# MAGNESITA REACHES R$606.9 MILLION REVENUES AND CLOSES THE QUARTER WITH NET INCOME OF R$28.3 MILLION

**Contagem, Brazil - May 10, 2012 – MAGNESITA REFRATÁRIOS S.A.** (BM&FBovespa: MAGG3, Novo Mercado: MAGG3) today posted its results for the first quarter of 2012 (1Q12). The Company's consolidated operating and financial information, except where otherwise stated, is posted in thousands of Reais, pursuant to the Brazilian Corporate Law.

## 1Q12 HIGHLIGHTS

- **Net revenues** of R$606.9 million, up 5.5% and 1.3% against 1Q11 and 4Q11 respectively;
- **A rise of 6.0% in the sales of refractory solutions** compared to the previous quarter, driven by a higher volume of refractory solutions for the steel industry in South America (up 5.7%) and North America (up 9.3%) and for the industrial sector (up 40.0%), with growth in all the regions where Magnesita operates;
- **Net income** of R$28.3 million, up 29.9% from 1Q11 and 145.0% from 4Q11;
- **Higher rating for Magnesita** – Fitch and Standard & Poor's ratings agencies upgraded the Company's rating from "BB-"to "BB". Both agencies attributed this upgrade to Magnesita's better operating results, high cash generation, lower financial leverage ratio and the impact of the vertical integration projects.

## POST-1Q12 HIGHLIGHTS

- **New unit in Brumado, Bahia State, in operation** – An additional high-grade magnesite sinter production unit, with a capacity of 60,000 tons per year, went into operation in April, as scheduled. As a result, Magnesita has become self-sufficient in high-grade magnesite sinter and achieves important reduction in raw material costs. The project is an integral part of the Company's strategy of becoming more vertically integrated.
- **Issue of perpetual bonds totaling US$250 million**–Magnesita has concluded an issue of U.S. Dollar-denominated perpetual bonds totaling US$250 million, with a fixed interest rate of 8.625% p.a. The proceeds will be used to prepay other debts, thus giving the Company more flexibility and improving its debt profile.

## MAIN INDICATORS

| Indicator (R$ million) | Quarter | | | Var. % | |
|---|---|---|---|---|---|
| | 1Q12 (a) | 4Q11 (b) | 1Q11 (c) | (a/b) | (a/c) |
| Net Revenues | 606.9 | 599.1 | 575.3 | 1.3% | 5.5% |
| Gross Profit | 181.7 | 183.0 | 185.7 | -0.7% | -2.2% |
| *Gross Margin (%)* | 29.9% | 30.5% | 32.3% | -61 bp | -234 bp |
| EBIT | 61.7 | 53.0 | 69.4 | 16.5% | -11.0% |
| EBITDA | 87.6 | 111.8 | 93.8 | -21.7% | -6.7% |
| *EBITDA Margin (%)* | 14.4% | 18.7% | 16.3% | -422 bp | -188 bp |
| Net Income | 28.3 | 11.6 | 21.8 | 145.0% | 29.9% |
| Net Debt | 968.0 | 957.3 | 908.5 | 1.1% | 6.6% |
| CAPEX (R$ million) | 55.7 | 84.1 | 21.6 | -33.8% | 157.6% |
| Operating Cash Flow | 63.7 | 104.8 | 186.4 | -39.2% | -65.8% |

*EBIT = earnings before interest and taxes; EBITDA = earnings before interest, taxes, depreciation and amortization.*

**Conference Call**

**Date: 05.11.2012**

**In Portuguese with simultaneous interpretation into English**
**11:00 a.m. (Brasília time) – 10:00 a.m. (EDT)**

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**New accounting practices adopted in Brazil**

The financial statements, along with the comments on Magnesita's economic and financial performance in the first quarter of 2012 and the retrospective comparison with the fourth quarter of 2011 and the first quarter of 2011 are based on international accounting principles established by the International Financial Reporting Standards (IFRS) and all the CPC pronouncements regarding the Company's operations.

## Comments by Chief Executive Officer Ronaldo Iabrudi:

*The macro-economic scenario of the first quarter of 2012 followed the major trends observed in the second half of 2011. The uncertainty as to the European crisis continued to cause turbulence in global markets. Steel production remains weak in South America (11.9 million tons) and Europe (43.9 million tons), our two main markets, and both the Real and the Euro remained depreciated in relation to the U.S. Dollar, at levels similar to the fourth quarter of 2011.*

*Despite the global economic situation and the challenging environment for the steel industry, our main client sector, our net revenues rose by 1.3% to R$606.9 million in the first quarter of 2012. Quarter-over-quarter, revenues from refractory solutions climbed by 6.0%, driven by sales to the steel industry in South America, with market share gains in Brazil, and North America, in addition to the expansion in the industrial sectors, with growth in all regions where we operate. We closed the quarter with R$28.3 million net income, up 145.0% when compared to the previous quarter.*

*China, which has the largest reserves of minerals essential for refractory production, is still signaling that it will continue imposing restrictions on exports of these raw materials, thus keeping the prices of these commodities at high levels. Consequently, we continue focused on our strategy to become more vertically integrated in raw materials. In April, our new high-grade magnesite sinter production unit – with a capacity of 60,000 tons per year – went into operation in our magnesite mine in Brumado, Bahia State. As a result, we have achieved our target of self-sufficiency in this raw material. Concerning the graphite project in Almenara, Minas Gerais State, we have filed the Environmental Impact Study with the competent agencies.*

