may differ from the estimates.

**(b) Standards and interpretations of standards
in effect in 2010 not yet adopted**

During 2009, within the process of convergence with international standards, the Brazilian Accounting Pronouncements Committee (CPC) issued several standards and interpretations of standards that change the accounting practices adopted in Brazil, the application of which is mandatory for years beginning on or after January 1, 2010.

CVM, through its Resolution 603/09, extended until December 2010 the obligation to apply the CPC Pronouncements, Interpretations and Technical Guidance issued and approved by CVM in 2009, permitting public companies to present their ITR forms during 2010 in accordance with the accounting practices in effect up to December 31, 2009. In this event, it will be necessary for the companies to resubmit the ITR forms adjusted to the standards in effect in 2010, as well as those for 2009, presented for comparison purposes, also adjusted to the 2010 standards, upon the presentation of the financial statements for the year starting January 1, 2010.

Accordingly, the Company decided to present the ITR form for the quarter ended September 30, 2010 in accordance with the accounting practices in effect up to December 31, 2009, as it is currently analyzing the potential effects arising from the application of the new CPC Pronouncements, in view of the complexity of the related calculations and guidelines.

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According to preliminary understanding of the Company's management, the following are the pronouncements and interpretations of standards that may have a more significant impact on the financial statements for 2010, as well as on those for 2009 presented for comparison purposes:

(i) Pronouncements

CPC 22 - Segment Information

To comply with the provisions of this CPC, the Company is analyzing the best way to disclose its financial information per segment.

CPC 26 (R1) - Presentation of Financial Statements

To comply with the provisions of this CPC, the Company is analyzing the best way to disclose its financial statements.

CPC 27 - Property, Plant and Equipment

To comply with the provisions of this CPC, the Company hired specialized consulting firms to review the useful lives of the main property, plant and equipment items, which may generate depreciation rates that are different from those currently practiced.

CPC 37 - First-time Adoption of International Financial Reporting Standards

The Company is analyzing the requirements of this CPC and expects to adopt, in 2010, the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), as required by the Brazilian Securities Commission (CVM).

(ii) Interpretations

ICPC 10 - Clarifications of CPC 27 and CPC 28

This addresses matters related to the first-time adoption of Technical Pronouncements CPC 27 - Property, Plant and Equipment, CPC 28 - Investment Property, CPC 37 - First-time Adoption of International Financial Reporting Standards and CPC 43 - First-time Adoption of Technical Pronouncements CPC 15 to 40. Among other matters, it addresses the issue of the use of the depreciation rates established in tax law without considering the practice of (i) mandatory periodic review of useful life and (ii) determining the residual value, which are fundamental to define the amount to be depreciated pursuant to Technical Pronouncement CPC 27.

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3 Consolidation Criteria

The consolidated quarterly information and financial statements at September 30, 2010 and 2009 and June 30, 2010, respectively, include those of the Parent Company and of the following subsidiaries:

	9/30/2010	9/30/2009	6/30/2010
CSC-Cerâmica São Caetano Ltda.	-	100	-
Iliama Participações S.L. and subsidiary	100	100	100
LWB Island Company Ltd. and subsidiaries (LWB)	100	100	100
Magnesita Grundstucks Beteiligungs GmbH	100	100	100
Magnesita Insider Refratários Ltda.	100	-	100
Magnesita Refractories Corporation	100	100	100
MAG-Tec Ltda.	100	100	100
Massambaba Mineração S.A.	-	100	-
MSA Agropecuária Ltda.	-	100	-
RASA - Refractories Argentinos S.A.I.CyM and subsidiary	100	100	100
Refractories Magnesita Colombia S.A.	100	100	100
Refractories Magnesita del Peru S.A.C.	100	100	100
Refractories Magnesita Uruguay S.A.	100	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 quarterly information of subsidiaries operating abroad are converted into Reais (R\$) in conformity with the guidelines of Technical Pronouncement CPC 02 (R1) - Effects of Changes in 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 effective at that date.
- (iii) Income and expenses of the statement of operations at the average rates for the period.

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- (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 adjustments".

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) equity interests, 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 the result for the quarter between the consolidated and parent company is as follows:

	Stockholders' equity		Result for the period	
	9/30/2010	6/30/2010	9M10	9M10
Consolidated	2,223,044	2,169,039	70,748	(49,745)
Unrealized profits in inventories	1,221	1,083	580	(585)
Parent company	2,224,265	2,170,122	71,328	(50,330)

4 Description of the Significant Accounting Practices Adopted

The significant accounting practices adopted are as follows:

(a) Determination of the results of operations

Net income (loss) is determined on the accrual basis of accounting and considers the earnings, charges and monetary variations based on official indices applicable to assets and liabilities. Income tax and social contribution are deducted from the results and deferred taxes were recognized on income tax and social contribution tax loss carryforwards as well as temporary differences, at the rates in effect for income tax and social contribution, to the extent their realization is probable.

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Sales revenue is recognized when the significant risks and benefits of the ownership of the products are transferred to the purchaser. The Company's criterion of revenue recognition, therefore, is the date on which the product is delivered to the purchaser.

In certain cases, based on specific contractual provisions, the Company supplies the products on the industrial consignment basis, billing for such products in accordance with the customer's production phases.

Income from services rendered is recognized based on the stage of execution of the services at the balance sheet date, providing that all the costs related to the services can be reliably measured.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash, bank deposits and short-term investments with high liquidity and immaterial risk of change in value (Note 5).

(c) Financial instruments

Classification and measurement

The Company classifies its financial assets as measured at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial assets at the time they are initially recorded.

Financial assets measured at fair value through profit or loss

These are financial assets held for active and frequent trading. Derivatives are also classified as held for trading and included in the category. Gains or losses arising from the changes in the fair value of financial assets measured at fair value through profit or loss are recorded in the statements of operations as financial income or expense in the period they occur.

Loans and receivables

These comprise loans granted and non-derivative receivables with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in current assets or non-current assets, depending on whether they fall due within or after 12 months from the balance sheet date. The Company's loans and receivables comprise loans granted to associated companies, trade accounts receivable, other accounts receivable and cash and cash

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equivalents, except for certain short-term investments. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Fair value

The fair values of quoted investments are based on current bid prices. For financial assets without an active market or public quotation, the Company determines fair value through valuation techniques, which use recent transactions with third parties, references to other substantially similar instruments, discounted cash flow analysis and option pricing models which preferentially use information from external sources rather than internally-generated data.

Derivative instruments and hedge activities

Initially, derivatives are recognized at fair value when the derivative agreement is signed and are subsequently remeasured at fair value, with the changes in fair value included in the statement of operations. Although the Company uses derivatives for protection, it has not designated any instruments as hedges for accounting purposes.

(d) Trade accounts receivable and suppliers

These are initially stated at present value. The balances related to the foreign market are adjusted based on foreign exchange variations up to the balance sheet date.

(e) Allowance for doubtful accounts

Calculated in an amount considered sufficient to cover the risk of losses on amounts receivable, based on individual analyses by customer.

(f) Inventories

These are stated at the lower of cost (production, average purchase or extraction) and net realizable amounts.

(g) Income tax and social contribution

Income tax and social contribution are provided for based on current legislation. The deferred tax assets are recognized on temporary differences as well as income tax and social contribution tax loss carryforwards, to the extent that their realization is probable.

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The current tax rates of 25% for income tax and 9% for social contribution are used to calculate deferred taxes. Deferred tax liabilities relate to the sale of property, plant and equipment receivable in long-term installments, the realization for tax purposes of goodwill and the accelerated fiscal depreciation of the companies in Europe.

(h) Goodwill on downstream merger, net of provision

With the merger into the Company of the holder of 10.97% of its capital, the goodwill arising from the acquisition of the related shares, recorded in intangible assets of the merged company, was reduced by a provision pursuant to CVM Instruction No. 349/01, and a special reserve was set up for this merged goodwill. The reserve will benefit all the stockholders when it is used for capital increase. The net balance of the goodwill represents the amount of the tax benefit expected from its amortization and is classified in non-current assets - long-term receivables.

(i) Investments

Investments in subsidiaries are accounted for by the equity method, with the equity in the results of the investees recognized in the statement of operations as operating income or expense. The foreign exchange variations of investments in subsidiaries abroad are recorded in the account "Carrying value adjustments", in the Company's stockholders' equity, and will be recorded in the statement of operations only when the investment is sold or written down as a loss.

To calculate equity in the results, unrealized gains or transactions between the Company and its subsidiaries are eliminated proportionately to the Company's interest; unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred. When necessary, the accounting practices of the subsidiary and associated companies are adjusted to be consistent with the practices adopted by the Company.

Other investments are presented at acquisition cost, indexed for inflation through December 31, 1995, net of provision for losses, when applicable.

(j) Property, plant and equipment

These are stated at cost of purchase or formation, net of depreciation calculated in accordance with the expected useful lives and depletion, based on the straight-line method, at the rates described in Note 7.

Repairs and maintenance costs are allocated to the results of operations as they are incurred. The cost of major renovations is included in the book value of the asset when it is probable that

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the Company will realize future economic benefits that exceed the performance initially expected for the existing asset. Major renovations are depreciated over the remaining useful life of the related asset.

(k) Intangible assets

Goodwill or negative goodwill

Goodwill or negative goodwill on the acquisition of an investment is calculated as the difference between the purchase amount and book value of the stockholders' equity of the company acquired. Goodwill paid on the Company's acquisitions is supported by the expectations of future profitability, and up to December 31, 2008, was being amortized over periods of from 5 to 10 years (Note 8). As established in Technical Pronouncement CPC 13, as from January 1, 2009, the goodwill based on the expectation of future profitability is no longer systematically amortized but is subject to annual tests of recoverability as described in Note 4(o).

The negative goodwill recorded by the merged subsidiary Partimag S.A. (Note 1) on the acquisition of Magnesita S.A shares has not been amortized as there is no specific economic basis for amortization.

Software

Software licenses acquired and advisory services for their implementation are capitalized and amortized over their estimated useful lives (Note 8).

(l) Contingent assets and provision for contingencies

The recognition, measurement and disclosure of the contingent assets and liabilities and legal obligations are carried out in accordance with the criteria defined in CVM Deliberation 489/05 (Note 12):

- Contingent assets - these are not recorded in the books, unless favorable unappealable court decisions characterize the gain as certain.
- Provisions for contingencies - tax and social security - these are recorded considering the opinion of legal advisors, the nature of lawsuits, similarity to prior proceedings, complexity and positioning of the courts, whenever a loss is assessed as probable, an outflow of

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resources to settle the liabilities is probable, and the amounts involved can be calculated with sufficient certainty.

- Tax and social security contingent liabilities classified as possible losses are not recorded but are disclosed in the quarterly information, and those classified as remote losses do not need to be accrued or disclosed.
- Provision for contingencies - labor - considers the outstanding lawsuits and the historical average of unfavorable outcomes.

(m) Other post-employment obligations

The liability related to the defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets, adjusted for actuarial gains or losses and costs of past service. The defined benefit obligation is calculated annually by independent actuaries (Note 15).

(n) Variable compensation program

The Company accrues its program of employee variable compensation in connection with the operating and financial goals disclosed to its employees and agreed with the workers' union; the related expense was recorded as "General and administrative expenses" (Note 20). As the goals are measured at the end of the year, the provisions in this quarterly information are accrued based on the partial performance determined at September 30, 2010.

(o) Impairment of assets

Property, plant and equipment and other non-current assets, including goodwill, are reviewed annually to identify evidence of impairment, and also whenever events or changes in circumstances indicate that the book value may not be recoverable. In this case, the recoverable value is calculated to verify if there is any loss.

In the event of loss, it is recognized at the amount by which the book value of the asset exceeds its recoverable value, which is the higher between the net sales price and the value in use of an asset. For evaluation purposes, assets are grouped at the lowest level for which there are separately identifiable cash flows.

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(p) Provisions

Provisions are recognized when the Company has a legal or informal present obligation as a result of past events, it is probable that assets will be surrendered to settle the obligation, and a reliable estimate of the amount can be made.

(q) Share-based remuneration

The Company offers to its executives share-based remuneration plans, to be settled in Company stock, according to which the Company receives services in consideration for stock purchase options. The fair value of options granted is recognized as an expense, during the period in which the right is obtained, i.e., the period during which specific vesting conditions must be met. At the date of the balance sheet, the Company revises the estimated number of options which will vest and, subsequently, recognizes the impact of the change on the initial estimates, if any, on a prospective basis, in the statement of operations with a corresponding entry to the stockholders' equity.

