

MAGNESITA REFRAATÁRIOS S.A.

Publicly Held Company

CNPJ/MF No. 08.684.547/0001-65

NIRE No. 31.300.026.485

MEETING OF THE BOARD OF DIRECTORS HELD ON DECEMBER 18, 2013

DATE, TIME AND LOCATION: Held on December 18, 2013, at 10:00am, at the office of Magnesita Refratários S.A. ("Company"), located at Dr. Eduardo Souza Aranha, 387 – 5th floor, in the City of São Paulo, in the State of São Paulo.

REQUEST AND ATTENDANCE: The request was waived in view of the attendance of the totality of the members of the Company's Board of Directors to the meeting, as set forth in article 16, paragraph 3, of the Company's Bylaws.

BOARD: President Mr. Fersen Lamas Lambranh and Secretary Mr. Luiz Gustavo Perrotti Rossato.

SUBJECT: (i) Approve the terms and conditions for the first issuance of simple debentures, unsecured and not convertible into shares of the Company, single series, for public distribution with restricted placement efforts of the Company ("Issuance" and "Debentures"), to be subject to public offering, as set forth in CVM Instruction 476, of January 16, 2009, as amended ("Restricted Offering" and "CVM Instruction 476", respectively), with unit par value of R\$ 10,000.00 (ten thousand Brazilian Reais), totaling the amount of R\$ 400,000,000.00 (four hundred million Brazilian Reais) on the Issuance Date (as defined below), by, under firm underwriting conditions, BB-Banco de Investimento S.A., financial institution, with its headquarters located at Rua Senador Dantas, n.º 105, 36th floor, in the City of Rio de Janeiro, in the State of Rio de Janeiro, with Corporate Taxpayer Registration No. 24.933.830/0001-30 ("Underwriter"); (ii) Authorize the Officers of the Company to undertake any measure necessary to perform the Issuance and Restricted Offering, including, but not limited to, the hiring of the Underwriter, the Fiduciary Agent (as defined below) and other service providers related to the Issuance; (iii) To deliberate on the renewal of creditworthiness with HSBC Bank; and (iv) Authorize the Officers of the Company to undertake any measure necessary to perform the renewal of the referred creditworthiness.

5. **RESOLUTIONS:** Once the meeting was held, the Directors approved, by unanimous decision and without any restrictions the following:

(i) **ISSUANCE OF DEBENTURES**

Perform the Issuance of Debentures of the Company, pursuant to articles 52 and following of Law 6404, of December 15, 1976, as amended ("Brazilian Corporate Law"), as set forth in the "*Private Instrument Of Deed Of The 1st Issuance Of Simple Debentures, Unsecured And Not Convertible Into Shares, Single Series, For Public Distribution With Restricted Placement Efforts From Magnesita Refratários S.A.*" ("Deed"), which main aspects and conditions are as set below:

(a) **Total Issuance Amount:** the total Issuance amount shall be R\$400,000,000.00 (FOUR hundred million Brazilian Reais) on the Issuance Date (as defined below);

(b) **Distribution Period:** the Underwriter shall distribute the Debentures, under firm underwriting conditions, within the time period to be defined in the placement agreement, in accordance with the time periods set forth in CVM Instruction 476;

(c) **Distribution and Placement and Procedures:** the Debentures will be object of public distribution with restricted placement efforts ("Restricted Offer"), and shall be exclusively offered to Qualified Investors (as defined below), in accordance with the placement procedure set forth in CVM Instruction 476, and the following terms and conditions:

- (i) "Qualified Investors" are those defined in article 109 of CVM Instruction 409 dated August 18, 2004, as amended ("CVM Instruction 409") and article 4 of CVM Instruction 476, provided that, as established in CVM Instruction 476 and in this Deed (i) all investment funds will be considered as Qualified Investors, even if intended for non-qualified investors; (ii) investment funds whose investment decisions are taken by the same manager will be considered as a single investor for the purposes of the limits laid down in this Deed; and (iii) individuals and legal entities mentioned in item (IV) of article 109 of CVM Instruction 409 must subscribe to, within Restricted Offer, Debentures amounting to at least R\$1,000,000.00 (one million reais);
- (ii) the Underwriter may access up to fifty (50) Qualified Investors, allowing no more than twenty (20) Qualified Investors to subscribe the Debentures;
- (iii) the Underwriter will not receive reservations, and the Issuance will be take place without minimum or maximum batches for the subscription of the Debentures;

