

# **Quarterly Information (ITR)**

**Magnesita Refratários S.A.**

June 30, 2012

# Magnesita Refratários S.A.

June 30, 2012

## Quarterly Information (ITR)

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**A free translation from Portuguese into English of Independent Auditor's Review Report on quarterly information prepared in accordance with accounting practices adopted in Brazil**

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## **Independent Auditor's Report on Review on Interim Financial Statements**

The Shareholders, Board of Directors and Officers

### **Magnesita Refratários S.A.**

Contagem - MG

#### **Introduction**

We have reviewed the accompanying individual and consolidated interim financial information, contained in the Quarterly Financial Information (ITR) of Magnesita Refratários S.A. ("Company") for the four-month-period ended June 30, 2012, comprising the balance sheet as of June 30, 2012 and the related income statements and statements of comprehensive income for the three-month and six-month periods then ended, and the statements of changes in equity and cash flow statements for the six-month period then ended, including the explanatory notes.

Management is responsible for the preparation and presentation of these interim financial statements in accordance with Technical Pronouncement CPC 21 – Interim Financial Statements and international standard IAS 34 – *Interim Financial Reporting*, issued by the *International Accounting Standards Board* (IASB), as well as for the fair presentation of this information in conformity with specific CVM rules issued by the Brazilian Securities and Exchange Commission (CVM), applicable to the preparation of Quarterly Financial Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

#### **Scope of review**

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively), which consisted of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### **Conclusion on the individual interim financial information**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual interim financial information included in the quarterly information referred to above is not fairly prepared and presented, in all material aspects, in accordance with CPC 21 applicable to the preparation of quarterly information (ITR), and consistently with the rules issued by the CVM.

## **Conclusion on the consolidated interim financial information**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information included in the quarterly information referred to above is not fairly prepared and presented, in all material aspects, in accordance with CPC 21 applicable to the preparation of quarterly information (ITR), and consistently with the rules issued by the CVM.

## **Other matters**

### **Statements of Value Added**

We have also reviewed the individual and consolidated interim statement of value added (SVA) for the six-month period ended June 30, 2012, whose presentation in the interim financial information is required by rules issued by the CVM applicable to preparation of Quarterly Information (ITR), and as supplementary information by IFRS, which do not require SVA presentation. These statements have been subject to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that they are not fairly presented, in all material respects, in relation to the overall accompanying individual and consolidated interim financial information

### **Audit of prior year and periods corresponding figures**

The individual and consolidated financial information, included in the interim financial information, relating to the balance sheet as at December 31, 2011 and the income statements, statements of comprehensive income, cash flow statements, statements of changes in equity and statements of value added for the three-month and six-month periods ended June 30, 2011, included for comparison purposes, were audited and reviewed, respectively, by other independent auditors who issued an audit report dated March 07, 2012 and a review report dated August 09, 2011, without modifications.

Belo Horizonte, August 09, 2012.

ERNST & YOUNG TERCO  
Auditores Independentes S.S.  
CRC 2SP015199/O-6 "F"- MG

Rogério Xavier Magalhães  
Accountant CRC MG080613/O-1

## Magnesita Refratários S.A.

### Balance Sheet - Assets / Company

June 30, 2012

(In thousands of reais)

Code	Description	Current quarter	Prior year
		06/30/2012	12/31/2011
1	Total assets	4,217,390	4,007,420
1.01	Current assets	1,313,235	1,290,723
1.01.01	Cash and cash equivalents	623,198	595,498
1.01.02	Short-term investments	57,979	43,842
1.01.02.01	Short-term investments at fair value	57,979	43,842
1.01.02.01.01	Trading securities	57,979	43,842
1.01.03	Trade accounts receivable	340,291	358,805
1.01.03.01	Accounts receivable	324,352	345,780
1.01.03.01.01	Accounts receivable - domestic	166,638	172,841
1.01.03.01.02	Accounts receivable - foreign	135,333	154,053
1.01.03.01.03	Provision for credit risk	(1,116)	(1,093)
1.01.03.01.04	Measurements to be billed	23,497	19,979
1.01.03.02	Other accounts receivable	15,939	13,025
1.01.03.02.01	Sale of property	15,939	13,025
1.01.04	Inventories	220,975	234,590
1.01.06	Taxes recoverable	60,065	52,815
1.01.06.01	Current taxes recoverable	60,065	52,815
	Income and social contribution taxes recoverable		
1.01.06.01.01	recoverable	21,438	13,616
1.01.06.01.02	Other taxes recoverable	38,627	39,199
1.01.08	Other current assets	10,727	5,173
1.01.08.03	Other	10,727	5,173
1.02	Non-current assets	2,904,155	2,716,697
1.02.01	Long-term receivables	154,728	148,413
1.02.01.03	Trade accounts receivable	3,476	7,946
1.02.01.03.02	Other accounts receivable	3,476	7,946
1.02.01.08	Receivables from related parties	65,854	56,983
1.02.01.08.02	Receivables from subsidiaries	65,854	56,983
1.02.01.09	Other non-current assets	85,398	83,484
	Goodwill on downstream merger, net of provision		
1.02.01.09.03	provision	57,768	62,211
1.02.01.09.04	Judicial deposits	11,802	9,731
1.02.01.09.05	Other	15,828	11,542
1.02.02	Investments	1,138,602	1,037,645
1.02.02.01	Interest held	1,138,602	1,037,645
1.02.02.01.02	Interest held - subsidiaries	1,137,959	1,036,989
1.02.02.01.04	Other interest held	643	656
1.02.03	Property, plant and equipment	531,452	447,956
	Property, plant and equipment in progress		
1.02.03.01	progress	320,323	328,736
1.02.03.03	Construction in progress	211,129	119,220
1.02.04	Intangible assets	1,079,373	1,082,683
1.02.04.01	Intangible assets	1,079,373	1,082,683
1.02.04.01.02	Software and other	35,719	39,029
1.02.04.01.03	Goodwill	1,043,654	1,043,654

## Magnesita Refratários S.A.

### Balance Sheet - Liabilities / Company

June 30, 2012

(In thousands of reais)