(r) Loans and financing

Borrowings are initially recognized at fair value, upon receipt of funds, net of transaction costs. Subsequently, the borrowings are presented at amortized cost, that is, plus charges and interest in proportion to the period elapsed ("pro rata temporis").

(s) Other assets and liabilities

These are stated at known or estimated amounts, plus or minus, when applicable, the corresponding charges and monetary restatements or provisions for loss. Advances from customers are stated at historical values. The amounts related to vacation payable to employees are accrued proportionately to the vesting period and include the corresponding social security charges.

5 Cash and Cash Equivalents

The composition is as follows:

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	Consolidated		Parent company	
	9/30/2010	6/30/2010	9/30/2010	6/30/2010
Cash and banks	96,507	166,640	19,637	37,839
Marketable securities				
Fixed-income	353,489	293,116	332,774	271,318
	<u>449,996</u>	<u>459,756</u>	<u>352,411</u>	<u>309,157</u>

The consolidated item "Cash and banks" includes at September 30, 2010, R\$ 1,844 (R\$ 1,655 at June 30, 2010) in local currency and R\$ 94,663 (R\$ 164,985 at June 30, 2010) in foreign currency, and mainly represents deposits in bank current accounts. The "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 are available for immediate redemption. In the consolidated, a part of these fixed income securities, amounting to R\$ 3,443 (R\$ 9,882 at 6/30/2010) is denominated in foreign currency, mainly the US dollar.

6 Investments in Subsidiaries

(a) Information on investments (Parent Company)

		Investment in:	
	Investment in capital %	Adjusted net equity	Adjusted net income (loss)
Cerâmica São Caetano Ltda.			
Capital of R\$ 27,171 and 2,717,102,088 quotas (i)	100	-	(138)
Iliama Participações S.L.			
Capital of 3 thousand EUROS and 3,010 quotas	100	(35,150)	(3,447)
LWB Island Company Ltd.			
Capital of 285,429 thousand EUROS and 1,286 quotas	100	616,956	1,368
Magnesita Grundstücks Beteiligungs GmbH			
Capital of 25 thousand EUROS and 1 quota	100	64	(30)
Magnesita Refractories Corporation			
Capital of US\$ 650 thousand and 1 quota	100	144	(276)
Magnesita Insider Refratários Ltda.			
Capital of US\$ 1,590 and 1,590,000 quotas	100	71,396	10,986
MAG-Tec Ltda.			
Capital of US\$ 200 and 800,000 quotas	100	245	0
Massambaba Mineração Ltda.			
Capital of R\$ 1,001 and 1,001,000 quotas (i)	100	-	(88)
RASA - Refractories Argentinos S.A. I. C. y M.			
Capital of ARS 1,000 thousand and 1,000,000 shares	100	19,862	2,476
Refratários Magnesita Colômbia S.A			
Capital of COP 11,673,200 thousand and 1,167,320,000 quotas	100	5,070	2,105

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		Investment in:	
	Investment in capital %	Adjusted net equity	Adjusted net income (loss)
Refratários Magnesita Del Peru S.A.C. Capital of PEN 6,890 thousand and 1,000 quotas	100	(902)	987
Refratários Magnesita Uruguay S.A. Capital of UYU 450 thousand and 450,000 quotas	100	138	58
Total in 2010 (up to September)		677,823	14,001
Total in 2010 (1st six-month period)		655,764	984

(i) Companies merged on April 28, 2010.

(b) Changes in investments

Changes in the investment accounts during the 3rd quarter and accumulated up to September 2010 were as follows:

	3Q10	Parent company 9M10
Balance at the beginning of the period	656,907	914,241
Capital increase in subsidiaries (i)	-	11,250
Equity in the results of investees	13,017	14,001
Capital decrease in subsidiary (ii)	-	10 to 185,666
Merger of subsidiaries (iii)	-	(21,834)
Exchange variation of investments (iv)	9,043	(52,761)
Disposal of other investments	(13)	(277)
Balance at the end of the period	678,954	678,954

(i) Refers to capital increases in the subsidiaries Refractorios Magnesita Colombia and Magnesita Refractories Corporation.

(ii) Refers to capital decrease in the subsidiary LWB Island Company Ltd for capital remittance to Brazil. The corresponding entries to this capital decrease were recorded in cash, totaling R\$ 133,200, and intercompany loan totaled R\$ 52,466.

(iii) Merger of Cerâmica São Caetano Ltda., Massambaba Mineração Ltda. and MSA Agropecuária Ltda. on April 28, 2010 (Note 1).

(iv) Exchange variation of investments recognized in stockholders' equity (Note 4 (i)).

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(c) Related Parties (Parent Company)

Balances and transactions

The main balances receivable and payable at September 30, 2010 and the main transactions carried out during the nine-month period of 2010, such as sales, purchases of services and products and dividends received, involving the Company's subsidiaries, were as follows:

	Balances		Transactions	
	Trade accounts receivable	Suppliers	Credits (Debits)	Purchase of products
Magnesita Insider Refratários Ltda.	50	1,795	(861)	3,019
RASA - Refractorios Argentinos S.A. I. C. y M.	19,022	-	-	323
Iliama Participações S.L.	1,292	-	48,478	-
Refratários Magnesita Uruguay S.A.	180	-	-	-
Refratários Magnesita Colômbia S.A.	15,903	-	56	-
Refratários Magnesita Del Peru S.A.C.	6,874	-	-	-
Refratários Magnesita Chile.	2,130	-	-	-
LWB Group	15,847	-	2,016	-
Total at September 30, 2010	<u>61,298</u>	<u>1,795</u>	<u>49,689</u>	<u>3,342</u>
At June 30, 2010	<u>70,585</u>	<u>920</u>	<u>53,685</u>	<u>2,497</u>

Credits refer to interest-free loans to subsidiaries for their operating needs.

The purchases and sales of products and services between the parent company and its subsidiaries are transacted under conditions agreed by the parties. Considering that the percentage interest of the Company in its subsidiaries is 100%, they are eliminated in the consolidated financial statements.

Remuneration of the key management personnel

The compensation of the members of the Board of Directors and of the Executive Board up to September 2010 corresponded to R\$ 4,313 (R\$ 4,446 in the nine-month period of 2009). In addition, the fair value of the stock options granted in the amount of R\$ 4,088 (R\$ 899 in the nine-months of 2009) is recorded in the statement of operations.

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7 Property, Plant and Equipment

	Consolidated				Parent company				Annual depreciation rate - %
	September 2010		June 2010	September 2010		June 2010			
	Cost	Accumulated depreciation	Net amount	Net amount	Cost	Accumulated depreciation	Net amount	Net amount	
Land	57,974	-	57,974	58,803	12,564	-	12,564	12,564	Based on volume 2.5 to 10
Mineral deposits	36,087	(3,593)	32,494	34,196	9,132	(1,884)	7,248	7,366	
Buildings and improvements	394,548	(145,068)	249,480	256,823	143,234	(85,404)	57,830	58,175	
Machinery, facilities and equipment, including IT	954,766	(584,941)	369,825	382,302	664,156	(444,724)	219,432	226,387	4 to 33
Transportation equipment	14,896	(13,159)	1,737	1,987	12,144	(11,061)	1,083	1,228	4 to 33
Furniture and fixtures and other	46,132	(20,911)	25,221	23,523	20,731	(9,749)	10,982	8,953	4 to 33
Construction in progress	60,526		60,526	61,932	27,765	-	27,765	31,100	
Total property, plant and equipment	1,564,929	(767,672)	797,257	819,566	889,726	(552,822)	336,904	345,773	

Changes in property, plant and equipment accounts in the 3rd quarter of 2010 were as follows:

	Consolidated	Parent company
At June 30, 2010	819,566	345,773
Additions	19,622	10,466
Disposals	(3,259)	(45)
Depreciation	(26,45)	(13,674)
Transfer to intangible assets	(5,616)	(5,616)
Exchange variation (assets abroad)	(6,311)	-
At September 30, 2010	797,257	336,904

8 Intangible Assets

	Consolidated				Parent company				Annual amortization rate
	September 2010		June 2010		September 2010		June 2010		
	Cost	Accumulated amortization	Net amount	Net amount	Cost	Accumulated amortization	Net amount	Net amount	
Software and other	65,424	(26,233)	39,191	35,918	63,123	(24,643)	38,480	35,148	20%
Goodwill on acquisition of investments									
(i)									
Magnesita S.A.	1,316,509	(272,855)	1,043,654	1,043,654	1,316,509	(272,855)	1,043,654	1,043,654	
LWB (ii)	1,023,259	(2,602)	1,020,657	1,000,055	296,888	(2,602)	294,286	281,572	
Insider - Insumos Refratários para Siderurgia Ltda.	40,536	(699)	39,837	39,837	-	-	-	-	
Total intangible assets	2,445,728	(302,389)	2,143,339	2,119,464	1,676,520	(300,100)	1,376,420	1,360,374	

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- (i) The goodwill paid on the acquisition of investments is supported by the expected future profitability and was tested at December 31, 2009 for indications of impairment. The impairment tests were carried out considering the following assumptions: (a) the method currently used by the Company to manage its operations and, consequently, the goodwill; (b) evaluation, based on the value in use, of the group of cash generating units; (c) preparation of the discounted cash flow at present value based on assumptions in line with the current market conditions; and (d) future projections in conformity with the Company's business plan. These tests did not indicate any decrease in the recoverable value of goodwill.
- (ii) The consolidated includes the amount of R\$ 726,372 (R\$ 718,482 at June 30, 2010) for goodwill presented in the financial statements of LWB, prior to the acquisition by the Company.

Changes in the intangible asset accounts in the 3rd quarter of 2010 were as follows:

	Consolidated	Parent company
June 30, 2010	2,119,464	1,360,374
Transfers from property, plant and equipment	5,616	5,616
Exchange variation (i)	20,012	12,017
Amortization	(2,487)	(2,284)
Additions	734	697
September 30, 2010	<u>2,143,339</u>	<u>1,376,420</u>

- (i) As required by CPC 02, (R1) the goodwill arising from the expectation of future profitability paid on the LWB acquisition is expressed in the functional currency of LWB (Euro), as is the goodwill recorded in the LWB financial statements prior to its acquisition by the Company.

9 Salaries and Social Charges

	Consolidated		Parent company	
	9/30/2010	6/30/2010	9/30/2010	6/30/2010
Provision for vacation pay and payroll charges	20,866	19,781	20,516	19,700
Provision for the 13th. month salary and charges	11,062	7,081	10,972	7,081
Salaries payable	16,195	16,404	2,834	2,683
Rescissions payable	7,500	9,141	-	-
Provision for bonus and charges	30,576	19,606	23,638	14,953
Social charges payable	5,749	4,653	3,888	2,999
Government Severance Indemnity				
Fund for Employees (FGTS) payable	1,093	1,048	1,084	1,048
Other social charges payable	2,082	2,677	358	354
	<u>95,123</u>	<u>80,391</u>	<u>63,290</u>	<u>48,818</u>

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10 Loans and Financing

	Currency	Annual average interest rate	Consolidated		Parent company	
			9/30/2010	6/30/2010	9/30/2010	6/30/2010
Export credit note	R\$	CDI +2.51%	1,051,752	1,013,400	1,051,752	1,013,400
(-) Unamortized transaction costs		-	(14,756)	(14,143)	(14,756)	(14,143)
Import financing	US\$	2.32%	10,821	4,750	10,821	4,750
Property, plant and equipment financing						
In local currency	R\$	Long-term Interest Rate (TJLP) +2.05%	690	745	690	745
Leasing	R\$	CDI	728	860	529	645
Advances on export invoices						
In foreign currency	US\$	4.48%	153,142	195,648	153,142	195,648
Other	US\$	7.25%	12,957	14,167		
Other	€	6.67%	20,846	34,044		
			<u>1,236,180</u>	<u>1,249,471</u>	<u>1,202,178</u>	<u>1,201,045</u>
		Current	<u>98,415</u>	<u>223,837</u>	<u>91,985</u>	<u>206,733</u>
		Non-current	<u>1,137,765</u>	<u>1,025,634</u>	<u>1,110,193</u>	<u>994,312</u>

(a) Export credit note

The Company carries out export credit note transactions with the following characteristics:

- Creditor: Banco Bradesco S.A.
- Amount: R\$ 144,088
- Term: 5 years
- Grace period: 2 years
- Annual interest: CDI + 2.75% (up to 8/14/2009, CDI + 1.39%; from 8/15/2009 to 2/10/2010, CDI + 4.0%)
- Creditor: Banco Itaú BBA S.A.
- Amount: R\$ 704,101
- Term: 5 years
- Grace period: 3 years
- Annual interest: CDI + 2.75% (up to 8/14/2009, CDI + 1.39%; from 8/15/2009 to 4/8/2010, CDI + 4.0%)

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- Creditor: Banco do Brasil S.A.
- Amount: R\$ 203,563
- Term: 5 years
- Grace period: 3 years
- Annual interest: CDI + 1.50%
- Covenants: Net debt / Ebitda (4.75 up to 12/31/2010; 4.00 up to 12/31/2011; and 3.75 onwards)

The unamortized transaction costs correspond to the commission paid upon the renegotiation of the contracts and will be amortized over their terms.