- (iv) the parties will not enter into any stabilization agreement relating to the value of the Debentures; the Underwriter will take into consideration, in the placement procedures, the standing relationship with any and all Qualified Investors interested in the subscription of the Debentures, provided that said investors sign the Qualified Investor Statement (as defined below);
- (v) upon subscription and payment of the Debentures, the Qualified Investors shall sign the “Qualified Investor Statement”, declaring himself aware, among other things, (i) that the Restricted Offering has not been registered with CVM; and (ii) that the Debentures are subject to certain trade restrictions, as provided in the Deed and in applicable regulation;
- (vi) the Underwriter and the Company agree not to search for investors through stores, offices or establishments open to the public, or with the use of public communications services, such as the press, radio, television and public pages on the World Wide Web, under the terms of CVM Instruction No. 476;
- (vii) the Underwriter will not grant any kind of discount to Qualified Investors interested in acquiring the Debentures.

(d) Number of Debentures: forty thousand (40,000) Debentures shall be issued;

(e) Issuance Number: the Issuance is the 1st (first) issuance of debentures by the Company ("Issuance");

(f) Number of Series: the Issuance will be conducted in a single series;

(g) Allocation of Recourses: the recourses obtained via the Issuance will be employed in the ordinary course of the Company's business, mainly on refinancing of Company debt and optimization of the cash flow of the Company

(h) Fiduciary Agent: Pentágono S.A. Distribuidora de Títulos e Valores Mobiliários, representing before the Company the joint interests of holders of the Debentures;

(i) Placement: the distribution and placement procedures are described in item (c) above;

(j) Issuance Date: for all legal effects and purposes, the date of issue of the Debentures will be December 20, 2013 ("Issuance Date")

(k) Unit Par Value: the unit par value of the Debentures will be R\$10.000,00 (ten thousand Reais) on the Issuance Date ("Unit Par Value");

(l) Form and Issuance of Certificates; Proof of Debenture Ownership: the Debentures will be issued under nominative and registered form, without the issuance of warrants or certificates. For all legal purposes, the ownership of the Debentures will be confirmed through the Debenture deposit account, opened to each single Debenture Holder, statement issued by the settling bank and bookkeeping agent. In addition, the ownership Debentures held in custody electronically at CETIP will be confirmed through the statement issued by CETIP on behalf of the Debenture Holders.

(m) Convertibility: the Debentures will be simple, non-convertible into shares issued by the Company;

(n) Type: the Debentures will be unsecured, in accordance with article 58, head paragraph, of the Brazilian Corporate Law;

(o) Subscription Cost: the Debenture subscription cost will be its Unit Par Value, calculated with 8 (eight) decimal places without rounding up or down ("Subscription Cost");

(p) Subscription and Payment Method: the Debentures will be paid in cash in national currency at the time of subscription ("Payment Date"), in accordance with applicable settlement requirements from CETIP, and the payment amount shall be equivalent to the Debenture's Subscription Cost, as defined in item (o) above;

(q) Term and Maturity Date: the Debentures will mature at the end of sixty (60) months from the Issuance Date, therefore maturing on December 20, 2018 ("Maturity Date");

(r) Amortization: the Unit Par Value of the Debentures will be amortized annually, in two equal and successive installments, each representative of 50% (fifty percent) of the Total Issuance Amount, due from the 48th month, including, after the Issuance Date; therefore, the first installment shall be paid on December 20, 2017, and the second installment on December 20, 2018. The Debentures will not be subject to extraordinary amortization by the Company;

(s) Monetary restatement of the Unit Par Value: the Unit Par Value of the Debentures will not be monetarily restated;

(t) Compensation: the Debentures will accrue remunerative interest at a rate corresponding to one hundred twelve percent (112%) of the accumulated variation of the average daily One-Day Interbank Deposit Rate, “over extra group” class, per annum of two hundred and fifty-two (252) business days, as compiled and released on a daily basis by CETIP S.A. – Mercados Organizados (“ID-Over Rate”), as calculated in the Deed;

(u) Capitalization Period: the time interval beginning at the Issuance Date, included, in the case of the first Capitalization Period, or on the immediately previous Compensation Date (as defined below), included, in the case of subsequent Capitalization Periods, and ends on the Compensation Date, excluded, corresponding to the period. Each Capitalization Period succeeds the previous period until the Maturity Date;