Code	Description	Current quarter	Prior year
		06/30/2012	12/31/2011
2	Total liabilities	4,217,390	4,007,420
2.01	Current liabilities	304,161	370,123
2.01.01	Social and labor liabilities	59,188	60,438
2.01.01.01	Social charges	32,908	26,706
2.01.01.02	Labor liabilities	26,280	33,732
2.01.02	Trade accounts payable	152,995	163,004
2.01.02.01	Trade accounts payable - domestic	141,223	147,102
2.01.02.02	Trade accounts payable - foreign	11,772	15,902
2.01.03	Tax liabilities	19,958	18,367
2.01.03.01	Federal tax liabilities	13,293	11,452
2.01.03.01.01	Income and social contribution taxes payable	1,240	-
2.01.03.01.02	Other federal and tax liabilities	12,053	11,452
2.01.03.02	State tax liabilities	6,231	6,806
2.01.03.03	Municipal tax liabilities	434	109
2.01.04	Loans and financing	50,127	85,479
2.01.04.01	Loans and financing	50,127	85,479
2.01.04.01.01	Domestic currency	15,510	68,767
2.01.04.01.02	Foreign currency	34,617	16,712
2.01.05	Other liabilities	21,893	42,835
2.01.05.02	Other	21,893	42,835
2.01.05.02.01	Dividends and interest on equity (IOE)	103	9,415
2.01.05.02.04	Liabilities from assignment of rights	2,667	4,267
2.01.05.02.05	Other liabilities	19,123	29,153
2.02	Non-current liabilities	1,151,456	998,966
2.02.01	Loans and financing	985,774	853,455
2.02.01.01	Loans and financing	985,774	853,455
2.02.01.01.01	Domestic currency	363,550	731,528
2.02.01.01.02	Foreign currency	622,224	121,927
2.02.02	Other liabilities	52,432	51,056
2.02.02.02	Other	52,432	51,056
2.02.02.02.03	Post-employment obligations	52,432	51,056
2.02.03	Deferred taxes	46,998	30,569
2.02.03.01	Deferred income and social contribution taxes	46,998	30,569
2.02.04	Provisions	66,252	63,886
2.02.04.01	Provisions for tax, social security, labor and civil contingencies	66,252	63,886
2.02.04.01.01	Tax	39,959	38,987
2.02.04.01.02	Social security and labor	26,166	24,772
2.02.04.01.04	Civil	127	127
2.03	Equity	2,761,773	2,638,331
2.03.01	Paid-up capital	2,528,146	2,528,146
2.03.02	Capital reserves	235,496	234,326
2.03.02.01	Goodwill on shares issued	(17,225)	(16,829)
2.03.02.02	Special goodwill reserve from downstream merger	88,874	88,874
2.03.02.04	Shares granted	18,547	16,981
2.03.02.07	Special reserve - Law No. 8200/91	5,973	5,973
2.03.02.08	Reserve - shares issued	139,327	139,327
2.03.04	Income reserves	34,130	34,130
2.03.04.01	Legal reserve	1,982	1,982
2.03.04.05	Retained earnings reserve	32,148	32,148
2.03.05	Retained earnings/(Accumulated losses)	63,850	0
2.03.07	Cumulative translation adjustments	(99,849)	(158,271)

## Magnesita Refratários S.A.

### Income statement / Company

June 30, 2012

(In thousands of reais)

Code	Description	Current quarter	YTD - current	Same quarter - prior	YTD - prior
		04/01/2012 to 06/30/2012	01/01/2012 to 06/30/2012	04/01/2011 to 06/30/2011	01/01/2011 to 06/30/2011
3.01	Revenue from goods sold and/or services rendered	328,740	616,042	295,123	580,156
3.02	Cost of goods sold and/or services rendered	(222,910)	(418,136)	(200,837)	(389,533)
3.03	Gross income	105,830	197,906	94,286	190,623
3.04	Operating income / expenses	(55,694)	(108,760)	(41,679)	(88,519)
3.04.01	Selling expenses	(32,306)	(63,024)	(33,653)	(63,190)
3.04.02	General and administrative expenses	(28,943)	(62,021)	(25,773)	(56,761)
3.04.04	Other operating revenue	1,012	2,832	6,781	14,544
3.04.05	Other operating expenses	(4,888)	(10,245)	(4,737)	(10,460)
3.04.06	Equity pick-up	9,431	23,698	15,703	27,348
3.05	Income before financial income/expenses and taxes	50,136	89,146	52,607	102,104
3.06	Financial income/expenses	223	(3,183)	(11,268)	(32,460)
3.06.01	Financial income	36,227	54,910	10,196	24,268
3.06.01.01	Exchange gains	26,828	31,627	(6,712)	(7,124)
3.06.01.02	Gains from short-term investments	9,071	22,489	16,618	30,659
3.06.01.03	Other revenues	328	794	290	733
3.06.02	Financial expenses	(36,004)	(58,093)	(21,464)	(56,728)
3.06.02.01	Exchange losses	(7,462)	(2,704)	7,738	7,268
3.06.02.02	Interest on loans	(28,206)	(54,080)	(28,658)	(63,313)
3.06.02.03	Other expenses	(336)	(1,309)	(544)	(683)
3.07	Income before income taxes	50,359	85,963	41,339	69,644
3.08	Income and social contribution taxes	(14,423)	(22,113)	(10,827)	(17,215)
3.08.02	Deferred	(14,423)	(22,113)	(10,827)	(17,215)
3.09	Net income from continued operations	35,936	63,850	30,512	52,429
3.11	Profit (loss) in the period	35,936	63,850	30,512	52,429
3.99	Earnings per shares - (Reais / share)				
3.99.01	Basic earnings per share				
3.99.01.01	Registered Common shares (ON)	0,1200	0,2200	0,1045	0,17956
3.99.02	Diluted earnings per share				
3.99.02.01	Registered Common shares (ON)	0,1200	0,2200	0,1045	0,17956

## Magnesita Refratários S.A.

Statement of comprehensive income / Company  
June 30, 2012  
(In thousands of reais)

Code	Description	Current quarter	YTD - current	Same quarter - prior	YTD - prior
		04/01/2012 to 06/30/2012	01/01/2012 to 06/30/2012	04/01/2011 to 06/30/2011	01/01/2011 to 06/30/2011
4.01	Net income for the period	35,936	63,850	30,512	52,429
4.02	Other comprehensive income	62,640	58,422	(23,685)	(4,384)
4.03	Comprehensive income in the period	98,576	122,272	6,827	48,045



## Magnesita Refratários S.A.

Cash flow statement - Indirect method / Company  
June 30, 2012  
(In thousands of reais)