The annual financial covenants of the export credit notes, except for Banco do Brasil, are as follows:

	Net Debt/Ebitda - maximum	Ebitda/Net Financial Expense - minimum
1Q 2010	5.5	1.50
2Q 2010	5.0	1.75
3Q 2010	4.5	1.75
4Q 2010	4.5	2.00
1Q 2011	4.0	2.00
2Q 2011 onwards	3.5	2.00

At September 30, 2010 the Company was in compliance with the requirements.

(b) Advances on export invoices

Advances on export invoices refer to future exports of the Company, and were obtained from financial institutions. For these transactions, export trade notes have not yet been provided as guarantee at September 30, 2010. The creditors are the Banks: Bradesco, Banco do Brasil, Santander, HSBC, Itaú and Safra.

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(c) Maturities

At September 30, 2010, long-term maturity is as follows:

	<u>Consolidated</u>	<u>Parent company</u>
2011	16,637	3,081
2012	26,561	21,741
2013	292,363	290,060
2014	401,267	398,873
2015	400,937	396,438
	<u>1,137,765</u>	<u>1,110,193</u>

11 Long-term Debt Securities (Consolidated)

During the 1st quarter of 2010, the Company issued US\$ 400 million in debt securities denominated in US dollars, through its wholly-owned subsidiary Rearden G Holdings Eins GmbH ("Rearden"). These securities are unsecured and unsubordinated obligations of Rearden and are fully and unconditionally guaranteed by the Company, through subsidiary Mag-Sé Participações Ltda. and by other Company subsidiaries located abroad.

These debt securities have the following characteristics:

- Term: maturity in 2020
- Annual interest: 7.875%, paid semi-annually

The unamortized transaction costs of R\$ 14,240 correspond to expenses incurred in issuing the debt securities and will be amortized up to 2020 based on the internal rate of return (IRR), as per CPC08.

At September 30, 2010, the total of long-term debt securities is R\$ 657,894 (June 30, 2010 - R\$ 701,326).

12 Provision for Contingencies

The Company and its subsidiaries are parties in lawsuits and administrative proceedings in various courts and government entities, resulting from the normal course of their operations, involving mainly tax matters, in addition to labor and social security aspects. The provisions for

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contingencies are determined based on the analysis of pending lawsuits, assessments and evaluations of risk. The composition is as follows:

	Consolidated		Parent company	
	9/30/2010	6/30/2010	9/30/2010	6/30/2010
Tax - Provision	78,704	78,528	78,692	78,517
Tax - Judicial deposit	(4,711)	(4,711)	(4,711)	(4,711)
Labor - Provision	15,786	17,749	15,786	17,749
Labor - Judicial deposit	(321)	(321)	(321)	(321)
Social Security - Provision	1,942	1,892	1,942	1,892
	<u>91,400</u>	<u>93,137</u>	<u>91,388</u>	<u>93,126</u>
Current - Provision	942	942	942	942
Current - Judicial deposit	(942)	(942)	(942)	(942)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-current - Provision	95,490	97,227	95,478	97,216
Non-current - Judicial deposit	(4,090)	(4,090)	(4,090)	(4,090)
	<u>91,400</u>	<u>93,137</u>	<u>91,388</u>	<u>93,126</u>

The changes in provisions in the 3rd quarter of 2010 are as follows:

	Consolidated	Parent company
At June 30, 2010	93,137	93,126
Reductions	(2,722)	(2,722)
Monetary restatements	<u>985</u>	<u>984</u>
At September 30, 2010	<u>91,400</u>	<u>91,388</u>

The Company's management, based on information provided by its legal advisors, recorded provisions at amounts considered sufficient to cover probable unfavorable outcomes for the lawsuits in progress, classified between short and long-term, in accordance with the expectation of their conclusion, as stated above.

At September 30, 2010 and June 30, 2010, the Company and its subsidiaries do not have significant tax and social security lawsuits involving risks of unfavorable outcome classified by management as possible (for which there is no provision), based on the evaluation of its legal advisors.

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Magnesita S.A., a merged company, received tax assessment notices from the social security authorities (INSS), in the total amount of R\$ 26,677 at June 30, 2008 values, related to certain matters for which it was considered necessary to record provisions of R\$ 17,970, restated up to June 30, 2008.

These tax assessment notices were issued without observing the five-year statute of limitations period. On June 12, 2008 the Federal Supreme Court (STF) issued the "Stare Decisis" No. 8, confirming the five-year statute of limitations period, and declaring the unconstitutionality of articles 45 and 46 of Law 8212/91. Considering this fact and the opinion of the lawyers who are defending these tax assessment notices, the Company reversed the provisions corresponding to the periods which were confirmed to have lapsed. The corresponding judicial deposits of R\$ 6,367, not yet returned to the Company, were transferred to Non-current - Long-term receivables.

In 2006, a decision favorable to Magnesita S.A. was handed down on the lawsuit in which Magnesita S.A. was claiming its right to the full inflation indexation of the Centrais Elétricas S.A. - Eletrobrás compulsory loans, for which no appeal can be made regarding its merit. Eletrobrás was sentenced to pay an amount established in an expert appraisal report, as well as to deliver shares of its issuance to Magnesita S.A. Later, the Company filed a collection suit against Eletrobrás in order to receive the amounts related to the unappealable decision, and part of the amount claimed by the Company, of approximately R\$ 8,100, was recognized by Eletrobrás and recorded in the Company's financial statements for 2006. The collection lawsuit of the amount not recognized by Eletrobrás continued, and a judicial deposit of R\$ 69,687 was made in August 2007 by Eletrobrás. In the fourth quarter of 2009, based on the opinion of its legal advisors, the Company requested the release of the judicial deposit under the understanding that the term for Eletrobrás to appeal against the collection execution had expired. In January 2010, the Company obtained a favorable decision at the second judicial level with respect to the release of the judicial deposit, whose chances of reversal through new appeals, already filed by Eletrobrás (presently awaiting the court's decision), are considered minimal by its legal advisors. Accordingly, in the 4th quarter of 2009, the Company decided to record the restated amount of R\$ 65,189, net of lawyers costs, in the statement of operations, in "Other operating income (expenses), net", and "Receivables - Eletrobrás" in current assets.

For the labor lawsuits, the Company's management adopts the criterion of making provisions for all the outstanding lawsuits in amounts estimated as probable losses from unfavorable outcomes, based on average losses over the last three years.

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13 Income Tax and Social Contribution

(a) Deferred tax assets

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. Deferred tax assets, by nature, are as follows:

	Consolidated		Parent company	
	9/30/2010	6/30/2010	9/30/2010	6/30/2010
Deferred taxes on temporary differences				
Provision for losses on permanent assets	890	890	890	890
Provision for contingencies	24,031	24,328	24,031	24,328
Post-employment liabilities	44,771	45,143	8,865	8,353
Provision for bonus	8,037	5,084	8,037	5,084
Other	15,355	18,713	3,252	3,516
	<u>93,084</u>	<u>94,158</u>	<u>45,075</u>	<u>42,171</u>
Deferred taxes on income tax and social contribution loss carryforwards	<u>162,851</u>	<u>149,897</u>	<u>162,851</u>	<u>149,897</u>
Total deferred tax assets	<u>255,935</u>	<u>244,055</u>	<u>207,926</u>	<u>192,068</u>

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 liabilities will be realized as the benefits are paid from the Fund for Supplementary Retirement and Pensions.

The estimates of future results, combined with the history of their operations, indicate that the Company and its subsidiaries will generate future taxable income in an amount sufficient to offset the deferred taxes. The estimates of future taxable income include assumptions related to the performance of the Company, its market and the economy, among others. Actual results may differ from those estimates.

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The recorded deferred tax assets are supported by a technical study, carried out in compliance with CVM Instruction 371/02, which was approved by the Statutory Audit Board on March 3, 2010.

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(b) Reconciliation of the income tax and social contribution expense

	Consolidated		Parent company	
	9M10	9M09	9M10	9M09
Income (loss) before taxes, net of management profit sharing	108,410	(38,797)	99,595	(49,129)
Standard rate - %	34%	34%	34%	34%
Tax at the combined standard rate	(36,859)	13,191	(33,862)	16,704
Income tax and social contribution on:				
Recognition/reversal of contingent provision	804	(874)	804	(874)
Equity in the results of investees	-	-	4,760	(19,156)
Effect of different rates of subsidiaries located in other jurisdictions	(2,929)	(1,169)	-	-
Effect of the rule of limitation of interest deductibility in Germany	(6,948)	(15,345)	-	-
Other permanent differences, net	7,769	(5,587)	31	2,125
Income tax and social contribution expense	<u>(38,163)</u>	<u>(9,784)</u>	<u>(28,267)</u>	<u>(1,201)</u>
Current expense	(13,093)	(4,628)	(954)	2,280
Deferred expense	(25,070)	(5,156)	(27,313)	(3,481)

(c) Deferred taxes -non-current liabilities

The composition is as follows:

	Consolidated		Parent company	
	9/30/2010	6/30/2010	9/30/2010	6/30/2010
Deferred taxes on real estate profit	15,981	17,517	15,981	17,517
Deferred taxes on fiscal amortization of goodwill (i)	173,646	162,170	173,646	162,170
Social Contribution on Net Income (CSLL) on tax incentives	2,662	2,662	2,662	2,662
Deferred taxes on accelerated fiscal depreciation	50,998	52,465	-	-
	<u>243,287</u>	<u>234,814</u>	<u>192,289</u>	<u>182,349</u>

- (i) As from January 1, 2009, the goodwill attributable to expectation of future profitability is no longer amortized, according to the CPC 13 technical pronouncement. The Company has been recognizing under the terms of MP 449/08 (converted into Law 11941/09), through the Transitional Tax System, the fiscal amortization of this goodwill. The deferred tax effect of this amortization is recorded in non-current liabilities.

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14 Stockholders' Equity

(a) Capital

At September 30, 2010 the Company's capital is R\$ 2,388,845, represented by 258,211,934 common shares, nominative and with no par value.

(b) Dividends

Stockholders are entitled to a minimum dividend corresponding to 25% of net income for the year, adjusted in conformity with the Brazilian Corporation Law and the Company's by-laws, observing all the provisions therein stipulated.

(c) Capital reserves

- Special reserve - Law 8200/91: this refers to the additional price-level indexation adjustments in 1991, related to the merged balance of the subsidiary Magnesita S.A. in conformity with Law 8200/91. This reserve may be used to increase capital or absorb accumulated losses.
- Special merged goodwill reserve: this corresponds to the goodwill arising from the merger of the stockholder of Magnesita Refratários S.A., net of the provision recorded under CVM Instruction 349/01. When this reserve is used for capital increase, the shares will be distributed to all the stockholders.
- Stock options granted: represent the value of the Company's stock options granted to management, in conformity with CPC 10/2008.

(d) Revenue reserve

Reinvestment reserve: received upon merger of the subsidiary Magnesita S.A.

(e) Carrying value adjustments

Represent the exchange variation of investment in subsidiaries abroad and goodwill, in conformity with Law 11638/07, net of tax effects, if applicable.

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15 Supplementary Retirement and Pension Plan

Parent company

The Company sponsors Magnus Sociedade Previdenciária ("Magnus"), a not-for-profit civil entity, formed for the purpose of partially supplementing the retirement and pension allowances granted by the National Institute of Social Security (INSS).