*We concluded in April the issuance of perpetual bonds totaling US$250 million, which gave us more financial flexibility and improved our debt profile. Fitch and Standard & Poor's ratings agencies upgraded Magnesita's credit rating from "BB-" to "BB" due to the increase in our operating results, strong cash generation, lower financial leverage and the impact of the vertical integration projects.*

*The challenging environment for the global steel industry is expected to continue in 2012. On the operational front, we will continue seeking efficiency gains and reductions in raw material costs in order to boost profitability. We are also going to reduce our working capital needs with focus on inventory reductions. We remain confident that the potential to create value for our shareholders will come from the combination of our competitive advantages with our management model.*

OPERATIONAL AND FINANCIAL PERFORMANCE

REVENUES AND VOLUMES

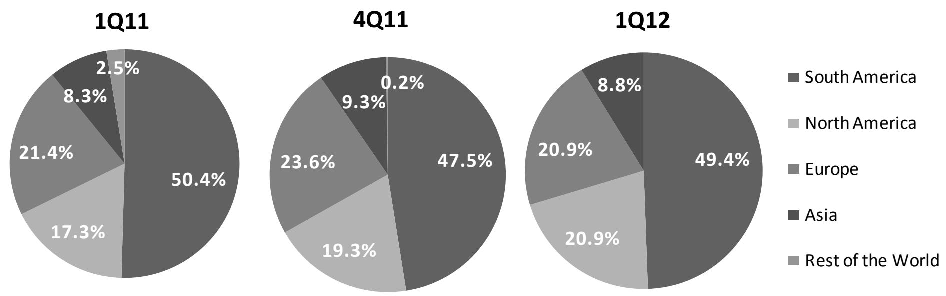
**1Q12 – R$ 606.9 million net revenues, up 5.5% over 1Q11**

Net revenues amounted to R$606.9 million in 1Q12, a rise of 5.5% over 1Q11 and 1.3% over 4Q11. The growth in net revenues from refractory solutions was 10.4% against 1Q11 and 6.0% against 4Q11 and, with net revenues totaling R$547.5 million, or 90.2% of total net revenues in the quarter. Revenues from the minerals segment totaled R$28.2 million, accounting for 4.6% of consolidated revenues. Revenues from the services segment amounted to R$31.3 million and comprised 5.2% of total sales.

| By segment | Quarter | | | Var. % | |
|---|---|---|---|---|---|
| | 1Q12 (a) | 4Q11 (b) | 1Q11 (c) | (a/b) | (a/c) |
| **Refractory Solutions** | | | | | |
| Volume ('000 ton) | 270.9 | 271.8 | 277.8 | -0.3% | -2.5% |
| Revenues (R$ million) | 547.4 | 516.4 | 495.8 | 6.0% | 10.4% |
| **Minerals** | | | | | |
| Volume ('000 ton) | 233.3 | 226.0 | 130.1 | 3.2% | 79.3% |
| Revenues (R$ million) | 28.2 | 48.6 | 34.5 | -42.0% | -18.3% |
| **Services** | | | | | |
| Revenues (R$ million) | 31.3 | 34.2 | 45.0 | -8.5% | -30.6% |
| **TOTAL** | | | | | |
| Revenues (R$ million) | 606.9 | 599.1 | 575.3 | 1.3% | 5.5% |

**Net revenues by client location**

The expansion in the refractory solutions segment in South America and North America led to an increase in the share of these regions in consolidated revenues:



## Refractory solutions

**R$547.4 million revenues, up 10.4% over 1Q11 and 6.0% quarter-over-quarter**

In relation to 1Q11, volume sold of refractory solutions dropped by 2.5%, mainly reflecting the reduction of volumes in Europe, due to the 3.9% drop of steel production in the Euro zone (1Q12 vs 1Q11), partially mitigated by higher steel production and market share gains in North America, and also the higher volume of refractory solutions sold to the industrial sector.

Compared to 1Q11, net revenues grew 10.4% in 1Q12, driven by increased sales of 7.1% for steel and 29.0% for the industrial sector. The 13.2% higher average price per ton of refractory (1Q12 vs. 1Q11) is explained by the impact of the depreciation of 6.2% of the Real against the US dollar in the translation of revenues in U.S. dollars to Reais, price increases, especially in North America, and mix changes with a higher share of sales to the industrial sector.

Sales to the steel industry accounted for 82.2% of revenues from the refractory solutions segment (84.8% in 1Q11 and 82.6% in 4Q11) whereas sales to the industrial sector comprised 17.8% (15.2% in 1Q11 and 17.4% in 4Q11).

### *Refractory Solutions - Steel*

**Sales climbed by 7.1% against 1Q11 and 5.5% against 4Q11**

Sales to the steel industry amounted to R$450.2 million in 1Q12 against R$420.4 million in 1Q11 and R$426.6 million in 4Q11 and, with the highlights coming from sales in South America and North America operations.

Sales in South America rose by 12.3% in 1Q12, reflecting the increase of steel production in the region during the period (up 2.9% quarter-over-quarter against a 4.5% increase in Brazil – Data from the World Steel Association), as well as gains of market share.

In North America, revenues increased by 8.4% in 1Q12, versus a 4.8% expansion in steel production in the region (World Steel Association), which shows that Magnesita continued gaining market share. The steel industry in the region has been showing signs of recovery, and Magnesita’s expansion in the region resulted from both higher volumes and prices.