Code	Description	YTD - current	YTD - prior
		01/01/2012 to 06/30/2012	01/01/2011 to 06/30/2011
6.01	Net cash used in operating activities	107,424	246,707
6.01.01	Cash from operating activities	132,232	116,634
6.01.01.01	Net income for the year	63,850	52,429
	Interest expenses and exchange gains/losses, net	44,224	49,824
6.01.01.02	Depreciation and depletion	20,861	18,492
6.01.01.03	Amortization of intangible assets	3,316	2,996
6.01.01.04	Equity pick-up	(23,698)	(27,348)
6.01.01.05	Deferred income and social contribution taxes	22,113	17,215
6.01.01.06	Stock options	1,566	3,026
6.01.01.07	Changes in assets and liabilities:	(24,808)	130,073
6.01.02	Trade accounts receivable	21,428	41,565
6.01.02.01	Inventories	13,615	4,846
6.01.02.02	Taxes recoverable	(7,250)	225
	Receipt for property, plant and equipment disposed of	1,556	23,573
6.01.02.04	Variable income investment - available for sale	(14,137)	-
6.01.02.05	Amounts receivable - Eletrobrás	-	63,116
6.01.02.06	Trade accounts payable	(10,009)	24,869
6.01.02.07	Taxes payable	1,590	(5,349)
6.01.02.08	Dividends payable	(9,311)	-
6.01.02.09	Other	(22,290)	(22,772)
6.01.02.10	Net cash used in investing activities	(123,200)	(36,161)
6.02	Disposal of PP&E, investments and intangible assets	12	56
6.02.01	Additions to PP&E and intangible assets	(104,363)	(36,217)
6.02.02	Payment of capital in subsidiary	(18,849)	-
6.02.03	Cash flow - financing activities	43,476	(93,707)
6.03	Loan and financing inflows	536,809	2,734
6.03.01	Payment of loans and financing	(424,508)	(296,085)
6.03.02	Interest paid - loans and financing	(68,429)	(69,013)
6.03.03	Unclaimed interest on equity	-	410
6.03.04	Expenses with shares issued	(396)	(10,355)
6.03.05	Capital increase	-	278,602
6.03.06	Increase (decrease) in cash and cash equivalents	27,700	116,839
6.05	Cash and cash equivalents - opening balance	595,498	518,974
6.05.01	Cash and cash equivalents - closing balance	623,198	635,813
6.05.02			

## Magnesita Refratários S.A.

Statements of changes in equity / period from 01/01/2012 to 06/30/2012 / Company

June 30, 2012

(In thousands of reais)

Code	Description	Paid-in capital	Capital reserves, stock options granted and treasury shares	Income reserves	Retained earnings / Accumulated losses	Other comprehensive income	Equity
5.01	Opening balances	2,528,146	234,326	34,130	-	(158,271)	2,638,331
5.03	Adjustments to opening balances	2,528,146	234,326	34,130	-	(158,271)	2,638,331
5.04	Capital transactions with shareholders	-	1,170	-	-	-	1,170
5.04.02	Expenses with shares issued	-	(396)	-	-	-	(396)
5.04.03	Stock options granted and recognized	-	1,566	-	-	-	1,566
5.05	Total comprehensive income	-	-	-	63,850	58,422	122,272
5.05.01	Net income for the period	-	-	-	63,850	-	63,850
5.05.02	Other comprehensive income	-	-	-	-	58,422	58,422
5.05.02.06	Exchange rate fluctuation - foreign investments	-	-	-	-	58,422	58,422
5.07	Closing balances	2,528,146	235,496	34,130	63,850	(99,849)	2,761,773

## Magnesita Refratários S.A.

Statements of changes in equity / period from 01/01/2011 to 06/30/2011 / Company

June 30, 2012

(In thousands of reais)

Code	Description	Paid-in capital	Capital reserves, stock options granted and treasury shares	Income reserves	Retained earnings / Accumulated losses	Other comprehensive income	Equity
5.01	Opening balances	2,388,845	104,576	3,495	(67,774)	(227,796)	2,201,346
5.03	Adjustments to opening balances	2,388,845	104,576	3,495	(67,774)	(227,796)	2,201,346
5.04	Capital transactions with shareholders	139,301	131,972	410	-	-	271,683
5.04.01	Capital increases	139,301	-	-	-	-	139,301
5.04.02	Expenses with shares issued	-	(10,355)	-	-	-	(10,355)
5.04.03	Stock options granted and recognized	-	3,026	-	-	-	3,026
5.04.07	Interest on equity	-	-	410	-	-	410
5.04.08	Reserve - shares issued	-	139,301	-	-	-	139,301
5.05	Total comprehensive income	-	-	-	52,429	(4,384)	48,045
5.05.01	Net income for the period	-	-	-	52,429	-	52,429
5.05.02	Other comprehensive income	-	-	-	-	(4,384)	(4,384)
5.05.02.06	Exchange rate fluctuation - foreign investments	-	-	-	-	(4,384)	(4,384)
5.07	Closing balances	2,528,146	236,548	3,905	(15,345)	(232,180)	2,521,074

## Magnesita Refratários S.A.

Statements of value added / Company

June 30, 2012

(In thousands of reais)

Code	Description	YTD - current	YTD - prior
		01/01/2012 to 06/30/2012	01/01/2011 to 06/30/2011
7.01	Revenues	<b>787,533</b>	759,650
7.01.01	Goods and products sold and services rendered	<b>785,771</b>	748,713
7.01.02	Other revenues	<b>1,838</b>	10,877
7.01.04	Allowance for/(Reversal of) doubtful accounts	<b>(76)</b>	60
7.02	Inputs acquired from third parties	<b>(528,808)</b>	(487,341)
7.02.01	Cost of products/ goods sold and services rendered	<b>(400,855)</b>	(366,784)
7.02.02	Materials, energy, third-party services and other expenses	<b>(127,953)</b>	(120,557)
7.03	Gross value added	<b>258,725</b>	272,309
7.04	Retentions	<b>(24,177)</b>	(21,488)
7.04.01	Depreciation, amortization and depletion	<b>(24,177)</b>	(21,488)
7.05	Net value added produced by entity	<b>234,548</b>	250,821
7.06	Value added received in transfer	<b>78,608</b>	51,616
7.06.01	Equity pick-up	<b>23,698</b>	27,348
7.06.02	Financial income	<b>54,910</b>	24,268
7.07	Total value added to be distributed	<b>313,156</b>	302,437
7.08	Distribution of value added	<b>313,156</b>	302,437
7.08.01	Personnel	<b>162,833</b>	169,817
7.08.02	Taxes, charges and contributions	<b>22,113</b>	17,216
7.08.03	Debt remuneration	<b>64,360</b>	62,975
7.08.03.01	Interest	<b>54,080</b>	63,313
7.08.03.02	Rent	<b>6,267</b>	6,247
7.08.03.03	Other	<b>4,013</b>	(6,585)
7.08.04	Equity remuneration	<b>63,850</b>	52,429
7.08.04.03	Profit (loss) in the period	<b>63,850</b>	52,429