The Company offers its employees a Defined Contribution (CD) benefit plan with contributions by the sponsor and the participant. The CD plan allows participants to constitute supplementary retirement funds, with transparency and low cost. In addition, there are no risks arising from actuarial liability, since the benefit to be granted will depend on the accumulated contributions and future profitability of the fund.

The employee contributions vary from 0.7% to 5.925% of the salaries and the sponsor contributions vary from 1.30% to 8.875% in accordance with the salary and the age of the participant. For 2010 the estimated cost to fund the Defined Contribution Plan is R\$ 6,026, to be appropriated to cost of products sold and services rendered, selling expenses or general and administrative expenses in accordance with the participants allocation in the Company structure. At September 30, 2010 Magnus had 6,342 active participants (June 30, 2010 - 6,385).

As regards the Defined Benefit Plan, Magnus adopts the financial capitalization system for retirement benefits. The costing plan, which is defined on an actuarial basis, is maintained exclusively through contributions of the sponsors and includes only the former employees that already enjoyed this benefit at the date of approval of the new Defined Contribution Plan, on July 27, 2009.

At September 30, 2010, Magnus had 235 retired participants and pensioners (June 30, 2010 - 235) and 1,162 awaiting the deferred benefit (June 30, 2010 - 795).

In accordance with CVM Resolution 371 an independent actuary (Mercer) carried out the actuarial valuation of the defined benefit plan in 2009 using the projected unit credit method to determine the present value of the obligations.

This liability, which corresponds to the beneficiaries of the Defined Benefit Plan, was recognized by the sponsor in long-term liabilities - post-employment liabilities, with the deferred gains or losses being recognized in accordance with CVM Resolution 371.

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The effects at December 31, 2009 were as follows:

				Parent company
	Present value of liabilities	Fair value of the assets	Net amount of unrecognized gains	Recognized liability
At December 31, 2009	(184,437)	143,438	19,446	(21,553)

The Defined Benefit Plan's actuarial costs calculated for 2010 are as follows:

	9/30/2010
Current service cost	(340)
Interest cost	(19,911)
Earnings from plan assets	14,233
Contributions from former employees	46
Cost of amortization of actuarial losses	(54)
	(6,026)

The costs for 2010 are recorded proportionally in the first nine months, and appropriated to results in other operating expenses.

These costs, considering the procedures defined by CVM Resolution 371, represented R\$ 4,521 in the nine-month period ended September 30, 2010.

Subsidiaries in North America, Europe and China

The subsidiaries in North America, Europe and China maintain retirement plans for their employees, and their actuarial liabilities, recognized in the consolidated quarterly information at September 30, 2010, are as follows:

Description	Region			
	Europe	United States	China	Total
Defined Benefit Plan	91,373	81,665	-	173,038
Premium for length of service	3,349	-	-	3,349
Early retirement plan	-	-	24,922	24,922
At September 30, 2010	94,722	81,665	24,922	201,309

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Defined Contribution Plans

The subsidiary in the United States operates a defined contribution plan named "Thrift Savings Plan (401K)" with the objective of encouraging its employees to build their supplementary retirement fund over the years. All the employees of the subsidiary in the 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\$ 1,948 in the nine months of 2010 (R\$ 1,936 in nine months of 2009) calculated at the rates defined in the respective rules. Of this total amount, R\$ 730 was recorded in the costs of products sold, R\$ 556 in selling expenses and R\$ 662 in administrative expenses (nine months of 2009: R\$ 624, R\$ 509 and R\$ 803, respectively).

Defined Benefit Plans

The subsidiaries in Europe and United States also maintain defined benefit plans, the liabilities of which are calculated under the projected unit credit method by an independent actuary, as follows:

	Europe		United States	
	9/30/2010	6/30/2010	9/30/2010	6/30/2010
Present value of actuarial liability	(91,373)	(87,725)	(282,036)	(210,807)
Fair value of the assets	-	-	208,983	153,273
Unrecognized actuarial gains/losses	-	-	(8,612)	(8,974)
Actuarial liability	<u>(91,373)</u>	<u>(87,725)</u>	<u>(81,665)</u>	<u>(66,508)</u>

The total cost incurred for these plans was R\$ 1,110 in the nine-month period of 2010 (R\$ 2,399 in the nine-month period of 2009). Of this amount, R\$ 1,582 was recorded in cost of products sold, R\$ 915 in selling expenses and (R\$ 1,387) in administrative expenses (nine-month period of 2009 - R\$ 974, R\$ 641 and R\$ 784, respectively).

Early Retirement Plan

In 2007 the 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.

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16 Stock Option Plan

In conformity with its Articles of Incorporation, the Company has a stock option plan approved at a 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 to 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 cannot be transferred during the first year.

The number of stock options and their related weighted average prices are as follows:

	9/30/2010		6/30/2010	
	Number (thousand)	Average price (R\$)	Number (thousand)	Average price (R\$)
Outstanding at the beginning of the period	9,166	3.47	9,166	3.47
Granted during the period	550	5.72	550	5.72
Balance of options	9,716	3.68	9,716	3.68
Adjustment of probability	77.8%		77.8%	
Number to be accounted for on the accrual basis	7,559	3.68	7,559	3.68

The amount to be recorded on the accrual basis, considering a five-year term for exercising the options, adjusted for probability, amounts to R\$ 27,779. The amount of R\$ 4,088 was recorded in 2010, bringing the balance of the specific stockholders' equity account to R\$ 9,567.

On June 24, 2010, the Company issued 257,556 shares which were paid by some managers through the exercise of stock options. The capital increased R\$ 2,813 and the share unit value issued was R\$ 10.92.

The model and the assumptions adopted for calculating the fair value are as follows:

- 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: 8.15% p.a.
- Spot value: value of the Company's share at the date of grant.

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- Strike price: as stipulated in the stock option plan (R\$ 10.00).
- Term: average term of the options.
- Dividend: 1.2% on the market value of the share.

17 Other Operating Income (Expenses), Net

	3rd Qtr./10	3rd Qtr./09	Parent company	
			9M10	9M09
Labor indemnities	(870)	(2,468)	(3,024)	(11,024)
Sundry indemnities	211	3,220	221	3,208
Provision for contingencies	-	(893)	(1,162)	(3,425)
Judicial recovery of taxes	36	(13)	3,112	3,218
Reversal of tax provisions	759	-	8,629	-
Economic subsidies	1,012	-	1,012	-
Assignment of rights of payroll processing	800	800	2,400	2,400
Income from sale of property, plant and equipment	(17)	12,491	(6)	20,633
Disposal of property, plant and equipment	(28)	(9,458)	(385)	(14,781)
Net gains on real estate project (i)	319	9,803	12,120	16,739
Benefits to employees (Magnus)	(1,507)	-	(4,521)	-
Other, net	777	267	818	1,121
	<u>1,492</u>	<u>13,749</u>	<u>19,214</u>	<u>18,089</u>
	3rd Qtr./10	3rd Qtr./09	Consolidated	
			9M10	9M09
Labor indemnities	(870)	(2,919)	(3,450)	(12,546)
Sundry indemnities	211	3,220	221	3,208
Provision for contingencies	-	(893)	(1,162)	(3,425)
Judicial recovery of taxes	36	39	3,112	3,910
Reversal of tax provisions	759	-	8,629	-
Economic subsidies	1,012	-	1,012	-
Reversal of health plan (ii)	1,568	-	12,293	-
Assignment of rights of payroll processing	800	800	2,400	2,400
Restructuring expenditure	(445)	(8,578)	(1,615)	(18,601)
Income from sale of property, plant and equipment	(17)	19,327	(6)	22,344
Disposal of property, plant and equipment	(3,419)	(14,781)	(3,776)	(14,781)
Net gains on real estate project (i)	319	9,803	12,120	16,739
Benefits to employees (Magnus)	(1,507)	-	(4,521)	-
Other, net	(1,095)	917	(2,181)	(2,484)
	<u>(2,648)</u>	<u>6,935</u>	<u>23,076</u>	<u>(3,236)</u>

- (i) Refers to the sale of assets related to real estate ventures as part of the Company strategy to identify and sell non-operating assets, in order to reinvest the funds obtained from this

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process in the Company's core business. The sales were made for payment in installments and the balances receivable are subject to monetary restatement and interest, according to indices negotiated case by case.

- (ii) Refers to reversal of part of the provision for payment of health care benefits in the United States due to changes in regulation.

18 Financial Instruments

(a) Identification of financial instruments

The financial instruments of the Company and its subsidiaries are recorded in asset and liability accounts at September 30, 2010. 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 seeking always to protect its financial 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 book 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.

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(b) Credit risk

The Company's sales policy is subordinated to the credit rules determined by 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 sector, as well as insurance and export letters of credit. The Company records an allowance for doubtful accounts to cover the credit risk.

(c) Interest rate risk

The main interest rates on loans and financing are based on CDI variation (Note 10). The interest rates contracted on the financial investments are also based on CDI (Note 5).

Management believes that the future variation in these floating interest rates will not generate effects that the Company's business cannot support.

(d) Foreign exchange rate risk

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

	Consolidated - 9/30/2010		
	USD	€	R\$ Other currencies
Assets and liabilities in foreign currency			
Cash and banks	33,131	35,482	26,050
Marketable securities	3,239	-	204
Accounts receivable, net of allowance for doubtful accounts	88,417	112,817	31,133
Suppliers	(39,054)	(47,700)	(21,481)
Loans and financing	(176,920)	(20,846)	-
Issue of debt securities	(657,894)	-	-
Other net monetary liabilities abroad	(63,193)	(155,054)	(22,132)
	<u>(812,274)</u>	<u>(75,301)</u>	<u>13,774</u>

The US dollar-denominated loans are backed by transactions carried out in the United States and Europe, in addition to exports of the Parent Company in this currency, up to the approximate amount of US\$ 343 million. The exceeding amount was hedged against foreign exchange losses. Therefore, management considers that the exchange variation risk is mitigated by these operations.

The net exposure of the Company and its subsidiaries to the risk of foreign exchange rate

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fluctuations, presented in the chart above, is substantially backed by its own generation of cash in the functional currency of each region. Accordingly, as the Company's operations are carried out with currencies specific of each region, management understands that these foreign currency amounts do not represent relevant risk of foreign exchange variation to the Company's financial statements.

Additionally, the Company has subsidiaries abroad with non-monetary assets, mainly in Euros and U.S. Dollars, in an amount equivalent to R\$ 1,482,233, any future devaluation of which will not affect cash.

(e) Derivatives

The Company does not enter into transactions with derivatives for speculative purposes, nor does it usually settle these transactions before maturity.

The Company monitors foreign exchange rate risks arising from its indebtedness denominated in foreign currency exceeding the volume of transactions in the corresponding currency, considering the tendencies of foreign exchange rates, specifically US Dollar, Euro and Real, for decision making as to swap transactions.

Accordingly, the indirect subsidiary Rearden G Holdings Eins GmbH contracted a swap transaction during the 2nd quarter of 2010, since the US Dollar debt amount exceeded the volume of related transactions. This operation was made in the over-the-counter market with Itaú BBA S.A.

Description	Maturity ranges month/year	Europe - 9/30/2010	
		Notional value-thousands	Fair value R\$
Exchange rate hedge:			
<u>Germany - swap</u>	3/30/2015		
Receiving position		US\$ 150,000	(7,754)
Paying position		Euro 118,110	
<u>UK - NDF</u>	10/29/2010 to 7/29/2011		
Receiving position		GBP 4,340	104
Paying position		Euro 4,896	

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(f) Sensitivity analysis

The table below presents the sensitivity analysis of the financial instruments, including derivatives, describing the risks that may result in material losses for the Company and includes the most probable scenario (scenario I) according to management's evaluation. Also, in accordance with CVM Instruction 475/08, two other scenarios (II and III) are presented, which contemplate deterioration of 25% and 50%, respectively, in the risk variable selected, when compared to scenario I.

Foreign exchange risk

The sensitivity analysis was prepared based on available quoted financial market information which was used to calculate the future value of operations. Management considered the fair value of the contracts at the balance sheet date as the probable scenario. This fair value is determined by transforming future flows in Euros into US dollars (based on future parity of these currencies in the financial market) and subsequently comparing the two flows in US dollars.