(v) Compensation Date: compensation shall be paid on a six-month basis, on the 20th of each June or December, and the first Compensation payment shall be due on June 20, 2014, and the following successively, and the last payment shall be due on the Maturity Date (each one, a “Compensation Date”), except in the case of early maturity, as provided for in the Deed;

(w) Renegotiation: the Debentures will not be renegotiated;

(x) Early Redemption: the Company may conduct, at its sole discretion the early redemption of Debentures in Circulation (“Early Redemption”), as of the thirteenth (13th) month after the Issuance Date, upon payment of the outstanding balance of the Unit Par Value of the Debentures, plus any Compensation due until the Early Redemption date, plus a variable bonus rate, as set forth on item 5.19. of the Deed;

(y) Early Maturity: subject to the provisions of the Deed, the Fiduciary Agent, in his capacity as representative of the Debenture Holders, should declare all of the Company’s obligations related to the Debentures, as having matured early and being immediately payable, regardless of notice, notification or judicial or extrajudicial summons, and require that the Company immediate pays the outstanding balance of the Unit Par Value not yet amortized, plus its Compensation due up to the payment date, calculated at a pro rata temporis basis, on the date on which it is made aware of occurrence of any of the following events (“Early Maturity Events”), among others, listed in item 5.20. of the Deed:

(i) termination, liquidation, dissolution, ordered insolvency, judicial or extrajudicial recovery proposal, voluntary bankruptcy or filing of bankruptcy;

- (ii) non-payment by the Company of any financial obligation due to Debenture Holders from the Issuance by their due date;
- (iii) the Company's non-compliance with any non-pecuniary obligations provided for in the Deed;
- (iv) demerger, merger, incorporation or incorporation of the Company's shares, or any other reorganization involving the Company without the prior consent of the Debenture Holders who participate in a General Meeting of Debenture Holders, which compromises the Company's ability to comply with its obligations as set forth in the Deed or result in the change of its current economic group, except with relation to the incorporation by the Company of companies directly or indirectly controlled by it;
- (v) occurrence of any direct or indirect sale, assignment or transfer of shares from the Company's capital stock in any transaction or series of transactions resulting in loss by GP Investments Ltd. indirectly controlling the Company's power of control, without the prior consent of the Debenture Holders who participate in a General Meeting of Debenture Holders;
- (vi) securities claim against the Company, for an individual or aggregate amount greater than R\$ 25,000,000.00 (twenty five million Reais), monetarily updated by the IPCA/IBGE index, unless, within five (5) Business Days of the receipt of such claim (1) the Company proves it has been conducted by mistake or bad faith of a third party, or (2) it is canceled or have its effects withheld by court order;
- (vii) declaration of early maturity of financial debts with banks or bonds and securities in the local or international market where the Company is subjected to, for an individual or aggregate amount greater than R\$ 25,000,000.00 (twenty five million Reais), monetarily updated by the IPCA/IBGE index;
- (viii) any of the statements or guarantees provided by the Company upon Issuance are proven to be relevantly false, incorrect or misleading in any respect;
- (ix) non-compliance with the obligation to allocate the funds raised through the Debentures as set forth in item (g) above;

(x) the Company's transformation into a limited liability company, in accordance with article 220 of the Brazilian Corporate Law;

(xi) amendment of the corporate object established in the Company's Bylaws which substantially modify the activities currently conducted by it, without the prior consent of the Debenture Holders;

(xii) payment of dividends, interest on own capital or any other profit participation provided for in the Company's Bylaws, if the Company is in default with its obligations described in this Deed, except the payment of the minimum mandatory dividend provided for in article 202 of the Brazilian Corporate Law;

(xiii) transfer or any form of assignment or promise of assignment to third parties, conducted by the Company, of the obligations to be assumed in this Deed;

(xiv) pledge and any and all liens constituted over Company's assets in benefit of any third parties, without the prior consent of the Debenture Holders, except if such lien is undertaken in obligations related to: (a) BNDES and/or other development oriented national or international bank; (b) judicial or administrative procedures regarding labor law; (c) public bids, public concessions, rents, freight expenses, taxes, performance bonds, insurances or similar operations, as long as in the ordinary course of the Company's business; (d) already existent as of the Payment Date; (e) preexistent in any entities acquired or incorporated by the Company; (f) margin in hedge operations, as long as such operation isn't carried out with speculative objectives; (g) extension of preexistent debt obligations, as long as the current standing guarantees and/or liens are maintained; and (h) in debt obligations contracted abroad in which the main aggregate value is equal or lower than US\$ 150 million;