## Magnesita Refratários S.A.

Balance Sheet - Assets / Consolidated  
June 30, 2012  
(In thousands of reais)

Code	Description	Current quarter	Prior year
		06/30/2012	12/31/2011
1	Total assets	<b>5,593,906</b>	5,334,169
1.01	Current assets	<b>2,177,826</b>	2,063,992
1.01.01	Cash and cash equivalents	<b>812,515</b>	770,466
1.01.02	Short-term investments	<b>57,979</b>	43,842
1.01.02.01	Short-term investments at fair value	<b>57,979</b>	43,842
1.01.02.01.01	Trading securities	<b>57,979</b>	43,842
1.01.03	Trade accounts receivable	<b>553,828</b>	518,568
1.01.03.01	Accounts receivable	<b>537,889</b>	505,543
1.01.03.01.01	Accounts receivable - domestic	<b>170,459</b>	178,362
1.01.03.01.02	Accounts receivable - foreign	<b>354,733</b>	317,463
1.01.03.01.03	Provision for credit risk	<b>(10,800)</b>	(10,261)
1.01.03.01.04	Measurements to be billed	<b>23,497</b>	19,979
1.01.03.02	Other accounts receivable	<b>15,939</b>	13,025
1.01.03.02.01	Sale of property	<b>15,939</b>	13,025
1.01.04	Inventories	<b>595,051</b>	601,708
1.01.06	Taxes recoverable	<b>125,590</b>	102,846
1.01.06.01	Current taxes recoverable	<b>125,590</b>	102,846
1.01.06.01.01	Income before income and social contribution taxes	<b>53,694</b>	38,222
1.01.06.01.02	Other taxes recoverable	<b>71,896</b>	64,624
1.01.08	Other current assets	<b>32,863</b>	26,562
1.01.08.03	Other	<b>32,863</b>	26,562
1.02	Non-current assets	<b>3,416,080</b>	3,270,177
1.02.01	Long-term receivables	<b>142,805</b>	149,213
1.02.01.03	Trade accounts receivable	<b>3,476</b>	7,946
1.02.01.03.02	Other accounts receivable	<b>3,476</b>	7,946
1.02.01.06	Deferred taxes	<b>49,036</b>	45,854
1.02.01.06.01	Deferred income and social contribution taxes	<b>49,036</b>	45,854
1.02.01.09	Other non-current assets	<b>90,293</b>	95,413
1.02.01.09.03	Goodwill on downstream merger, net of provision	<b>57,768</b>	62,211
1.02.01.09.04	Judicial deposits	<b>16,697</b>	21,660
1.02.01.09.05	Other	<b>15,828</b>	11,542
1.02.02	Investments	<b>1,219</b>	1,179
1.02.02.01	Interest held	<b>1,219</b>	1,179
1.02.02.01.04	Other interest held	<b>1,219</b>	1,179
1.02.03	Property, plant and equipment	<b>992,092</b>	898,017
1.02.03.01	Property, plant and equipment in operation	<b>732,562</b>	743,072
1.02.03.03	Property, plant and equipment in progress	<b>259,530</b>	154,945
1.02.04	Intangible assets	<b>2,279,964</b>	2,221,768
1.02.04.01	Intangible assets	<b>37,561</b>	40,826
1.02.04.02	Goodwill	<b>2,242,403</b>	2,180,942

## Magnesita Refratários S.A.

### Balance Sheet - Liabilities / Consolidated

June 30, 2012

(In thousands of reais)

Code	Description	Current quarter	Prior year
		06/30/2012	12/31/2011
2	Total liabilities	5,593,906	5,334,169
2.01	Current liabilities	619,071	689,198
2.01.01	Social and labor liabilities	93,829	90,763
2.01.01.01	Social charges	38,392	33,435
2.01.01.02	Labor liabilities	55,437	57,328
2.01.02	Trade accounts payable	313,792	346,047
2.01.02.01	Trade accounts payable - domestic	139,646	146,760
2.01.02.02	Trade accounts payable - foreign	174,146	199,287
2.01.03	Tax liabilities	62,582	51,877
2.01.03.01	Federal tax liabilities	47,282	38,428
	Income and social contribution taxes payable	22,674	14,885
2.01.03.01.02	Other federal tax liabilities	24,608	23,543
2.01.03.02	State tax liabilities	14,858	13,335
2.01.03.03	Municipal tax liabilities	442	114
2.01.04	Loans and financing	91,326	124,799
2.01.04.01	Loans and financing	91,326	124,799
2.01.04.01.01	Domestic currency	15,510	68,890
2.01.04.01.02	Foreign currency	75,816	55,909
2.01.05	Other liabilities	57,542	75,712
2.01.05.02	Other	57,542	75,712
2.01.05.02.01	Dividends and interest on equity (IOE)	125	9,437
2.01.05.02.04	Liabilities from assignment of rights	2,667	4,267
2.01.05.02.05	Other liabilities	54,750	62,008
2.02	Non-current liabilities	2,196,259	1,991,810
2.02.01	Loans and financing	990,902	871,021
2.02.01.01	Loans and financing	990,902	871,021
2.02.01.01.01	Domestic currency	363,550	731,528
2.02.01.01.02	Foreign currency	627,352	139,493
2.02.02	Other liabilities	1,038,065	973,428
2.02.02.02	Other	1,038,065	973,428
2.02.02.02.03	Debt bonds	790,330	731,898
2.02.02.02.04	Post-employment obligations	230,199	222,926
2.02.02.02.05	Other liabilities	17,536	18,604
2.02.03	Deferred taxes	101,028	83,463
	Deferred income and social contribution taxes	101,028	83,463
2.02.03.01	Provisions	66,264	63,898
2.02.04	Provisions for tax, social security, labor and civil contingencies	66,264	63,898
2.02.04.01	Tax	39,971	38,999
2.02.04.01.02	Social security and labor	26,166	24,772
2.02.04.01.04	Civil	127	127
2.03	Total consolidated equity	2,778,576	2,653,161
2.03.01	Paid-up capital	2,528,146	2,528,146
2.03.02	Capital reserves	235,496	234,326
	Special goodwill reserve from downstream merger	88,874	88,874
2.03.02.04	Shares granted	18,547	16,981
2.03.02.07	Special reserve - Law No. 8200/91	5,973	5,973
2.03.02.08	Reserve - shares issued	139,327	139,327
2.03.02.09	Expenses with shares issued	(17,225)	(16,829)
2.03.04	Income reserves	34,130	34,130
2.03.04.01	Legal reserve	1,982	1,982
2.03.04.05	Retained earnings reserve	32,148	32,148
2.03.05	Retained earnings/(Accumulated losses)	63,850	-
2.03.07	Cumulative translation adjustments	(99,849)	(158,271)
2.03.09	Non-controlling interest	16,803	14,830