Transaction	Risk	Income (expenses) (R\$)		
		Scenario I (probable)	Scenario II	Scenario III
Germany-(hedge) Swap	Appreciation of Euro against US Dollar	(7,754)	(91,431)	(175,108)
Debt securities (portion subject to hedge)	Appreciation of Euro against US Dollar	7,754	91,431	175,108
UK-(hedge) NDF	Appreciation of Pound Sterling against Euro	104	(1,528)	(4,792)
Sale transactions (portion subject to hedge)	Appreciation of Pound Sterling against Euro	(104)	1,528	4,792
Total net effect		-	-	-

For the purposes of the sensitivity analysis presented above, income/expenses in foreign currencies were translated into reais based on the closing price at September 30, 2010.

Interest rate risk

We considered as probable scenario the estimation of the Brazilian Central Bank for CDI rates in 2010. In addition, scenarios II and III were calculated as deteriorations of 25% and 50% respectively, on the probable scenario, considering these hypotheses for 2010. This situation would result in the following financial expenses for the Company in 2010, considering the floating part of the interest rate:

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Transaction	Risk	Financial expense (R\$)		
		Scenario I (probable)	Scenario II	Scenario III
Export credit note	CDI	148,420	178,930	209,440

Based on management's assessment, the future variation in these floating interest rates will not generate effects that the Company's business cannot support. Furthermore, part of the financial investments in the amount of R\$ 350,046 is linked to the CDI, which reduces the effects of the variation of this interest rate.

19 Insurance

The Company and its subsidiaries maintain insurance policies to cover operating risks, comprising industrial facilities, machinery and inventories. This coverage insures loss of profits, risk of fires, floods and other events, as follows:

	Consolidated		Parent company	
	9/30/2010	6/30/2010	9/30/2010	6/30/2010
Asset amounts insured	2,723,269	2,723,269	1,591,786	1,591,786
Loss of profits	1,282,387	1,282,387	587,512	587,512
Civil liability	276,188	276,188	25,000	25,000

The Company also maintains management civil liability insurance, credit insurance, group life insurance for employees, transportation insurance, employee accident insurance and employee travel insurance.

20 Variable Compensation Program

The Company and its subsidiaries maintain a variable compensation program (PRV) for employees who meet the criteria agreed with the workers' union and participate in a program for the achievement of goals set by the Company. The amounts scheduled for payment in 2011 are recorded in the Provision for bonus and charges as described in Note 9.

* * *

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07.01 - Comments on Consolidated Performance During the Quarter

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

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12.01 - Comments on Consolidated Performance During the Quarter

MAGNESITA REPORTS NET INCOME OF R\$ 31.6 MILLION IN 3Q10, 28.6% HIGHER THAN IN 2Q10, TOTALING R\$ 70.7 MILLION FOR 9M10 AND ANNOUNCES A US\$ 45 MILLION INVESTMENT TO VERTICALIZE IN GRAPHITE.

Contagem, November 12, 2010 – MAGNESITA REFRATÁRIOS S.A. (BM&FBOVESPA: MAGG3) today reported its results for the third quarter of 2010 (3Q10). The Company's consolidated operating and financial information, except where otherwise stated, is stated in thousands of Reais and pursuant to the Brazilian Corporate Law.

HIGHLIGHTS



CPP - Cost per Performance

- In 3Q10 and beginning of 4Q10, the company signed **eight new contracts** in the steel industry: four in Europe and four in North America, including two plants belonging to Gerdau; one integrated plant (first time in the region) and another one of the largest mini-mills in the United States;
- The CPP contracts closed in the US after the acquisition of LWB, if annualized, represent over US\$ 50.0 million in revenues.



Sales Volume

- In the domestic market, the volume of sales for refractories improved by 10.5% in 3Q10 when compared with 2Q10 and 24.1% year-over-year;
- The units in South America (SA) registered a **new record**, contributing **86,586 tonnes of refractories in the quarter**;
- During the year, (9M10), the total volume of refractories sold grew 30.6% year-over-year.



Net Revenues

- In 3Q10, net revenues totaled **R\$ 570.5** million, 3.4% higher than in 2Q10 and 18.0% greater than in 3Q09;
- Comparing the 9M10 results with the same period of the previous year, growth was 21.6%;
- In the South American units, net revenues were up by 9.8% when compared with 2Q10;
- Outside of South America, sales were impacted by lower production of steel in Europe (a 14.8% reduction) and in the United States (down 5.3%), mainly due to summer holidays. In Brazilian *Reais*, revenues outside of South America also were impacted negatively by the 2.4% appreciation of the *Real* against the US Dollar and the 0.6% appreciation of the *Real* against the Euro (considering average exchange rates for the period). Other accounts were impacted by the monetary variations at the end of the period: US Dollar, - 6.0% and Euro, +4.8%.

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12.01 - Comments on Consolidated Performance During the Quarter

EBITDA

- In 3Q10, EBITDA amounted to R\$ 108.6 million, down 1.4% from the R\$ 110.1 million reported in 3Q09;
- EBITDA for 9M10 totaled **R\$ 351.3 million** compared with R\$ 226.2 million obtained in 9M09, representing a 55.3% increase;
- The highlight was the EBITDA of the South American units, which contributed 68.4% of the EBITDA for the quarter, corresponding to **R\$ 74.3 million**. This amount was 8.1% higher than 2Q10;
- EBITDA in the units outside of South America was impacted by the lower level of economic activity that is typical for the period and was also negatively impacted by the appreciation of the *Real* during the period.

Net Income

- In 3Q10, net income came to R\$ 31.6 million, up 28.6% quarter-over-quarter and 29.5% higher year-over-year;
- In 9M10, net income amounted to R\$ 70.7 million, versus a R\$ 49.7 million loss in 9M09.

Investments

- In addition to the R\$ 220.0 million that will be invested in the expansion of M-30 sinter production in Brumado, the company announced another strategic investment of approximately US\$ 45.0 million for the exploitation of graphite located in Almenara, Vale do Jequitinhonha in Minas Gerais State. After its conclusion in 2012, this facility will have an installed capacity of 40,000 metric tons per year, which will fully meet the Company's internal demand;
- This year, the Company expects to purchase approximately 17.0 thousand tonnes of graphite from outside suppliers for the production of refractory products, representing costs of US\$ 17.0 million.
- Graphite prices have increased, on average, by 14% p.a. over the past six years. A reduction of exports from China caused prices to increase by 30% over the past three months. There have been strong evidences of graphite shortage in the market, also influenced by the increasing consumption of graphite for the production of lithium-ion batteries.

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12.01 - Comments on Consolidated Performance During the Quarter

MAIN INDICATORS

Indicator	Quarter			Change %		Accumulated		Change %
	3Q10(a)	2Q10(b)	3Q09(c)	(a/b)	(a/c)	9M10(d)	9M09(e)	(d/e)
Net operating revenues (R\$ thousand)	570,537	551,740	483,628	3.4	18.0	1,688,192	1,388,857	21.6
Net revenues in the domestic market (%)	49.9	47.6	45.8	-	-	47.8	41.5	-
Net revenues in the export market (%)	50.1	52.4	54.2	-	-	52.2	58.5	-
Gross profit (R\$ thousand)	194,940	199,212	169,699	(2.1)	14.9	590,322	443,292	33.2
Gross margin (%)	34.2	36.1	35.1	-	-	35.0	31.9	-
Operating income - EBIT (R\$ thousand)	79,404	87,134	80,196	(8.9)	(1.0)	260,292	130,337	99.7
EBITDA (R\$ thousand)	108,636	119,489	110,126	(9.1)	(1.4)	351,256	226,191	55.3
EBITDA Margin (%)	19.0	21.7	22.8	-	-	20.8	16.3	-
Net income (R\$ thousand)	31,583	24,568	24,394	28.6	29.5	70,748	(49,744)	(242.2)
Net debt (R\$ thousand)	1,444,078	1,491,041	1,434,425	(3.1)	0.7	1,444,078	1,434,425	0.7
Shareholders' equity (R\$ thousand)	2,223,044	2,169,039	1,886,065	2.5	17.9	2,223,044	1,886,065	17.9
CAPEX (R\$ thousand)	20.4	15.0	7.8	36.0	161.5	41.0	28.3	44.9

EBIT = Earnings Before Interest and Taxes.

EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization

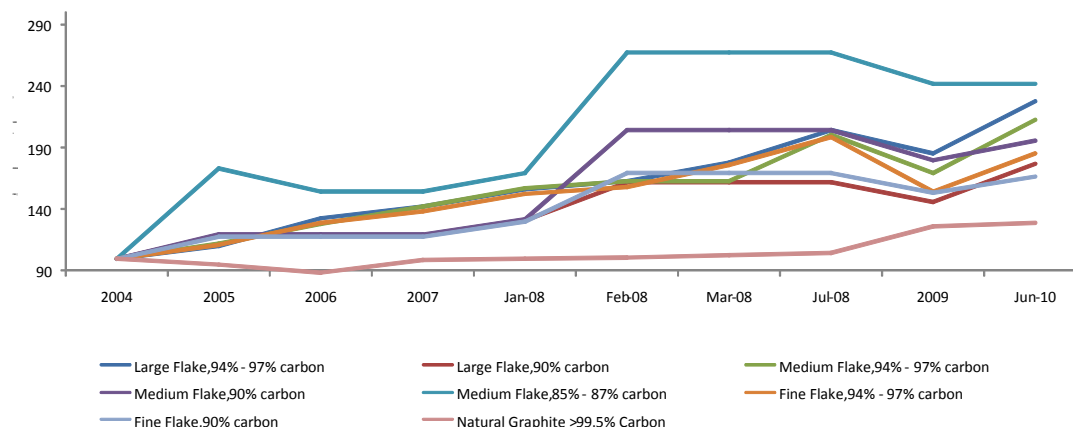
Graphite

Worldwide demand for graphite is estimated at 1 million metric tons per year. China, with annual production of 800,000 metric tons, supplies 80% of the worldwide demand. The demand for graphite has increased substantially due to new applications, such as electric car batteries (ion-lithium batteries). Industry analysts believe demand could reach 2 million metric tons per year within the next five years. Graphite prices have increased 14% annually over the last six years and have risen 30% just in the last three months.

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12.01 - Comments on Consolidated Performance During the Quarter

Graphite Price Evolution



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Graphite is a strategic raw material for the refractory industry. China, the world's largest producer of graphite, has been adopting restrictive measures that impact the world market, such as the imposition of surcharges on exports, reduction of export licenses, increased environmental restrictions, restrictions on exploration of new mines, and new labor regulations.

In addition to the significant increase in prices, mainly due to policy changes by the Chinese government that has closed several mines due to environmental demands or operational security, the refractory industry fears a shortage of the material that is increasingly being diverted to higher value-added applications.

Being the owner of substantial reserves of high quality graphite, the Company will invest US\$ 45.0 million in the exploration of the reserves (located in Almenara, Minas Gerais State), and in a processing plant with an annual production capacity of 40,000 metric tons per year. Approximately half the production will be directed to the refractory industry satisfying 100% of our internal consumption, with the other 20,000 metric tons consisting of finer flake graphite for applications not related to the refractory industry, such as plastics and polymers.

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12.01 - Comments on Consolidated Performance During the Quarter

Global Expansion of the CPP Model (Cost per Performance)

The global expansion of the CPP model was rolled out in 2008, with the signing of two contracts: one in Peru and one in Mexico.

In 2009, a year marked by a financial crisis and global economic instability, 12 new contracts were signed. Our focus was divided into two fronts:

- 1) To expand the CPP model in Brazil and other South American countries with steel makers with whom the Company had not yet deployed this model. Five contracts were signed in South America: four in Brazil and the first contract in Chile.
- 2) To leverage our assets to expand the CPP model in North America, with the main focus on the international subsidiaries of Brazilian companies with whom the Company had worked under this model since the beginning of the 1990s. Seven contracts were signed in North America; three in Mexico with the Techint Group and four in the U.S. with the Gerdau Group.

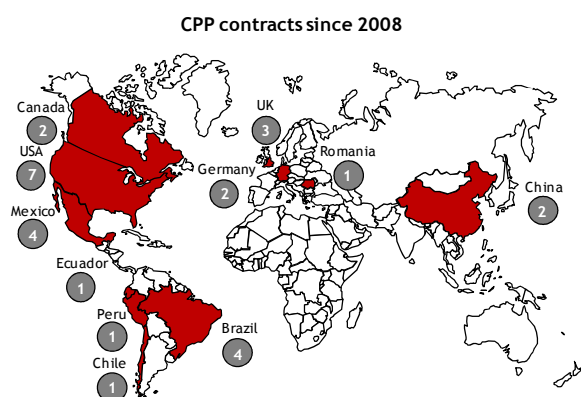
From January to September 2010, the expansion of the model gained speed, and geographic coverage, with 11 new contracts signed: one in Ecuador, four in Europe, two in the U.S., two in Canada and two in China. In 3Q10, the Company signed five new contracts in the steel segment: two in Europe and three in North America, of which one was with a Gerdau plant, an integrated mill (the first in the region) and another with one of the largest U.S. mini-mills. At the beginning of 4Q10, three other agreements were signed: one in the U.S. and two in Europe.