Regarding Europe, despite the macroeconomic uncertainties that continued to pressure the region, sales in Euros remained flat quarter-over-quarter. Nevertheless, revenues were affected by the 4.3% appreciation of the Real against the Euro in the quarter.

In Asia, where Magnesita still does not have a strong presence, sales remained virtually stable quarter-over-quarter.

Sales based on the CPP contract model stood at R$152.5 million in 1Q12 and comprised 33.9% of revenues from sales to the steel industry (33.0% in 1Q11 and 33.5% in 4Q11). During the quarter, the Company won a new contract in Spain and has now a total of 63 CPP contracts globally.

## *Refractory Solutions – Industrial Sector*

**An increase of 29.0% against 1Q11 and 8.3% against 4Q11**

Sales to the industrial sector totaled R$97.2 million, versus R$75.4 million in 1Q11 and R$89.8 million in 4Q11. Magnesita continues to pursue the strategy of expanding its sales to the industrial sector. The highlight continues to be the cement industry, which accounted for 67.8% of the 1Q12 sales (70.0% in 1Q11 and 64.0% in 4Q11). Sales to the cement industry in South America reached R$37.9 million, up 33.0% from 1Q11. In the same period, the Brazilian cement industry expanded by 13.4% against 1Q11.

Outside of South America, sales to the industrial sector amounted to R$31.8 million, rising by 19.3% against 1Q11 and by 53.3% against 4Q11. It is worth noting that sales to the cement industry in North America, rose by 118.4% quarter-over-quarter. It is important to explain that refractory sales to the cement industry are seasonally higher in the first quarter of the year and, in 2012, due to an unusually warm winter in North America, the refractory maintenance stoppages scheduled for the second quarter were brought forward into the first quarter.

## Minerals

**R$28.2 million sales in 1Q12**

Sales of minerals fell by 18.4% and 42.1% from 1Q11 and 4Q11 respectively. This decline was mainly due to the lower volume of magnesite sinter available for sale owing to the higher internal consumption for refractory production to support the strong growth in sales of refractory solutions to the cement industry, which have in their formulation a greater share of sinter. The main minerals sold by Magnesita, talc and caustic magnesia, amounted to R$25.3 million in the quarter, up 9.9% from 4Q11 but down 1.0% from 1Q11. The increased volume of minerals of over 100 thousand tons in 1Q12 compared to 1Q11 is explained by the growth in volume of by-products of mine, with a lower average price/ton, sold primarily in North America.

### Services

**R$31.2 million revenues in 1Q12**

In 1Q12, revenues from the services segment dropped 30.6% over 1Q11 and 8.5% quarter-over-quarter. This drop is due primarily to a decrease in the scope of some contracts with steel plants due to the slowdown in the Brazilian steel production in 4Q11.

## COST OF GOODS SOLD, GROSS PROFIT AND MARGIN

**Gross margin – 29.9% vs. 30.5% in 4Q11**

COGS came to R$425.2 million in 1Q12, up 2.2% quarter-over-quarter and 9.1% versus 1Q11. The consolidated gross margin stood at 29.9%, against 30.5% in 4Q11 and 32.3% in 1Q11. The quarter-over-quarter drop in the gross margin was mainly due to lower sales of minerals and a lower gross margin in the services and minerals segments. The gross margin flattened out in the refractory solutions segment owing to stable raw material prices during the period (4Q11 and 1Q12).

Comparing to the 1Q11, the fall in the consolidated gross margin resulted from a 2.8 p.p. decrease in the gross margin of the refractory solutions segment, impacted mainly by increasing material prices during 2011.

### Gross Margin by Segment

| Segment (R$ million) | Quarter | | | Var. % | |
|---|---|---|---|---|---|
| | 1Q12 (a) | 4Q11 (b) | 1Q11 (c) | (a/b) | (a/c) |
| **Refractory Solutions** | | | | | |
| Gross Profit | 168.0 | 157.9 | 166.0 | 6.4% | 1.2% |
| Gross Margin (%) | 30.7% | 30.6% | 33.5% | 12 bp | -279 bp |
| **Minerals** | | | | | |
| Gross Profit | 11.9 | 21.8 | 13.7 | -45.3% | -12.7% |
| Gross Margin (%) | 42.4% | 44.9% | 39.7% | -256 bp | 273 bp |
| **Services** | | | | | |
| Gross Profit | 1.7 | 3.3 | 6.0 | -48.0% | -71.5% |
| Gross Margin (%) | 5.5% | 9.7% | 13.4% | -418 bp | -789 bp |
| **TOTAL** | | | | | |
| Gross Profit | 181.7 | 183.0 | 185.7 | -0.7% | -2.2% |
| Gross Margin (%) | 29.9% | 30.5% | 32.3% | -61 bp | -234 bp |

### Refractory solutions

Compared to the 1Q11, the refractory segment margin was impacted by a series of increases in raw material prices in 2011, in an adverse economic environment for the main industries served by the Company, which did not allow for passing through these rising costs. Additionally, the higher share of the operations outside of South America also contributed to this drop since margins are lower in these regions. Magnesita has been working on several fronts to increase its profitability. The main initiative encompasses the vertical integration projects. The Company will be able to realize important cost savings with the new HW4 furnace (Brumado), which went into operation in April.