## Magnesita Refratários S.A.

Income statement / Consolidated  
June 30, 2012  
(In thousands of reais)

Code	Description	Current quarter	YTD - current	Same quarter - prior	YTD - prior
		04/01/2012 to 06/30/2012	01/01/2012 to 06/30/2012	04/01/2011 to 06/30/2011	01/01/2011 to 06/30/2011
3.01	Revenue goods sold and/or services rendered	637,635	1,244,488	583,017	1,158,308
3.02	Cost of goods sold and/or services rendered	(435,989)	(861,163)	(399,758)	(789,358)
3.03	Gross income	201,646	383,325	183,259	368,950
3.04	Operating income / expenses	(123,348)	(243,282)	(103,776)	(220,095)
3.04.01	Selling expenses	(69,559)	(135,499)	(65,801)	(125,957)
3.04.02	General and administrative expenses	(46,424)	(95,879)	(50,552)	(107,885)
3.04.04	Other operating revenue	3,694	10,103	21,584	33,321
3.04.05	Other operating expenses	(11,059)	(22,007)	(9,007)	(19,574)
3.05	Income before financial income/expenses and taxes	78,298	140,043	79,483	148,855
3.06	Financial income/expenses	(23,562)	(40,099)	(25,325)	(56,612)
3.06.01	Financial income	41,305	63,524	12,401	29,454
3.06.01.01	Exchange gains	31,130	38,752	(5,149)	(3,041)
3.06.01.02	Gains from short-term investments	9,691	23,771	16,722	30,763
3.06.01.03	Other revenues	484	1,001	828	1,732
3.06.02	Financial expenses	(64,867)	(103,623)	(37,726)	(86,066)
3.06.02.01	Exchange losses	(16,990)	(12,807)	8,042	10,566
3.06.02.02	Interest on loans	(44,288)	(84,093)	(42,451)	(90,851)
3.06.02.03	Other expenses	(3,589)	(6,723)	(3,317)	(5,781)
3.07	Income before income taxes	54,736	99,944	54,158	92,243
3.08	Income and social contribution taxes	(17,996)	(34,887)	(23,392)	(39,681)
3.08.01	Current	(8,620)	(18,853)	(15,187)	(16,331)
3.08.02	Deferred	(9,376)	(16,034)	(8,205)	(23,350)
3.09	Net income from continued operations	36,740	65,057	30,766	52,562
3.11	Profit (loss) in the period	36,740	65,057	30,766	52,562
3.11.01	Attributed to Company shareholders	35,936	63,850	30,512	52,429
3.11.02	Attributed to non-controlling shareholders	804	1,207	254	133
3.99	Earnings per shares - (Reais / share)				
3.99.01	Basic earnings per share				
3.99.01.01	Registered Common shares (ON)	0.1200	0.2200	0.1045	0.1796
3.99.02	Diluted earnings per share				
3.99.02.01	Registered Common shares (ON)	0.1200	0.2200	0.1045	0.1796

## Magnesita Refratários S.A.

Statement of comprehensive income / Consolidated  
 June 30, 2012  
 (In thousands of reais)

Code	Description	Current quarter	YTD - current	Same quarter - prior	YTD - prior
		04/01/2012 to 06/30/2012	01/01/2012 to 06/30/2012	04/01/2011 to 06/30/2011	01/01/2011 to 06/30/2011
4.01	Consolidated net income for the period	36,740	65,057	30,766	52,562
4.02	Other comprehensive income	63,132	59,188	(24,029)	(4,465)
4.02.01	Exchange gains/(losses) - foreign subsidiaries	63,132	59,188	(24,029)	(4,465)
4.03	Comprehensive income in the period	99,872	124,245	6,737	48,097
4.03.01	Attributed to Company shareholders	98,576	122,272	6,827	48,045
4.03.02	Attributed to non-controlling shareholders	1,296	1,973	(90)	52



## Magnesita Refratários S.A.

Cash flow statement - Indirect method / Consolidated  
June 30, 2012  
(In thousands of reais)

Code	Description	YTD - current	YTD - prior
		01/01/2012 to 06/30/2012	01/01/2011 to 06/30/2011
6.01	Net cash used in operating activities	160,624	272,202
6.01.01	Cash from operating activities	268,058	158,699
6.01.01.01	Net income for the year	65,057	52,562
6.01.01.02	Interest expenses and exchange gains/losses, net	131,370	31,634
6.01.01.03	Depreciation and depletion	49,453	44,993
6.01.01.04	Amortization of intangible assets	3,371	3,134
6.01.01.05	Deferred income and social contribution taxes	16,034	23,350
6.01.01.06	Stock options	1,566	3,026
6.01.01.07	Non-controlling interest	1,207	-
6.01.02	Changes in assets and liabilities:	(107,434)	113,503
6.01.02.01	Trade accounts receivable	(17,358)	(23,032)
6.01.02.02	Inventories	21,714	(20,749)
6.01.02.03	Taxes recoverable	(15,515)	(11,227)
6.01.02.04	Receipt for property, plant and equipment disposed of	1,556	23,573
6.01.02.05	Variable income short-term investments - available for sale	(14,137)	-
6.01.02.06	Amounts receivable - Eletrobrás	-	63,116
6.01.02.07	Derivative instruments - fair value - Swap	(3,852)	-
6.01.02.08	Trade accounts payable	(41,844)	90,812
6.01.02.09	Taxes payable	7,488	2,719
6.01.02.10	Dividends payable	(9,311)	-
6.01.02.11	Other	(36,175)	(11,709)
6.02	Net cash used in investing activities	(117,456)	(46,906)
6.02.01	Disposal of PP&E, investments and intangible assets	715	415
6.02.02	Additions to PP&E and intangible assets	(118,171)	(47,321)
6.03	Cash flow - financing activities	(7,875)	(115,097)
6.03.01	Loan and financing inflows	536,809	8,126
6.03.02	Payment of loans and financing	(446,245)	(303,881)
6.03.03	Interest paid - loans and financing	(98,043)	(87,999)
6.03.04	Unclaimed interest on equity	-	410
6.03.05	Expenses with shares issued	(396)	(10,355)
6.03.06	Capital increase	-	278,602
6.04	Exchange rate fluctuation on cash and cash equivalents	6,756	2,260
6.05	Increase (decrease) in cash and cash equivalents	42,049	112,459
6.05.01	Cash and cash equivalents - opening balance	770,466	669,516
6.05.02	Cash and cash equivalents - closing balance	812,515	781,975