In Europe, a market with great potential for the CPP model, we are facing long sales cycles for the concept. In North America, the CPP model is being applied in mini-mills in Mexico, the U.S. and Canada, and the Company is preparing to replicate the model in integrated mills in the region.

In 2010, the Company has continued to invest in its global structure of technical assistants, researchers, information systems and process control infrastructure. There is a robust pipeline of opportunities and the Company believes it is the only player in the industry capable of delivering refractory solutions within the CPP model in all major steel producing regions of the world: South America, North America, Europe, and Asia.

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New CPP Contracts	
Numbers of new contracts since 2008	28
% of CPP on refractories revenues to the steel industry in 9M10	33.3

OPERATING PERFORMANCE

Net Revenues

Net revenues in 3Q10 totaled **R\$ 570.5 million**, representing an 18.0% increase when compared to 3Q09. The contribution of the domestic market was 49.9%, compared to 45.8% in 3Q09.

Refractory products accounted for 86.6% of the total net revenues for the quarter with the steel industry contributing 84.5% and cement 8.3%.

In the first nine months of the year (9M10), net revenues were R\$ 1,688.2 million, 21.6% higher than 9M09. Of this amount, the domestic market accounted for 47.8% and the export market represented 52.2%.

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Net Revenues - R\$ '000

Products/Market	Quarter			Change %		Accumulated		Change %
	3Q10(a)	2Q10(b)	3Q09(c)	(a/b)	(a/c)	9M10(d)	9M09(e)	(d/e)
Domestic Market	284,796	262,670	221,426	8.4	28.6	807,460	576,523	40.1
Refractories - Units in SA	228,067	205,218	180,222	11.1	26.5	650,830	471,453	38.0
Magnesite Sinter	41	9	1,836	355.6	(97.8)	552	4,555	(87.9)
Other Minerals (*)	16,139	12,791	14,417	26.2	11.9	39,485	32,441	21.7
Services	40,549	44,652	24,951	(9.2)	62.5	116,593	68,074	71.3
Overseas Market	285,741	289,070	262,202	(1.2)	9.0	880,732	812,334	8.4
Refractories - Units in SA	35,784	33,037	34,004	8.3	5.2	104,206	129,403	(19.5)
Refractories - Others Units	230,262	243,337	214,602	(5.4)	7.3	727,357	632,452	15.0
Magnesite Sinter	6,501	2,567	7,359	153.3	(11.7)	15,395	28,220	(45.4)
Dolomite Sinter	3,330	2,649	2,515	25.7	32.4	9,098	7,755	17.3
Other Minerals (*)	5,569	6,044	3,548	(7.9)	57.0	16,387	13,791	18.8
Other products (**)	4,295	1,436	174	199.1	2,368.4	8,289	696	1,090.9
Services	-	-	-	-	-	-	17	(100.0)
Total	570,537	551,740	483,628	3.4	18.0	1,688,192	1,388,857	21.6
Refractories	494,113	481,592	428,828	2.6	15.2	1,482,393	1,233,308	20.2
Magnesite/Dolomite Sinter	9,872	5,225	11,710	88.9	(15.7)	25,045	40,530	(38.2)
Other Minerals (*)	21,708	18,835	17,965	15.3	20.8	55,872	46,232	20.9
Other products (**)	4,295	1,436	174	199.1	2,368.4	8,289	696	1,090.9
Services	40,549	44,652	24,951	(9.2)	62.5	116,593	68,091	71.2

Note: SA = South America.

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

(**) "Other products" correspond to by products sold by units outside SA.

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Sales Volume (metric tons)

Products/Market	Quarter			Change %		Accumulated		Change %
	3Q10(a)	2Q10(b)	3Q09(c)	(a/b)	(a/c)	9M10(d)	9M09(e)	(d/e)
Domestic Market	111,204	103,413	98,261	7.5	13.2	311,562	240,830	29.4
Refractories - Units in South America	86,586	78,393	69,749	10.5	24.1	245,058	180,404	35.8
Magnesite Sinter	49	5	1,978	880.0	(97.5)	576	4,198	(86.3)
Other Minerals (*)	24,569	25,015	26,534	(1.8)	(7.4)	65,928	56,228	17.3
Export Market	325,482	525,884	439,942	(38.1)	(26.0)	1,182,338	1,085,177	9.0
Refractories - Units in South America	17,180	16,832	15,201	2.1	13.0	50,999	52,100	(2.1)
Refractories - Other units	152,174	163,537	134,915	(6.9)	12.8	476,831	359,089	32.8
Magnesite Sinter	11,639	3,815	11,321	205.1	2.8	29,383	36,590	(19.7)
Dolomite Sinter	11,381	10,061	9,298	13.1	22.4	33,490	23,634	41.7
Other Minerals (*)	131,723	329,910	268,442	(60.1)	(50.9)	586,747	611,884	(4.1)
Other Products (**)	1,385	1,729	765	(19.9)	81.0	4,888	1,879	160.1
Total	436,686	629,297	538,203	(30.6)	(18.9)	1,493,900	1,326,007	12.7
Refractories	255,940	258,762	219,865	(1.1)	16.4	772,888	591,593	30.6
Magnesite/Dolomite	23,069	13,881	22,597	66.2	2.1	63,449	64,422	(1.5)
Other Minerals (*)	156,292	354,925	294,976	(56.0)	(47.0)	652,675	668,112	(2.3)
Other Products (**)	1,385	1,729	765	(19.9)	81.0	4,888	1,879	160.1

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

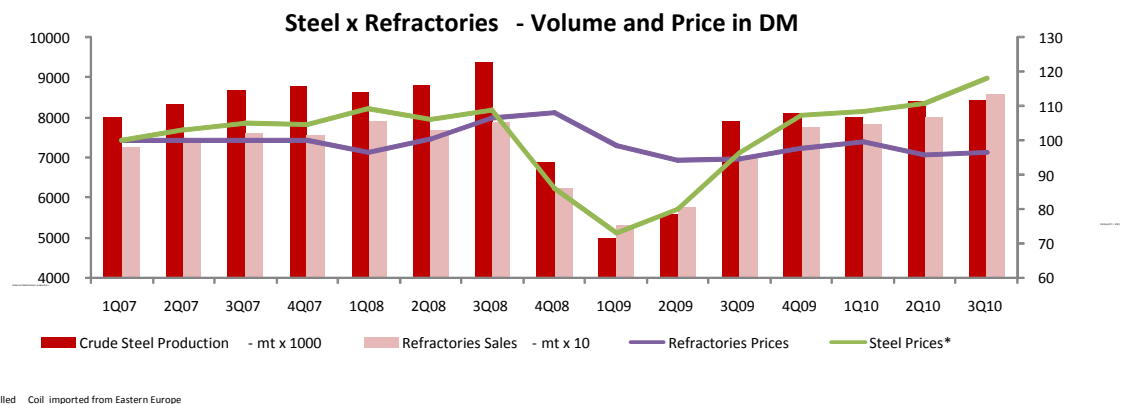
(**) "Other products" correspond to by products sold by units outside SA.

Domestic Market (DM)

According to data released by the Brazilian Steel Institute, in 3Q10, the production of the Brazilian steel industry amounted to nearly 8.424 million metric tons versus 8.413 million metric tons in 2Q10, remaining practically stable. In late 3Q10, steel plate distributors' inventories totaled 1.2 million metric tons, which corresponds to four months of sales. Even though the domestic demand remains strong due to the heightened economic activity, the 6.0% depreciation of the US Dollar against the *Real* has driven the increase in consumption of imported products, which accounted for 22% of total consumption in September, according to INDA (Brazilian National Institute of Steel Distributors). As a result, Brazil is now the seventh largest steel importer in the world.

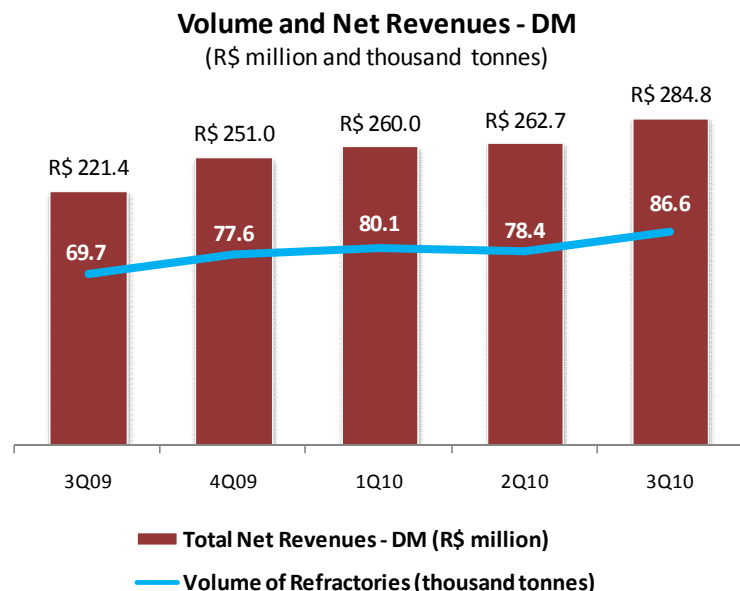
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Sales of **refractory products** amounted to 86,586 metric tons in the South American units in 3Q10, 24.1% higher than 3Q09. When compared to the 2Q10, there was a 10.5% increase, with record sales. In 9M10, refractory sales in the domestic market of 245,058 metric tons were 35.8% higher than 9M09.

In 3Q10, revenues from refractory sales in the domestic market totaled R\$ 228.1 million, versus R\$ 180.2 million in 3Q09. When compared to 2Q10, there was a R\$ 22.8 million increase being part of this result attributed to higher sales to the cement industry. Brazil represents 80% of our South American cement refractory sales. It is important to note the seasonality of cement refractory sales in Brazil. The first quarter is the rainy season in Brazil and



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is the preferred time of the year for the cement plants to replace the refractory lining of their rotary kilns. About 30% of the annual volume of cement refractories is sold in the first quarter of the year. Usually, demand falls in the second quarter; however, it starts picking up during the third quarter even though it does not surpass the first quarter levels. The demand from the cement industry is usually at its lowest in the fourth quarter, at levels close to those recorded in the second quarter.

The cement industry has been benefiting greatly from a booming market, driven by improved macroeconomic indicators and the rebound of the Brazilian economy in the post-crisis period. There is a strong pipeline of infrastructure projects, mainly related to the sports events to be held in Brazil – the World Cup and the Olympic Games. In addition, a more mature real estate financing market and the "Minha Casa, Minha Vida" (My House, My Life) housing program are expected to continue exerting a positive impact on the performance of the industry, whose production will probably hit a new peak, about 58 million metric tons, in 2010.

Concerning the **other minerals segment**, there was a 7.4% drop in sales volume when compared to 3Q09; but the net revenues of this segment increased by 11.9%. When compared to 2Q10, revenues climbed by 26.2%, in spite of a 1.8% decrease in volume, due to price adjustments and an improved product mix, with a larger share of higher value minerals, such as chromite, talc and magnesium oxide.

In 9M10, domestic sales increased by 29.4% in relation to 9M09. In 9M10, 311,562 metric tons were sold, versus 240,830 metric tons in 9M09.

In the **service segment**, whose activities focus on refractory maintenance and mechanical services for the steel industry, net revenues amounted to R\$ 40.5 million during the quarter, 62.5% more than in 3Q09. The Company believes this segment has a high growth potential and it is developing its internal structure to offer similar services to other industries in Brazil. In the steel industry, Magnesita's services are often a complement to the CPP model. It is an activity that requires practically no capital investment and already has its own dedicated management team.

Net revenues in the domestic market increased by 8.4% quarter-over-quarter to R\$ 284.8 million. In 9M10, net revenues in the domestic market increased by 40.1% to R\$ 807.5 million. Refractory products accounted for R\$ 650.8 million and services for R\$ 116.6 million, up 38.0% and 71.3% respectively from 9M09. In turn, sales of other minerals brought in net revenues of R\$ 39.5 million in 9M10, 21.7% higher than the R\$ 32.4 million recorded in 9M09.