### Minerals

The gross margin of the minerals segment tends to fluctuate more due to the changes in the product mix. Despite the quarter-over-quarter decline in the margin for the above-mentioned reason (lower sales of magnesite sinter, consumed in the refractory operation), this segment shows an upward trend owing to the restrictions imposed by China, which has been keeping raw material prices high.

**Services**

The margin drop in the services segment resulted from higher labor costs in some contracts, due to negotiations with unions and strikes in 1Q12. The negotiations were concluded during the quarter, and their effects are reflected in the quarter's results.

## SELLING EXPENSES

**Flat in relation to previous quarters**

Selling expenses came to R$65.9 million in 1Q12, versus R$64.1 million in 4Q11 and R$60.2 million in 1Q11. Selling expenses in relation to revenues remained virtually flat, 10.9% in 1Q12, 10.7% in 4Q11 and 10.5% in 1Q11. Despite rising freight costs, the Company has been seeking to improve its logistics operations and lessen the impact of these increases.

## GENERAL AND ADMINISTRATIVE EXPENSES

**A 13.7% drop versus 1Q11**

General and administrative expenses amounted to R$49.5 million in 1Q12, against R$57.3 million in 1Q11 and R$63.7 million in 4Q11. In relation to revenues, these expenses corresponded to 8.1% of net sales in 1Q12, versus 10.6% in 4Q11 and 10.0% in 1Q11. The fall in expenses reflects the Company's effort to reduce costs and gain efficiency in its administrative area, as well as lower nonrecurring general and administrative expenses.

## EBITDA

**R$ 87.6 million EBITDA with a 14.4% margin**

EBITDA totaled R$87.6 million in 1Q12 with a 14.4% margin, versus 18.7% in 4Q11 and 16.3% in 1Q11. The 4Q11 EBITDA was positively impacted by a nonrecurring income of R$36.9 million in the "other operating income" account. The drop in relation to 1Q11 is explained mainly by the decrease of 2.8p.p. in the gross margin in the refractory solutions segment due to higher raw material costs, as previously mentioned.

Magnesita has been working on several fronts to improve its profitability. The main initiative comes from the vertical integration projects within the strategy to achieve 90% of vertical integration in the next two years. The first project within this strategy became operational in April this year, the new furnace HW4 in Brumado, which will bring significant cost savings starting in the second half of 2012.

## FINANCIAL INCOME/EXPENSES

**Net expense of R$16.5 million vs. R$31.3 million in 1Q11**

The net financial result in 1Q12, including the effects of foreign exchange rate variances, was an expense of R$16.5 million versus R$31.3 million in 1Q11 and R$30.2 million in 4Q11, a drop of 47.1% and 45.2% respectively. This decline mainly reflects the reduction in the net debt and in the interest rates on loans, in addition to a smaller impact of the foreign exchange expense in relation to 4Q11.

## INCOME TAX AND SOCIAL CONTRIBUTION

**Cash payment of R$10.2 million**

Magnesita has tax credits due to fiscal losses in previous years and the amortization of goodwill corresponding to the future profitability of acquired subsidiaries. Due to these credits, the cash income tax and social contribution payments will amount R$10.2 million, even though the Company had booked a R$16.9 million provision.

## NET INCOME

**Up 145.0% quarter-over-quarter**

Net income totaled R$28.3 million (with a 4.7% net margin) in 1Q12, versus R$11.3 million (with a 1.9% net margin) in 4Q11 and R$21.8 million (with a 3.8% net margin) in 1Q11. The quarter-over-quarter rise mainly reflects the increase in operating income.

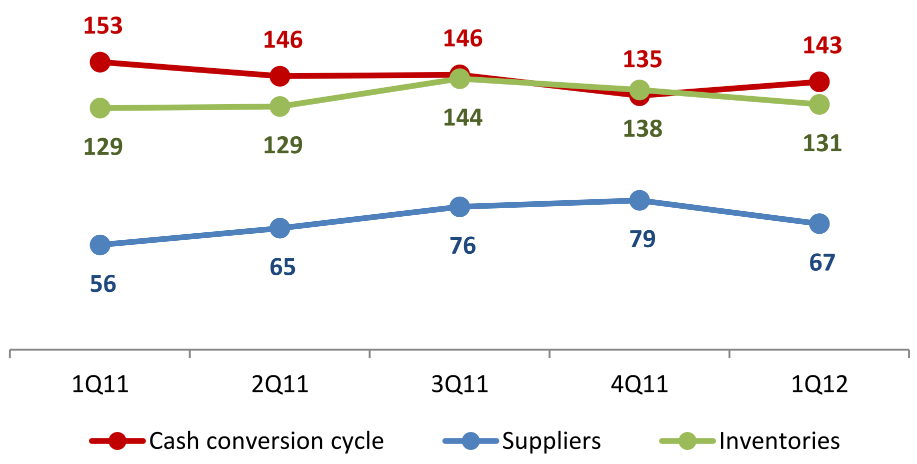
## WORKING CAPITAL

**A R$13.3 million decrease against 1Q11 (a drop of 10 days in the cash conversion cycle)**

In relation to 1Q11, working capital fell by R$13.3 million and totaled R$791.8 million in 1Q12. As a result, there was a 10-day decrease to 143 days in the cash conversion cycle by the close of the quarter. Quarter-over-quarter, working capital increased by R$50.6 million, impacted mainly by the decline in the average payment terms offered by suppliers, when there was a one-off reduction in 1Q12. The Company expects to continue to improve supplier payment terms through the year 2012.