## Magnesita Refratários S.A.

Statements of changes in equity / from 01/01/2012 to 06/30/2012 / Consolidated  
 June 30, 2012  
 (In thousands of reais)

Code	Description	Paid-in capital	Capital reserves, stock options granted and treasury shares	Income reserves	Retained earnings / Accumulated losses	Other comprehensive income	Equity	Non-controlling interest	Total consolidated equity
5.01	Opening balances	2,528,146	234,326	34,130	-	(158,271)	2,638,331	14,830	2,653,161
5.03	Adjustments to opening balances	2,528,146	234,326	34,130	-	(158,271)	2,638,331	14,830	2,653,161
5.04	Capital transactions with shareholders	-	1,170	-	-	-	1,170	-	1,170
5.04.02	Expenses with shares issued	-	(396)	-	-	-	(396)	-	(396)
5.04.03	Stock options granted and recognized	-	1,566	-	-	-	1,566	-	1,566
5.05	Total comprehensive income	-	-	-	63,850	58,422	122,272	1,973	124,245
5.05.01	Net income for the period	-	-	-	63,850	-	63,850	1,207	65,057
5.05.02	Other comprehensive income	-	-	-	-	58,422	58,422	766	59,188
5.05.02.06	Exchange rate fluctuation - foreign investments	-	-	-	-	58,422	58,422	766	59,188
5.07	Closing balances	2,528,146	235,496	34,130	63,850	(99,849)	2,761,773	16,803	2,778,576

## Magnesita Refratários S.A.

Statements of changes in equity / from 01/01/2011 to 06/30/2011 / Consolidated

June 30, 2012

(In thousands of reais)

Code	Description	Paid-in capital	Capital reserves, stock options granted and treasury shares	Income reserves	Retained earnings / Accumulated losses	Other comprehensive income	Equity	Non-controlling interest	Total consolidated equity
5.01	Opening balances	2,388,845	104,576	3,495	(67,774)	(227,796)	2,201,346	14,294	2,215,640
5.03	Adjustments to opening balances	2,388,845	104,576	3,495	(67,774)	(227,796)	2,201,346	14,294	2,215,640
5.04	Capital transactions with shareholders	139,301	131,972	410	-	-	271,683	-	271,683
5.04.01	Capital increases	139,301	-	-	-	-	139,301	-	139,301
5.04.02	Expenses with shares issued	-	(10,355)	-	-	-	(10,355)	-	(10,355)
5.04.03	Stock options granted and recognized	-	3,026	-	-	-	3,026	-	3,026
5.04.07	Interest on equity	-	-	410	-	-	410	-	410
5.04.08	Reserve - shares issued	-	139,301	-	-	-	139,301	-	139,301
5.05	Total comprehensive income	-	-	-	52,429	(4,384)	48,045	52	48,097
5.05.01	Net income for the period	-	-	-	52,429	-	52,429	133	52,562
5.05.02	Other comprehensive income	-	-	-	-	(4,384)	(4,384)	(81)	(4,465)
5.05.02.06	Exchange rate fluctuation - foreign investments	-	-	-	-	(4,384)	(4,384)	(81)	(4,465)
5.07	Closing balances	2,528,146	236,548	3,905	(15,345)	(232,180)	2,521,074	14,346	2,535,420

## Magnesita Refratários S.A.

Statements of value added / Consolidated  
June 30, 2012  
(In thousands of reais)

Code	Description	YTD - current	YTD - prior
		01/01/2012 to 06/30/2011	01/01/2011 to 06/30/2011
7.01	Revenues	1,422,471	1,354,747
7.01.01	Goods and products sold and services rendered	1,420,709	1,334,146
7.01.02	Other revenues	1,838	20,541
7.01.04	Allowance for/(Reversal of) doubtful accounts	(76)	60
7.02	Inputs acquired from third parties	(968,640)	(905,772)
7.02.01	Cost of products/ goods sold and services rendered	(729,939)	(669,890)
7.02.02	Materials, energy, third-party services and other expenses	(238,701)	(235,882)
7.03	Gross value added	453,831	448,975
7.04	Retentions	(52,824)	(48,127)
7.04.01	Depreciation, amortization and depletion	(52,824)	(48,127)
7.05	Net value added produced by entity	401,007	400,848
7.06	Value added received in transfer	63,524	29,454
7.06.02	Financial income	63,524	29,454
7.07	Total value added to be distributed	464,531	430,302
7.08	Distribution of value added	464,531	430,302
7.08.01	Personnel	250,991	247,010
7.08.02	Taxes, charges and contributions	38,518	38,329
7.08.03	Debt remuneration	109,965	92,401
7.08.03.01	Interest	84,093	90,851
7.08.03.02	Rent	6,342	6,335
7.08.03.03	Other	19,530	(4,785)
7.08.04	Equity remuneration	65,057	52,562
7.08.04.03	Profit (loss) in the period	63,850	52,429
7.08.04.04	Non-controlling interest in retained profits	1,207	133

# Magnesita Refratários S.A.

Notes to quarterly information  
June 30, 2012  
(In thousands of reais)

## 1 Operations

Magnesita Refratários S.A. (“Company”, “Magnesita” or “Magnesita Group”), controlled through investment vehicles of GP Investments, Ltd., Grupo Rhône and Gávea Investimentos, is a company listed in the “Novo Mercado” of BM&F BOVESPA and whose business purpose, in conjunction with its subsidiaries located in South America, North America, Europe and Asia, is to manufacture refractory products, which are essential for processes performed under high temperatures. Company products are basically made of magnesite or dolomite and are available in a wide range of forms, such as: bricks, masses, mortars and concrete. Taking advantage of its synergy with customers, the Company renders electromechanical maintenance and refractory assembly services.