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Overseas Market (OM)

Steel production in the European market, which was recovering slowly, declined in 3Q10, largely because of the seasonal factor of the summer vacations in July and August. European producers were running at 80% capacity at the end of September. Germany, with stronger economic activity than other countries in the region, recorded a slightly higher capacity utilization of 84%. Italy performed below average once more, since its steel industry basically focuses on products for the construction industry, currently facing low demand and low prices.

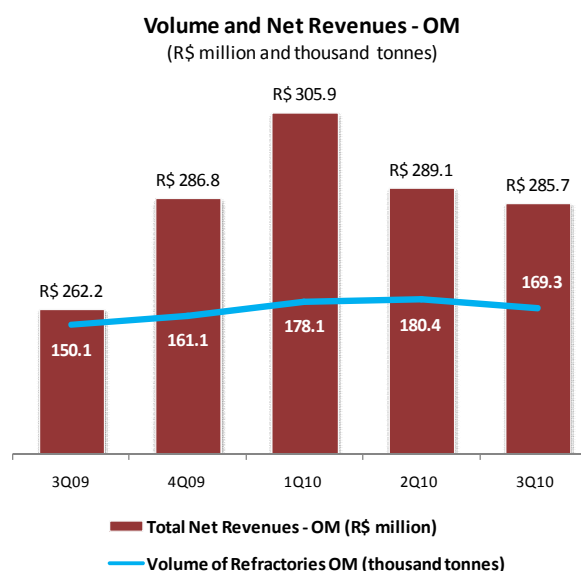
Consequently, the steel production in Europe fell by 14.8% in 3Q10 compared to 2Q10. The stainless steel production did not record the same growth rate as in 2Q10, when it increased by 53% versus 2Q09 (albeit still 15% below the record high of 2006).

The Asian operations were affected by seasonal factors, worsened by the energy issue, mainly in China. These factors contributed to the 8.5% fall in China's steel production, which had been growing since 4Q09.

The economic indicators in the US continue to present mixed signals, especially in the labor market and industrial activity. New stimulus packages have been announced, but the economy has been responding slowly.

As a result, the Company recorded, when compared to 2Q10, a 6.9% drop in refractory sales by the units outside of South America, which totaled 152,174 metric tons. The sales in external markets of refractories produced in the South American units rose by 2.1% in the same period.

Considering the total volume sold in the external market in 3Q10, there was a decrease of 200,402 metric tons. "Other minerals", which have low added value, comprised 198,187 metric tons of that amount.



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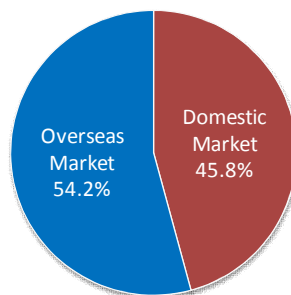
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The 6.0% depreciation of the US Dollar against the *Real* impacted external market revenues in 3Q10; nevertheless, a better product mix was sold, mainly due to the larger share of bricks in Asian sales, unlike in the previous quarter, when sales of masses were higher. Thus, revenues fell less than volumes in percentage terms. Net revenues in external markets totaled R\$ 285.7 million in 3Q10, versus R\$ 262.2 million in 3Q09, a 9.0% increase.

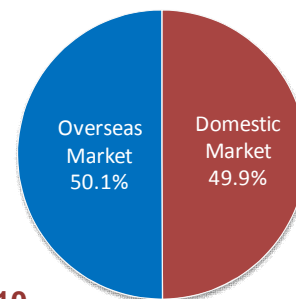
In 9M10, sales in external markets were 9.0% higher than in 9M09 and amounted to 1,182.3 thousand metric tons, which contributed to a rise of 8.4% in YTD net revenues, which came to R\$ 880.7 million.

BREAKDOWN OF NET SALES REVENUES IN THE DOMESTIC AND OVERSEAS MARKETS

3Q09

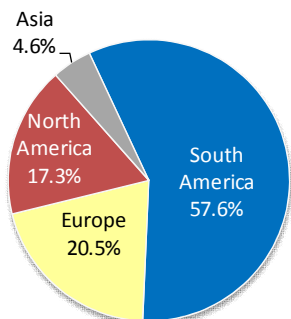


3Q10

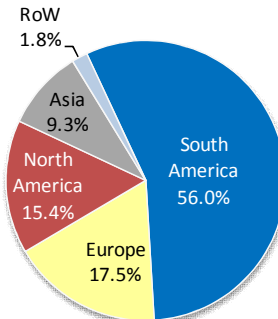


TOTAL NET REVENUES - 3Q10

PER OPERATING LOCATION



PER CUSTOMER LOCATION



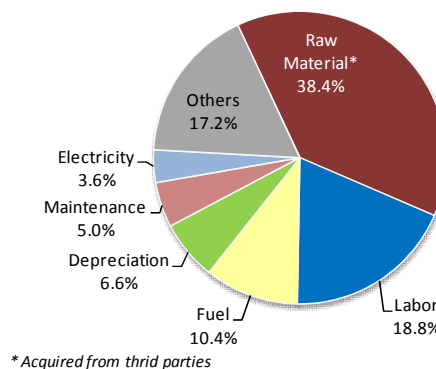
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COST OF GOODS SOLD

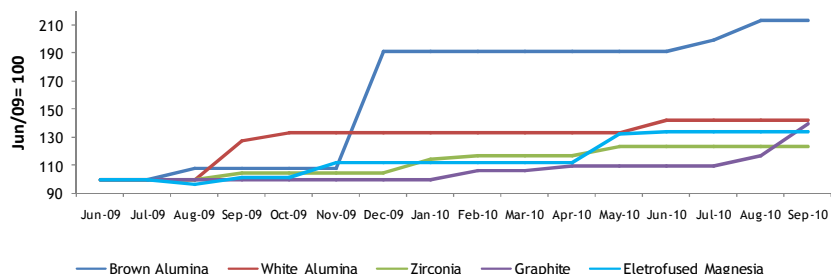
The company is highly vertically integrated in raw materials, which represent approximately 70% of the volume consumed. The remaining 30% of purchased raw materials represent between 35 and 40% of production costs and, therefore, have an important weight on the analysis of variations in the cost of goods sold.

COGS Breakdown - 9M10



The chart illustrates the trend in the price of five key raw materials with a significant share in the composition of the cost of raw materials the Company purchases from third parties. The prices of these raw materials have increased since the end of 2009, due to the resumption of growth in the global economy and, more recently, in the second quarter of this

Raw material prices evolution



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year, due to the Chinese government reduction in the export quotas of energy-intensive raw materials. Therefore, the prices of raw materials purchased in the composition of cost of goods sold are higher in 3Q10 compared to 3Q09 and 2Q10.

In 3Q10, the Company's Cost of Goods Sold (COGS) was R\$ 375.6 million, 19.6% higher than in 3Q09. Gross margin of 34.2% in 3Q10 was 0.9 percentage point below the gross margin of 35.1% in 3Q09, primarily reflecting the impact of rising prices of purchased raw materials.

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For 9M10, the accumulated COGS totaled R\$ 1,097.9 million versus R\$ 945.6 million in 9M09. Gross margin of 35.0% in 9M10 was 3.1 percentage points above the gross margin of 31.9% in 9M09.

Due to the seasonal reduction in steel production in Europe and the U.S. in 3Q10, the analysis of the COGS and of the gross margin for 3Q10 and 2Q10 should be done separately for: (i) Units of South America and (ii) units outside of South America.

For the South American units, the COGS in 3Q10 was R\$ 203.5 million, with a gross margin of 38.1%, which was 12.3% higher than the COGS of R\$ 181.2 million and a gross margin of 39.5% posted in 2Q10. The reduction of 1.4 percentage points of gross margin was mainly due to the higher prices of purchased raw materials, as explained previously.

In the units outside of South America, the COGS in 3Q10, of R\$ 172.1 million with a gross margin of 28.8%, was 0.4% higher than the COGS of R\$ 171.3 million and gross margin of 32.1% in 2Q10. The reduction of 3.3 percentage points of gross margin, similar to what was seen in the South American units, was due mainly to higher purchased raw material prices, as explained previously, and also to a lower dilution of fixed costs in 3Q10 because of the seasonal decline of the Company's production in Europe and the U.S. during the period.

SELLING AND ADMINISTRATIVE EXPENSES

Selling expenses declined by 6.4% quarter-over-quarter. They corresponded to 10.4% of net revenues, close to the 10.2% of net revenues recorded in 3Q09.

In the South American units, selling expenses corresponded to 9.8% of net revenues in 3Q10, versus 8.6% in 3Q09. Quarter-over-quarter, there was a 0.9 percentage point drop. In the Other Units, selling expenses corresponded to 11.3% of net revenues in 3Q10, versus 12.0% in 3Q09. Quarter-over-quarter, there was also a 1.2 percentage point drop.

Administrative expenses totaled R\$ 53.4 million and 9.4% of net revenues in 3Q10 against R\$ 47.3 million and 9.8% of net revenues in 3Q09. Administrative expenses in the South American units corresponded to 11.1% of net revenues in 3Q10, versus 10.2% in 3Q09. In the Other Units, these expenses corresponded to 7.1% of net revenues in 3Q10, versus 9.3% in 3Q09.

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There was a 13.2% decrease in relation to 2Q10. This decrease is largely explained by the end of some projects and studies that required extraordinary expenses in 2Q10. Administrative expenses in South America in 3Q10 showed a drop of 1.2 percentage point when compared with the 12.3% recorded in 2Q10.

The 31.2% decrease in administrative expenses recorded by the units outside of South America was largely due to the reclassification of a depreciation expense (R\$ 3.4 million) booked under administrative expenses in 2Q10, which were transferred to the "other operating income (expenses)" account in 3Q10. Without this effect on both quarters, administrative expenses in the units outside of South America remained virtually flat (R\$ 20.4 million, or 8.4% of net revenues in 3Q10 versus R\$ 21.4 million, or 8.5% of net revenues in 2Q10).

OTHER OPERATING INCOME (EXPENSES)

The Other Operating Income and Expenses account resulted in a net expense of R\$ 2.6 million in 3Q10, versus a net income of R\$ 6.9 million in 3Q09. A net income of R\$ 13.0 million was recorded in 2Q10, mainly explained by the reversal of the provision for expenses on the retiree health plan in the United States unit (non-recurring event). In the units outside of South America, R\$ 3.4 million corresponding to the net effect of the sale of non-industrial property in 2Q10 was reclassified since it had been booked under administrative expenses, as explained in the previous item.

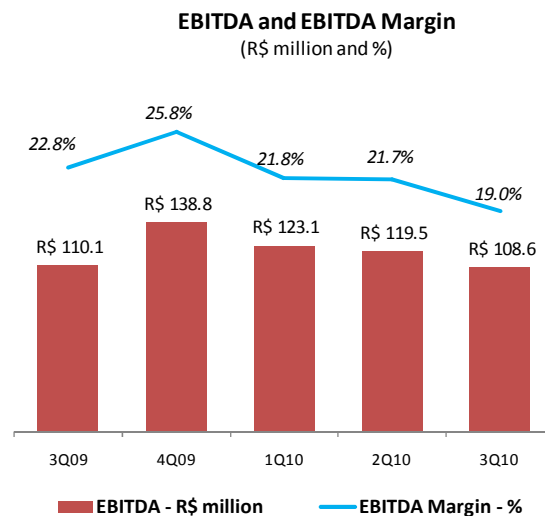
In 9M10, the other operating income (expenses) account recorded a R\$ 23.1 million net income, versus a R\$ 3.2 million net expense in 9M09.

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EBITDA

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) in 3Q10, of R\$ 108.6 million with a margin of 19.0%, was slightly lower than EBITDA in 3Q09, R\$ 110.1 million with a 22.8% margin. In line with the practice of calculating EBITDA adjusted by the extraordinary and non-recurring effects, EBITDA in 3Q10, impacted by practically none of these effects, totaled R\$ 108.6 million with a 19.0% margin, versus the adjusted EBITDA of R\$ 102.1 million in 3Q09, with a 21.1% margin.