Magnesita has been successful in decreasing its working capital. In 2012, the Company's Management will seek to lower it even more and, consequently, reduce its cash conversion cycle. This initiative will focus mainly on managing inventories and extending payment terms to suppliers.

Cash conversion cycle (days)[1]




[1] *The cash conversion cycle is calculated on the basis of the LTM results.*

## OPERATING CASH FLOW

**Operating cash flow of R$63.7 million in the quarter**

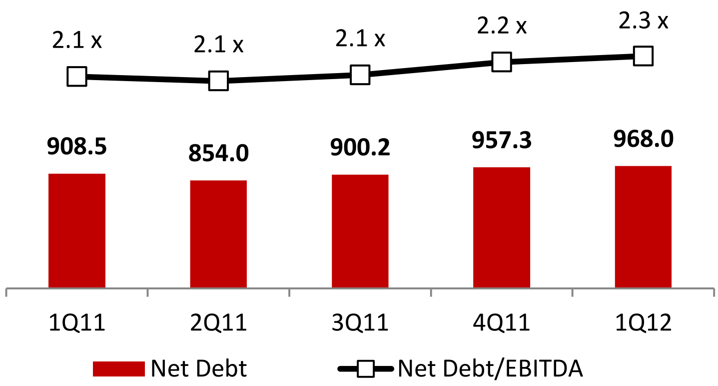
Magnesita recorded operating cash flow of R$63.7 million in 1Q12, against R$104.8 million in 4Q11 and R$186.4 million in 1Q11. The decrease in cash generation resulted primarily from the rise in working capital in 1Q12. It is important to note that the operating cash generation was enough to cover the high investments made in the quarter to the expand sinter production in Brumado.

## DEBT

**Net debt flattened out. Leverage ratio of 2.3 times at the close of the quarter**

Magnesita's gross debt stood at R$1,635.1 million at the close of the quarter, 45.3% of which was denominated in local currency and 54.7% in foreign currency. Of this amount, 5.6% matured in the short term and 94.4% in the long term. The net debt amounted to R$968,0 million at the close of 1Q12, stable in relation to December 31, 2011.

The leverage ratio, or Net Debt/EBITDA, stood at 2.3 times, versus 2.2 times at the close of 2011. The chart below shows net debt (in thousand R$) and the leverage ratio.




## CAPITAL EXPENDITURES

**R$39.6 million invested in the vertical integration projects**

Investments in the vertical integration projects were high in 2011 and are expected to remain high in 2012. In 1Q12, investments in all Magnesita's units totaled R$55.7 million, R$39.6 million of which was allocated to the vertical integration projects and the remainder to refurbishments, maintenance, system upgrades, and environment and safety.

Supplies of raw materials for the global refractory industry are becoming more and more strategic due to the new dynamics of the Chinese market. Responsible for supplying 50% to 80% of the global demand for several raw materials used in refractory production (depending on the product), the Chinese government introduced export quotas, among other barriers, leading to a considerable rise in prices.

In addition to ensuring a steady supply of raw material for the Company, the vertical integration projects will make Magnesita's margins more stable and allow it to increase the sale of minerals, a segment whose margins are rising. As previously announced, the Company is seeking to increase its level of vertical integration in raw materials to 90%.

## Expansion projects in Brumado, Bahia State

Phase 1 – 60,000 tons per year – Start-up in April 2012

The project to expand the production in Brumado to 240ktpa of high-grade M-30 magnesite sinter (>98.5% MgO) involves installing one more HW furnace next to three existing ones, in addition to some work to reduce bottlenecks in order to increase production. The HW4 furnace went into operation in April, as scheduled, and made Magnesita self-sufficient in this raw material. In addition, Magnesita has increased its vertical integration level and expects to reduce costs significantly since it will cease to import this raw material from China at higher costs.

Magnesite's strategy is to use this raw material in its operations outside of South America. Considering that the furnace takes about two months to reach its nominal production capacity, project impact on the results will take place from the second half.

## Greenfield project at the graphite mine in Almenara, Minas Gerais State

Phase 1 – 40,000 tons per year

In 2011, Magnesita concluded the acquisition of land in Almenara, Minas Gerais State, under which the Company owns mineral rights where the graphite deposits will be exploited for the first phase of the project. The Environmental Impact Study has been filed with the competent agency and, during the first quarter, a public hearing was held with the local community. The Company is waiting for the Environmental License to start the project construction. The Company maintains its expectation to obtain the License in 2012 and to start production in 2014.

Besides using graphite to increase its vertical integration in refractory solutions, Magnesita is conducting more in-depth studies to determine the size of additional reserves and monetize their mineral potential. These prospection studies continue producing evidence that the reserves, currently estimated at 57 million tons, may be significantly larger.