In addition to the plant located in Contagem, State of Minas Gerais, Brazil (Company headquarters), the Company owns plants which manufacture refractory materials, through these subsidiaries and jointly-controlled entities:

- Magnesita Insider Refratários Ltda. - Brazil
- Refratarios Argentinos S.A.I.C.y M - Argentina
- Magnesita Refractories Company - United States
- Magnesita Refractories GmbH - Germany
- Magnesita Refractories S.C.S. - France
- Magnesita Resource (Anhui) Co. Ltd. - China
- Shanxi LWB Taigang Refractories Company Ltd. - China
- Sinterco S.A. - Belgium
- Krosaki Magnesita Refractories LLC - United States
- Magnesita Envoy Asia Ltd. - Taiwan

Additionally, the Company has other direct and indirect subsidiaries, mining or non-operating, holding and trading companies, which comprise the consolidated financial statements (“Magnesita Group” or “Group”).

## 2 Approval of quarterly financial information

This quarterly information was approved by Company Board of Directors on August 9, 2012.

## **Magnesita Refratários S.A.**

Notes to quarterly information (Continued)  
June 30, 2012  
(In thousands of reais)

### **3 Summary of significant accounting practices**

Company and consolidated quarterly financial information for the three-month and six-month periods ended on June 30, 2012 was prepared and presented in accordance with accounting practices adopted in Brazil, which comprise the provisions contained in the Brazilian Corporation Law, the pronouncements issued by the Brazilian FASB (CPC) and the rules issued by the Brazilian SEC (CVM), as well as with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), except for the valuation of investments in subsidiaries by the equity method. Company interim financial information was prepared in accordance with Technical Pronouncement CPC 21 (R1) - Interim Financial Statements - Revised (Company and consolidated) and IAS 34 - Interim Financial Reporting (consolidated).

This interim financial information is to be read jointly with Company financial statements for the year ended December 31, 2011.

The accounting practices adopted in this interim financial information are consistent with the practices described in Note 3 of Company financial statements for the year ended December 31, 2011, filed with the CVM.

The accounting practices were consistently applied in the period presented, unless otherwise stated.

Adoption of Pronouncements IAS 1 - Presentation of Financial Statements and IAS 12 - Income Tax - Recoverability of Underlying Assets did not impact the quarterly information as at June 30, 2012.

#### **3.1 Basis of preparation and presentation of quarterly information**

Company and consolidated quarterly information was prepared under the historical cost convention and was adjusted to reflect the fair value of certain financial assets and liabilities (including derivative instruments), measured at fair value.

The quarterly information was prepared based on certain critical accounting estimates and use of professional judgment by Company management in the process of applying the accounting practices. The areas which require a higher degree of judgment and are more complex, as well as the areas in which assumptions and estimates are significant for the consolidated financial statements, are disclosed in Note 4.

The consolidated financial statements as at June 30, 2012 were prepared based on the information about the subsidiaries presented in the financial statements for the year ended December 31, 2011, since the Group's corporate structure did not change.

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)  
June 30, 2012  
(In thousands of reais)

### 4. Critical accounting judgments and estimates

Critical accounting judgments and estimates used in the preparation of these interim financial information are continuously assessed and did not present any changes as compared to the judgments and estimates described in Note 4 to Company financial statements for the year ended December 31, 2011, filed with the CVM.

### 5 Financial risk management

Company policies relating to financial risk management and the financial risk factors in this interim financial information are consistent with the policies and factors described in Note 5 of Company financial statements for the year ended December 31, 2011, filed with the CVM.

The policies for using financial instruments, financial risk, credit risk, liquidity risk and market risk were consistently applied in all periods presented.

As a precautionary measure and for the purpose of reducing the effects of exchange rate fluctuation, management has adopted the policy of performing swap transactions and having exchange rate-indexed assets, as follows:

	Consolidated - 06/30/2012		
	In thousands of reais		
	USD	€	Other currencies
Assets and liabilities in foreign currency			
Cash and banks	77,093	83,501	44,469
Marketable securities	-	-	104
Variable income investments	-	57,979	-
Accounts receivable, net of provision for credit risk	134,858	152,251	56,825
Trade accounts payable	(82,027)	(71,631)	(20,489)
Loans and financing	(181,952)	(11,301)	-
Perpetual bonds	(509,914)	-	-
Debt bonds issued	(790,330)	-	-
Other monetary liabilities, net - abroad	(65,569)	(122,970)	(23,589)
	<u>(1,417,841)</u>	<u>87,829</u>	<u>57,320</u>

US dollar-indexed loans are supported by transactions performed in the United States and Europe, in addition to Company exports in referred to currency. Other such operations were subject to hedging transactions and therefore, management is of the understanding that currency risk is thus mitigated.

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2012

(In thousands of reais)

### 5 Financial risk management (Continued)

With respect to interest rate risk deriving from loans and financing, which the Magnesita Group is exposed to, the interest rates contracted for loans and financing, and long-term debt bonds in current and non-current liabilities are as follows:

	Consolidated				Company			
	06/30/2012	%	12/31/2011	%	06/30/2012	%	12/31/2011	%
<b>Loans and financing</b>								
Long Term Interest Rate (TJLP)	369	-	623	-	369	-	500	-
London Interbank Offered Rate (Libor)	103,532	6	97,056	6	103,532	10	97,056	10
Interbank Deposit Certificates (CDI)	398,251	21	839,653	49	398,251	38	839,653	90
	<b>502,152</b>	<b>27</b>	<b>937,332</b>	<b>54</b>	<b>502,152</b>	<b>48</b>	<b>937,209</b>	<b>100</b>
<b>Other loans not subject to interest rate risk</b>								
Pre-fixed loans	553,060	30	43,901	3	533,749	52	1,725	-
Pre-fixed long-term debt bonds (Interest)	27,016	1	14,587	1	-	-	-	-
Pre-fixed long-term debt bonds (Principal)	790,330	42	731,898	42	-	-	-	-
	<b>1,370,406</b>	<b>73</b>	<b>790,386</b>	<b>46</b>	<b>533,749</b>	<b>52</b>	<b>1,725</b>	<b>-</b>
	<b>1,872,558</b>	<b>100</b>	<b>1,727,718</b>	<b>100</b>	<b>1,035,901</b>	<b>100</b>	<b>938,934</b>	<b>100</b>

The interest rate risk relating to short-term investments is as follows:

	Consolidated				Company			
	06/30/2012	%	12/31/2011	%	06/30/2012	%	12/31/2011	%
- CDB and Repurchase agreements	604,642	100	564,577	100	573,734	100	539,693	100
	<b>604,642</b>	<b>100</b>	<b>564,577</b>	<b>100</b>	<b>573,734</b>	<b>100</b>	<b>539,693</b>	<b>100</b>

The Company has no derivative financial instruments for the purpose of managing the risk which the Company is exposed to in connection with rate variations of loans and financing.