Before the comparison of the 3Q10 versus the 2Q10, the 2Q10 EBITDA should be adjusted for the non-operating and non-recurring items in that quarter, which totaled R\$ 11.1 million and corresponded mainly to the gains from the changes in the retiree health plan in the US. Consequently, the adjusted EBITDA of 2Q10 of R\$ 108.4 million (R\$ 119.5 million less R\$ 11.1 million) was practically the same as the EBITDA of 3Q10, R\$ 108.6 million.

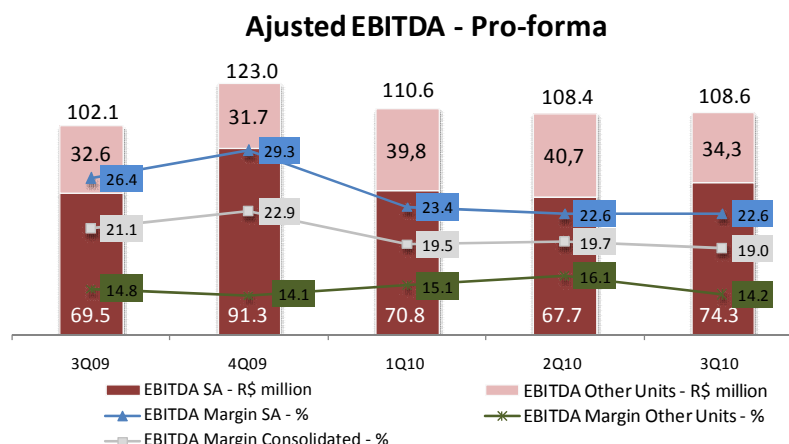
The comparison between these two quarters should take into consideration the seasonal drop in steel production in the Northern Hemisphere due to the summer vacations and the impact of the appreciation of the Real in the translation of the results of the units outside of Brazil. As a result, the quarter-over-quarter comparison of EBITDA should be split into: (i) Units in South America and (ii) Units outside of South America.

In the South American units, EBITDA stood at R\$ 74.3 million in 3Q10 versus R\$ 68.8 million in 2Q10, an 8.1% rise. The EBITDA margin kept the same level: 22.6%.

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The chart shows the seasonal effect in the units outside of South America and the negative impact of the currency variation on the accounts composing EBITDA. In the Units Outside of South America, the EBITDA came to R\$ 34.3 million, with a margin of 14.2%, in 3Q10, practically with no extraordinary effects. It was, therefore, 15.7% lower than the adjusted EBITDA in 2Q10 of R\$ 40.7 million with a margin of 16.1%.



EBITDA amounted to R\$ 351.3 million in 9M10, with a margin of 20.8%, 55.3% higher than the R\$ 226.2 million, with a margin of 16.3%, recorded in 9M09.

Note: SA = South America

FINANCIAL RESULT

The net financial result in the quarter, including monetary and exchange variations, was a R\$ 35.6 million expense. The net monetary and exchange variations generated an accounting income of R\$ 9.2 million, R\$ 10.2 million more than the expense recorded in 2Q10, primarily due to the 6.0% depreciation of the US dollar against the Brazilian *Real* during the period. The net interest expenses totaled R\$ 44.7 million, versus R\$ 42.8 million in 2Q10 and R\$ 63.4 million in 3Q09.

The sharp drop in interest expense, of R\$ 18.6 million or 29.4% over 3Q09, is largely explained by the Company's debt restructuring and the capital increase, which led to a decrease in debt, the extension of its maturity schedule and the lower interest rates, which stood at 10.5% p.a. at the close of September.

At the end of September 2010, the total debt amounted to R\$ 1,894.1 million, R\$ 56.7 million less than on 06.30.10. Excluding cash and cash equivalents totaling R\$ 450.0 million, the Company's net debt totaled R\$ 1,444.1 million at September-close, against R\$ 1,491.0 million

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12.01 - Comments on Consolidated Performance During the Quarter

on 06.30.10. This fall resulted mainly from the higher cash generation, partially used for debt repayments in the period, as well as the impact of the depreciation of the Dollar on our debt denominated in that currency.

TAXES

In the quarter, a R\$ 12.1 million provision for Income Tax and Social Contribution was made, broken down as follows: South American units, a R\$ 11.0 million expense; and other units, a R\$ 1.1 million expense.

Due to the amortization for tax purposes of the goodwill balance, which totaled R\$ 1,103.2 million on September 30, 2010, the results of the Brazilian operations are reduced for the calculation of Income Tax and Social Contribution. Therefore, there were no tax disbursements in 3Q10.

NET INCOME

The Company recorded net income of R\$ 31.6 million in 3Q10, versus R\$ 24.4 million in 3Q09. The net margin stood at 5.5%, an increase of 0.5 percentage point in relation to 3Q09.

The South American units account for R\$ 22.6 million of the quarter's net income, and the other units for R\$ 9.0 million.

Year-to-date, net income has totaled R\$ 70.7 million, with a margin of 4.2%, versus a net loss of R\$ 49.7 million and a negative margin of 3.6% in 9M09.

CAPITAL EXPENDITURES

In 3Q10, investments in all Magnesita's units totaled R\$ 20.4 million, basically allocated to industrial maintenance, asset replacements, infrastructure and capacity expansion. South American units received 55.5% of the quarter's investments and the remainder was allocated as follows: Asia, 2.0%; Europe, 9.7% and North America 32.8%.

In line with its strategy to become even more self-sufficient in raw materials used in its refractory products, the Company will invest about US\$ 45.0 million in its graphite mine in Minas Gerais State. This investment, 80% of which will be financed, is intended to increase the capacity by 40,000 metric tons per year as of 2012.

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12.01 - Comments on Consolidated Performance During the Quarter

According to market data, graphite prices have increased by 14.0% per year on average over the last 6 years, mainly owing to the export quotas introduced by China, which accounts for 80% of the world consumption, and increased demand for graphite due to new uses for this mineral.

Graphite exploration has become appealing for the Company not only because it can reduce its costs, but also because graphite can be sold to industries other than the refractory industry, such as the plastics and polymers, automotive (electric cars) and electronic components (ion-lithium batteries) industries.

WORKING CAPITAL

During 3Q10, Magnesita's cash cycle remained practically stable, in 187 days, as compared to 184 days in 2Q10 and 185 days in 3Q09, reflecting the impact of the vacation period in Europe and a larger raw material inventory (+15.3%), despite the decrease of 3.6% in the finished goods. The recent increase in inventories of raw material is mainly attributed to the strategy to be better positioned in some purchased raw materials with a strong tendency of price increases.

Magnesita's historic inventory levels are high, with room for improvements. The Company has been seeking to reduce inventories and improve its cash cycle. In the long run, the initiative to invest in the expansion of production capacity of sinter M-30 and in the exploration of graphite deposits will contribute significantly to reducing inventory levels of raw material.

Inventory turnover, taking into account the annualized average COGS during the quarter, stood at 149 days, versus 156 days in 2Q10 and 154 in 3Q09.

As for accounts payable and receivable, the average turnover of receivables remained practically stable in 77 days, versus 77 days in 2Q10 and 76 days in 3Q09. The payables turnover fell to 39 days, against 49 days in 2Q10 and 44 days in 3Q09.

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20.01 – Other Information Considered Relevant by the Company

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

OWNERSHIP POSITION OF STOCKHOLDERS HOLDING MORE THAN 5% OF THE COMPANY'S SHARES OF EACH TYPE AND CLASS, UP TO THE LEVEL OF INDIVIDUALS.				
Name: MAGNESITA REFRATÁRIOS S.A.		Position at 9/30/2010 In units of shares		
Stockholder	Common shares		Total	
	Number	%	Number	%
Alumina Holdings LLC	88,654,796	34.3	88,654,796	34.3
Rearden L Holdings 3 SA RL	21,019,595	8.1	21,019,595	8.1
Fama Investments	22,187,934	8.6	22,187,934	8.6
Other	126,349,609	49.0	126,349,609	49.0
Total	258,211,934	100	258,211,934	100

We inform that Alumina Holdings LLC ("Alumina"), duly constituted in accordance with the laws of Delaware, holds 34.3% of Magnesita Refratários S.A. (the "Company"). Alumina is controlled by Grafita Holdings Inc. (duly constituted in accordance with the laws of Cayman Islands), whose stockholder is GP Capital Partners IV, L.P. ("GPCPIV" or "Fund"), an investment fund duly constituted in accordance with the laws of Cayman Islands. GPCPIV is managed by GP Investments IV, Ltd. ("general partner"), wholly-owned subsidiary of GP Investments, Ltd. ("GP"), a publicly-held company headquartered in Bermudas. In addition to controlling the general partner of GPCPIV, GP also invests in Fund through GP Private Equity, Ltd., its wholly-owned subsidiary. GP, as an indirect investor, holds approximately 7.8% of the total shares issued by the Company, and is controlled by Partners Holdings, Inc., duly constituted in accordance with the laws of British Virgin Islands, which does not have any individual who indirectly holds 5% or more of the Company's capital.

Magma Fund, L.P. ("Magma") and GP Capital Partners IV LP ("GPCP4"), private equity funds, hold indirectly more than 5% of the Company's total capital. Magma indirectly holds 7.35% and GPCP4 indirectly holds 17.75% of the Company's capital.

Rearden L Holdings 3 S.À R.L, which owns 8.1% of Magnesita Refratários capital, has as the majority stockholder Rhône Onshore Partners III LP, which owns an indirect holding in the Company of 4.43%.

Fama Investimentos informs that it has no individual stockholder with holding above 5%.

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20.01 – Other Information Considered Relevant by the Company

2. Consolidated Ownership Position of Controlling Stockholders and Officers and Shares Outstanding in the Market

The shareholding position of the members of the Company's managing boards and statutory audit board, as well as the position of the controlling stockholders and shares outstanding in the market is as follows:

CONSOLIDATED OWNERSHIP OF CONTROLLING STOCKHOLDERS AND OFFICERS AND SHARES OUTSTANDING IN THE MARKET Position at 9/30/2010				
Stockholder	Number of Common Shares (In units)	%	Total Number of Shares (In units)	%
Controlling stockholders	129,550,293	50.17	129,550,293	50.17
Officers	527,358	0.20	527,358	0.20
Board of Directors	22,017	0.01	22,017	0.01
Executive Board	505,341	0.19	505,341	0.19
Statutory Audit Board	80,001	0.03	80,001	0.03
Other Stockholders	128,054,282	49.59	128,054,282	49.59
Treasury Stock	0	0.00	0	0.00
Total	258,211,934	100	258,211,934	100
Shares outstanding in the market	128,134,283	49.62	128,134,283	49.62

CONSOLIDATED OWNERSHIP OF CONTROLLING STOCKHOLDERS AND OFFICERS AND SHARES OUTSTANDING IN THE MARKET Position at 9/30/2009 (12 months ago)				
Stockholder	Number of Common Shares (In units)	%	Total Number of Shares (In units)	%
Controlling stockholders	127,647,002	59.9	127,647,002	59.9
Officers	210,424	0.10	210,424	0.10
Board of Directors	15,147	0.01	15,147	0.01
Executive Board	195,277	0.09	195,277	0.09
Statutory Audit Board	76,401	0.04	76,401	0.04
Other Stockholders	85,148,756	39.96	85,148,756	39.96
Treasury Stock	0	0.00	0	0.00
Total	213,082,583	100	213,082,583	100
Shares outstanding in the market	85,225,157	40.00	85,225,157	40.00

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20.01 – Other Information Considered Relevant by the Company

3. New Market

As established in the Commitment Clause included in its Bylaws, the Company is subject to the Market Arbitration Chamber of BOVESPA, in accordance with its related Arbitration Regulations.

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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 September 30, 2010, 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 accounting practices adopted in Brazil applicable to the preparation of Quarterly Information, in accordance with the standards issued by the Brazilian Securities Commission (CVM).

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- 4 As mentioned in Note 2 (b), the CVM has approved several Pronouncements, Interpretations and Technical Guidance issued by the Brazilian Accounting Pronouncements Committee (CPC) to be effective as from 2010, which altered the accounting practices adopted in Brazil. As permitted by CVM Resolution 603/09, the Company's management has opted to present its Quarterly Information (ITR) by using the accounting standards adopted in Brazil until December 31, 2009. As required by the Resolution, the Company disclosed this fact in Note 2 (b), as well as the description of the significant changes that may affect its financial statements at the end of the year and the clarifications of the reasons that prevent it from estimating the possible effects on stockholders' equity and statement of operations.

Belo Horizonte, November 12, 2010

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

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

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