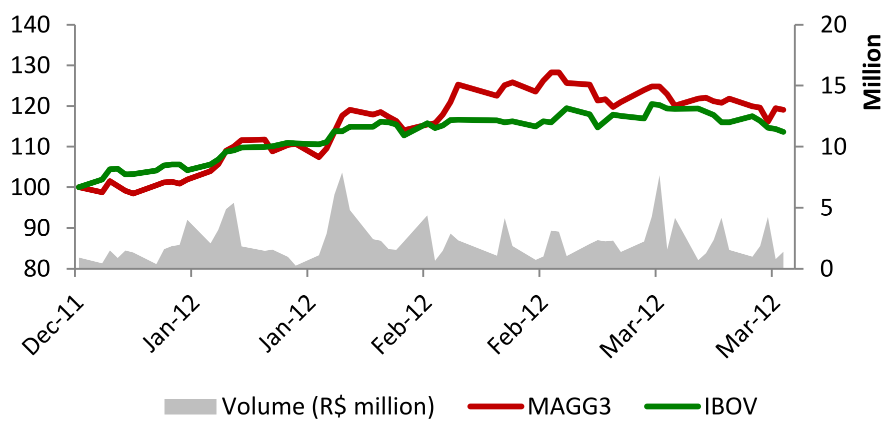
Currently, there is a serious imbalance between graphite supply and demand worldwide. On the one hand, China, which has the largest reserves and accounts for 80% of the world production, has been increasing the control over production and exports of this mineral for strategic reasons, within its policy to focus on higher value-added applications. On the other hand, graphite is in increasingly higher demand for traditional applications–such as in refractories, lubricants, brake pads, among others – and more recent ones – especially lithium-ion batteries for electrical vehicles –, as well as other applications related to alternative energy. This mismatch has led to a sharp rise in prices and market expectations are for this trend to continue for the next few months.

## CAPITAL MARKETS

**Stock Performance**

Magnesita's common shares (Novo Mercado: MAGG3) closed the quarter at R$6.87, rising by 19.1% in the year. In the same period, Ibovespa rose by 13.7% and stood at 64,510 at the close of the quarter. The average daily trading volume during the year was R$2.4 million, with an average of 357,400 shares traded per day.

**Stock vs. Ibovespa in the year** – IBF (Dec. 10=100)



**_About Magnesita Refratários S.A._**

*Magnesita Refratários S.A. is a publicly-held company, with shares traded at BM&FBovespa in Brazil and through Level 1 ADRs in the USA, dedicated to mining, producing and trading an extensive line of refractory materials. Its products are used mainly by the steel, cement and glass industries. Its industrial activities started in 1940, shortly after magnesite deposits were discovered in Brumado, Bahia State. At present, it operates 28 industrial and mining plants: sixteen in Brazil, three in Germany, three in China, one in the United States, two in France, one in Belgium, one in Taiwan and one in Argentina, with a capacity to produce over 1.4 million tons per year of refractories. The Company is the market leader in Brazil and South America and exported to over 70 countries in 2011.*

*All statements contained herein concerning business prospects, expected operating and financial results and references to the Company's potential for growth are simply forecasts and were based on the expectations and estimates of Management with regard to the Company's future performance. Even though the Company believes these forecasts are based on reasonable assumptions, it does not guarantee that they will materialize. The expectations and estimates on which the Company's future prospects are based are highly dependent on the behavior of the market, Brazil's political and economic situation, current and future regulations, international industry and markets and, consequently, are subject to changes beyond the control of the Company and its Management. The Company is not obliged to posting updates or reviews of the expectations, estimates and forecasts contained herein due to future events or information.*

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## APPENDIX I - CONSOLIDATED BALANCE SHEET

| As per Brazilian Corporate Law (R$ '000) | 03/31/12 | 12/31/11 | 03/31/11 |
|---|---|---|---|
| **ASSETS** | | | |
| Current | 1,951,820 | 2,063,992 | 1,899,610 |
| Cash ans cash equivalents | 667,042 | 770,466 | 722,453 |
| Accounts receivable | 509,342 | 485,564 | 501,868 |
| Inventories | 580,947 | 601,708 | 535,106 |
| Accounts receivable - PP&E sale | 14,494 | 13,025 | 13,618 |
| Recoverable taxes | 99,597 | 102,846 | 64,175 |
| Others | 80,398 | 90,383 | 62,390 |
| Long term | 141,401 | 149,214 | 200,172 |
| Legal deposits | 14,635 | 21,660 | 17,628 |
| Recoverable and deferred taxes | 45,057 | 45,854 | 57,590 |
| Accounts receivable - PP&E sale | 6,023 | 7,946 | 54,035 |
| Tax benefits on merger of subsidiaries | 59,990 | 62,211 | 68,877 |
| Others | 15,696 | 11,542 | 2,042 |
| Fixed | 3,132,865 | 3,120,963 | 2,921,654 |
| Investments | 1,520 | 1,179 | 1,353 |
| Property, plant and equipment | 920,251 | 898,016 | 786,604 |
| Intangibles | 2,211,094 | 2,221,768 | 2,133,697 |
| Total Assets | 5,226,086 | 5,334,169 | 5,021,436 |
| **LIABILITIES** | | | |
| Current | 618,364 | 689,198 | 574,816 |
| Suppliers | 298,457 | 346,047 | 231,814 |
| Loans | 90,754 | 124,799 | 116,303 |
| Interests on equity payable | 9,436 | 9,436 | 432 |
| Taxes and contributions | 62,484 | 51,877 | 66,681 |
| Salaries and social charges | 99,611 | 90,763 | 98,510 |
| Others | 57,623 | 66,277 | 61,076 |
| Long term liabilities | 1,928,998 | 1,991,810 | 1,917,222 |
| Loans | 1,544,332 | 1,602,919 | 1,514,632 |
| Taxes and contributions | 85,789 | 83,463 | 48,774 |
| Severance payment | 219,477 | 222,926 | 243,228 |
| Provision for contigencies | 63,216 | 63,898 | 95,165 |
| Others | 16,185 | 18,604 | 15,423 |
| Shareholder's equity | 2,678,723 | 2,653,161 | 2,529,398 |
| Capital | 2,528,146 | 2,528,146 | 2,528,146 |
| Reserves, net of ajustments | 107,156 | 110,185 | 32,673 |
| Retained earnings (losses) | 27,914 | 0 | -45,857 |
| Equity attributable to equity holders | 2,663,216 | 2,638,331 | 2,514,962 |
| Non-controlling interests | 15,507 | 14,830 | 14,436 |
| **Total liabilities and Shareholder's equity** | 5,226,085 | 5,334,169 | 5,021,436 |
| Total number of shares outstanding ('000) | 291,982 | 291,982 | 291,982 |
| Book Value Per Share | 9.17 | 9.09 | 8.66 |