(xv) failure to obtain, in ninety (90) days from the Issuance Date, an investment grade rating for the Debentures by any of the following rating agencies: Moody's América Latina Ltda., Standard & Poor's Brasil and Fitch Ratings Brasil Ltda ("Rating Agencies");

(xvi) if the Fiduciary Agent, in any one of his annual reviews, finds that the Company is not, at the time of said review, graded by any two of the Rating Agencies (which rate the Company at B1 and BB grades as of now) or has had its rating dropped by two or more grades by any two of the Rating Agencies, and, at the same time, the Company's Net Debt to EBITDA ratio exceeds 3.75, as

calculated using the indexes set forth on the Deed, based on the Company's annually reviewed financial statements.

(z) Late Charges: if the Company fails to make timely payment of any pecuniary obligations in respect of the Debentures, late payment interest of 1% (one percent) per month will be added to the accrued and unpaid debts, calculated at a *pro rata temporis* basis, from the date of default until the payment date, as well as non-compensatory fine of 2% (two percent) over the amount due regardless of notice, notification or judicial or extrajudicial summons ("Late Charges");

(aa) Payment Terms: payments referring to the Debentures will be made on their maturity date (i) using the procedures adopted by the CETIP; or (ii) if the Debentures are not held in custody electronically at CETIP, (a) at the Company's headquarters, or (b) as the case may be, by the settling bank and bookkeeping agent;

(bb) Delay in the Receipt of Payments: payment dates of any obligation shall be considered automatically extended until the next Business Day if the due date of the respective obligation falls on a Saturday, Sunday or national holiday;

(cc) Placement and Trade Registration: The Debentures will be registered for distribution in the primary market in MDA - Módulo de Distribuição de Ativos [Asset Distribution Module] ("MDA"), managed and operated by CETIP, and for secondary market trading in CETIP21 - Bonds and Securities ("CETIP21"), managed and operated by CETIP, with negotiations financially settled and the Debentures held in custody electronically at CETIP.

(ii) EXECUTIVE OFFICE APPROVAL TO ISSUE THE DEBENTURES

Authorized the Officers of the Company to (i) hire the Underwriter for the structuring, coordination and public distribution, with restrict placement efforts, of the Debentures; (ii) hire any and all service providers necessary to the Issuance, including but not limited to the settling bank and bookkeeping agent, the Fiduciary Agent; (iii) negotiate and undertake any measure necessary to the Issuance and the Restricted Offering.

(iii) RENEWAL OF CREDITWORTHINESS

To approve the execution of a standby letter of credit guarantee before HSBC Bank Brasil S.A. - Banco Múltiplo, valued in fifty-five million rinminbi (RMB 55.000.000,00), which was used to

support the renewal of creditworthiness for the Company's subsidiary Magnesita Resource (Anhui) Company Ltd. ("Magnesita Resource"), previously entered into with HSBC Bank (China) Company Limited and/or other affiliated of HSBC Group, originally engaged on January 27th, 2011 and guaranteed by the Company (the "Financing Agreement"), through the engagement in a new transaction, valued in fifty million rinminbi (RMB 50.000.000,00), as informed to the Board of Directors on a presentation sent on the present date.

(iv) EXECUTIVE OFFICE APPROVAL TO RENEW THE CREDITWORTHINESS

To authorize the respective Executive Offices of the Company and of Magnesita Resource, as the case may be, to negotiate and formalize all the necessary agreements to put in practice the above deliberations, negotiating terms and conditions, and yet to take the necessary and/or convenient measures for the implementation, ratified all the acts taken by such Executive Offices for this purpose until the present moment.

CLOSING: Without no further matters to be discussed, the meeting was concluded, which minutes of the respective meeting was drafted, read and agreed, and signed by all members present.

SIGNATURES: Fersen Lamas Lambranh (President) and Luiz Gustavo Perrotti Rossato (Secretary). Board members: Fersen Lamas Lambranh, Thiago Emanuel Rodrigues, Eduardo Romeu Ferraz, Eduardo Alcalay, Nelson Rozental, Robert Frank Agostinelli, Eduardo Fontana d'Ávila and Bernardo Guimarães Rodarte.

São Paulo, December 18, 2013

This instrument is a true copy of the minutes drafted on own books.

Luiz Gustavo Perrotti Rossato
Secretary