## APPENDIX II – CONSOLIDATED INCOME STATEMENT

| As per Brazilian Corporate Law (R$'000) | Quarter | | | Var. % | |
|---|---|---|---|---|---|
| | 1Q12 | 4Q11 | 1Q11 | | |
| | (a) | (b) | (c) | *(a/b)* | *(a/c)* |
| **Net operating revenues** | **606,853** | **599,126** | **575,291** | ***1.3%*** | ***5.5%*** |
| Cost of goods sold | -425,174 | -416,101 | -389,600 | *2.2%* | *9.1%* |
| **Gross Profit** | **181,679** | **183,025** | **185,691** | ***-0.7%*** | ***-2.2%*** |
| Gross margin (%) | 29.9% | 30.5% | 32.3% | *-2.0%* | *-7.2%* |
| Selling expenses | -65,939 | -64,072 | -60,156 | *2.9%* | *9.6%* |
| General and administrative expenses | -49,455 | -63,746 | -57,333 | *-22.4%* | *-13.7%* |
| Impairment | 0 | -32,824 | | | |
| Other operating income (expenses) | -4,539 | 30,621 | 1,170 | *-114.8%* | *-487.9%* |
| **Operating profit (EBIT)** | **61,746** | **53,004** | **69,372** | ***16.5%*** | ***-11.0%*** |
| Operating margin (%) | 10.2% | 8.8% | 12.1% | *15.0%* | *-15.6%* |
| Financial income (expenses) | -28,342 | -27,827 | -35,919 | *1.9%* | *-21.1%* |
| Currency variation, net | 11,805 | -2,337 | 4,632 | *-605.1%* | *154.9%* |
| **Income before income tax and social contrib.** | **45,209** | **22,840** | **38,085** | ***97.9%*** | ***18.7%*** |
| Income tax and social contribution | -16,892 | -11,284 | -16,289 | *49.7%* | *3.7%* |
| **Net income (losses)** | **28,317** | **11,556** | **21,796** | ***145.0%*** | ***29.9%*** |
| Equity holders | 27,914 | 11,341 | 21,917 | *146.1%* | *27.4%* |
| Non-controlling interests | 403 | 215 | -121 | *87.8%* | *-433.3%* |
| Net margin (%) | 4.7% | 1.9% | 3.8% | *141.9%* | *23.2%* |
| Depreciation/amortization | 25,811 | 58,749 | 24,443 | *-56.1%* | *5.6%* |
| **EBITDA** | **87,556** | **111,751** | **93,815** | ***-21.7%*** | ***-6.7%*** |
| EBITDA Margin (%) | 14.4% | 18.7% | 16.3% | *-22.6%* | *-11.5%* |
| **CAPEX (R$ million)** | **55.7** | **84.1** | **21.6** | ***-33.8%*** | ***157.6%*** |

## APPENDIX III – CONSOLIDATED CASH FLOW

| As per Brazilian Corporate Law (R$'000) | 1T12 | 4T11 | 1T11 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| **Net income (losses)** | **28,317** | **11,556** | **21,796** |
| **Adjustments** | **61,093** | **114,338** | **63,885** |
| Depreciation and amortization | 25,828 | 25,924 | 24,443 |
| Impairment (China) | - | 32,824 | - |
| Deferred income tax and social contribution | 6,658 | (3,987) | 16,290 |
| Charges and monetary/exchange variations, net | 26,619 | 58,702 | 21,639 |
| Stock Option | 1,585 | 1,514 | 1,513 |
| Minority interests | 403 | (639) | - |
| **Change in assets and liabilities** | **(25,687)** | **(21,087)** | **100,686** |
| Investments in variable income | (11,268) | (43,842) | - |
| Accounts receivable | 2,466 | (18,152) | 6,006 |
| Inventories | 19,250 | 11,158 | 4,483 |
| Account receivable – law suit | - | 2,073 | 65,189 |
| Taxes recoverable | 4,823 | (35,730) | (4,575) |
| Accounts receivable - PP&E sale | 454 | (242) | 1,959 |
| Suppliers | (51,246) | 24,005 | 28,336 |
| Accrued taxes | 8,535 | (8,294) | 5,704 |
| Derivativos - fair value swap | 11,406 | (8,877) | - |
| Interests on equity payable | - | 9,004 | - |
| Others | (10,107) | 47,810 | (6,416) |
| **Net cash provided from used in operating activities** | **63,723** | **104,807** | **186,367** |
| **Cash flows from investing activities:** | | | |
| Disposal of property, plant and equipment | 2,235 | 321 | 464 |
| Additions to fixed, investments and intangible assets | (55,719) | (96,493) | (21,634) |
| **Net cash provided from (used in) investing activities** | **(53,484)** | **(96,172)** | **(21,170)** |
| **Cash flows from financing activities** | | | |
| New loans and financing | 9,642 | 7,621 | 1,461 |
| Payment of loans and financing | (121,268) | (87,456) | (389,167) |
| Shares issue costs/goodwill due to shares issue | (395) | (4,929) | (7,717) |
| Capital increase | - | - | 278,602 |
| Expired interest on own capital | - | - | - |
| Interests on equity payable | - | (9,414) | - |
| **Net cash provided from (used in) financing activities** | **(112,021)** | **(94,178)** | **(116,821)** |
| **Increase (decrease ) in cash and cash equivalents** | **(101,782)** | **(85,543)** | **48,376** |
| **Opening balance of cash and cash and equivalents** | **770,466** | **857,190** | **669,516** |
| Forex variations – opening balance | (1,642) | (1,181) | 4,561 |
| **Closing balance - cash and equivalents** | **667,042** | **770,466** | **722,453** |
| **Increase (decrease) in cash and cash equivalents** | **(101,782)** | **(85,543)** | **48,376** |

## APPENDIX IV - DEBT (R$ '000)

| Type | Short term | | | Long term | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | 12/31/10 | 31/12/2011 | 31/03/2012 | 12/31/10 | 31/12/2011 | 31/03/2012 | 12/31/10 | 31/12/2011 | 31/03/2012 |
| Bonds (Reg. 144A) | 13,448 | 14,587 | - | 647,569 | 731,898 | 710,472 | 661,017 | 746,485 | 710,472 |
| Export credit notes | 7,310 | 68,505 | 46,961 | 1,049,287 | 731,290 | 688,041 | 1,056,597 | 799,795 | 735,002 |
| Advance on export invoices | 13,393 | 12,555 | 12,774 | 118,300 | 121,927 | 118,437 | 131,693 | 134,482 | 131,211 |
| Fixed assets financing | 75,350 | 384 | 365 | 418 | 239 | 174 | 75,768 | 623 | 539 |
| Import financing | 9,142 | 4,157 | 2,998 | 1,501 | - | - | 10,643 | 4,157 | 2,998 |
| Others | 6,228 | 24,611 | 27,656 | 30,129 | 17,565 | 27,207 | 36,357 | 42,176 | 54,863 |
| **Total** | **124,871** | **124,799** | **90,754** | **1,847,204** | **1,602,919** | **1,544,331** | **1,972,075** | **1,727,718** | **1,635,085** |
| Share % | 6.3% | 7.2% | 5.6% | 93.7% | 92.8% | 94.4% | 100.0% | 100.0% | 100.0% |
| Cash | | | | | | | 669,516 | 770,466 | 667,042 |
| Net Debt | | | | | | | 1,302,559 | 957,252 | 968,043 |

## APPENDIX V – SHAREHOLDING STRUCTURE – 03/31/2012

| Shareholders | ON | % |
|---|---|---|
| **Controlling Group** | | |
| Alumina Holdings LLC (GP) | 88,654,796 | 30.4% |
| MAG Fundo de Invest. em Participações (GP) | 9,537,978 | 3.3% |
| GPCP4 Fundo de Invest. em Participações (GP) | 1,138,301 | 0.4% |
| GIF II Fundo de Invest. em Participações (Gávea) | 2,444,223 | 0.8% |
| Rearden L Holdings 3 S.À R.L (RHONE) | 21,019,595 | 7.2% |
| **Total Controlling Group** | **122,794,893** | **42.1%** |
| **Other Shareholders** | **169,187,041** | **57.9%** |
| **Total** | **291,981,934** | **100.0%** |

## APPENDIX VI – GROSS PROFIT BY SEGMENT

| By Segment | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 1Q12 |
|---|---|---|---|---|---|
| **Refractory Solutions** | | | | | |
| Volume (t) | 277,799 | 294,434 | 262,891 | 271,791 | 270,876 |
| Revenues (R$ '000) | 495,768 | 526,424 | 496,708 | 516,381 | 547,424 |
| Gross Profit (R$ '000) | 165,984 | 168,826 | 160,070 | 157,882 | 168,026 |
| Gross Margin (%) | 33.5% | 32.1% | 32.2% | 30.6% | 30.7% |
| **Minerais** | | | | | |
| Volume (t) | 130,128 | 145,983 | 172,235 | 226,004 | 233,301 |
| Revenues (R$ '000) | 34,474 | 19,844 | 28,157 | 48,576 | 28,152 |
| Gross Profit (R$ '000) | 13,670 | 10,296 | 14,238 | 21,830 | 11,931 |
| Gross Margin (%) | 39.7% | 51.9% | 50.6% | 44.9% | 42.4% |
| **Services** | | | | | |
| Revenues (R$ '000) | 45,049 | 36,749 | 36,604 | 34,167 | 31,277 |
| Gross Profit (R$ '000) | 6,037 | 4,137 | 3,807 | 3,311 | 1,722 |
| Gross Margin (%) | 13.4% | 11.3% | 10.4% | 9.7% | 5.5% |
| **Total** | | | | | |
| Volume (t) | 407,927 | 440,417 | 435,126 | 497,795 | 504,176 |
| Revenues (R$ '000) | 575,291 | 583,017 | 561,469 | 599,125 | 606,853 |
| Gross Profit (R$ '000) | 185,691 | 183,259 | 178,115 | 183,024 | 181,679 |
| Gross Margin (%) | 32.3% | 31.4% | 31.7% | 30.5% | 29.9% |