#### 5.1 Capital management

The objectives of the Magnesita Group in managing capital are consistent with the policies described in Note 5.2 of Company financial statements for the year ended December 31, 2011, filed with the CVM and were consistently applied in the period presented.

The Magnesita group monitors capital based on the financial leverage index. Net debt corresponds to the total loans, financing and long-term debt bonds less the amounts referring to cash and cash equivalents. Total capital is calculated by adding equity, as per the balance sheet, and net debt.



# Magnesita Refratários S.A.

Notes to quarterly information (Continued)  
June 30, 2012  
(In thousands of reais)

## 5 Financial risk management (Continued)

### 5.1 Capital management

Debt equity ratio is as under:

	Consolidated		Company	
	06/30/2012	12/31/2011	06/30/2012	12/31/2011
Total loans, financing, Refis and debt bonds	1,873,906	1,729,114	1,037,249	940,330
Less: cash and cash equivalents	(812,515)	(770,466)	(623,198)	(595,498)
Net debt	1,061,391	958,648	414,051	344,832
Total equity	2,778,576	2,653,161	2,761,773	2,638,331
Total Capital	3,839,967	3,611,809	3,175,824	2,983,163
Financial leverage index	28%	27%	13%	12%

### 5.2 Fair value measurement

The accounting balances of trade accounts receivable, less allowance for doubtful accounts, and trade accounts payable are supposedly close to fair value, due to their short-term mature.

For swap and (Non-Deliverable Forwards) NDF transactions, long positions and short positions are calculated by the Company on an independent basis, using the mark-to market methodology at the rates practiced and found in the BM&F, Broadcast and Bloomberg websites. In case there is no negotiation regarding the term of Company portfolio operations, the interpolation method is used for the purpose of finding the rates referring to specific maturities. In both cases, the present value of the flows is calculated. The difference between amounts payable and amounts receivable is the fair value of the operations.

### 5.3 Sensitivity analysis

Our analysis takes into consideration the following risks:

1. Derivative contracts were used for the purpose of hedging against currency risk. In this case, management defined a reasonably possible scenario as scenario I, based on the fair value of the contracts at June 30, 2012. Scenarios II and III were calculated applying depreciation at 25% and 50% respectively on scenario I for June 30, 2012, as follows:

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)  
June 30, 2012  
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### 5 Financial risk management (Continued)

#### 5.3 Sensitivity analysis (Continued)

Operation	Risk	Gain (Loss)		
		Scenario I	Scenario II	Scenario III
Swap (Germany - hedge)	Appreciation of the euro against the US dollar	9,937	(79,861)	(169,659)
NDF (United Kingdom - hedge)	Appreciation of the pound against the euro	(78)	1,892	5,833

2. Interest rate risk Management adopted the estimates defined by the Brazilian Central Bank (Bacen) for the 2012 CDI and Libor rates as scenario I (reasonably possible). Additionally, scenarios II and III were calculated based on depreciation of CDI and Libor rates at 25% and 50%, respectively, on scenario I, considering these hypotheses for 2012. For Libor (0.65% for scenario I, 0.81% for scenario II and 0.97% for scenario III). This situation would lead to the following amount of Company financial expenses at June 30, 2012, taking into consideration the post-fixed portion of the interest rate:

Operation	Risk	Reduction (increase) in financial expenses		
		Scenario I	Scenario II	Scenario III
Export Credit Note Contracts	CDI variation	1,520	(3,901)	(7,757)
Prepaid export	Increase in Libor	(2,931)	(26,551)	(52,717)

Management estimates that the future variations in post-fixed interest rates would not create impacts unable to be supported by Company business.

### 6 Derivative financial instruments

The Company has no derivative operations for speculative purposes and in general does not settle them before respective maturities.

The Company monitors the currency risks to which it is exposed as a result of its debt in foreign currencies in excess of the volume of operations in these currencies. Such monitoring takes into consideration the changes in the exchange rates, especially the dollar and the euro, for the purpose of making decisions regarding swap operations.

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2012

(In thousands of reais)

### 6 Derivative financial instruments (Continued)

Description	Maturity Month / year	Consolidated - 06/30/2012	
		In thousands	
		Reference value (notional)	Fair value R\$
Exchange rate hedging:			
<u>Swap (Germany)</u>	03/30/2015		
Long position		US\$ 150,000	9,937
Short position		Euro 118,110	
<u>NDF (United Kingdom)</u>	10/29/2010 to 06/30/2012		
Long position		GBP 4,340	(78)
Short position		Euro 4,896	

### 7 Financial instruments by category

	Consolidated			Company		
	Financial assets measured at fair value through profit or loss	Loans and receivables	Total	Financial assets measured at fair value through profit or loss	Loans and receivables	Total
<b>Assets</b>						
<b>June 30, 2012</b>						
Cash and cash equivalents						
- Cash and banks	207,873	-	207,873	49,464	-	49,464
- CDB and Repurchase agreements	604,642	-	604,642	573,734	-	573,734
Short-term investments - variable income	57,979	-	57,979	57,979	-	57,979
Derivative financial instruments	9,937	-	9,937	-	-	-
Trade accounts receivable	-	537,889	537,889	-	324,352	324,352
Other accounts receivable (except prepayments)	-	19,415	19,415	-	19,415	19,415
Judicial deposits	-	16,697	16,697	-	11,802	11,802
	<b>880,431</b>	<b>574,001</b>	<b>1,454,432</b>	<b>681,177</b>	<b>355,569</b>	<b>1,036,746</b>

# Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2012

(In thousands of reais)

## 7 Financial instruments by category (Continued)

	<u>Consolidated</u>			<u>Company</u>		
	<u>Financial assets measured at fair value through profit or loss</u>	<u>Loans and receivables</u>	<u>Total</u>	<u>Financial assets measured at fair value through profit or loss</u>	<u>Loans and receivables</u>	<u>Total</u>
<b>Assets</b>						
<b>December 31, 2011</b>						
Cash and cash equivalents						
- Cash and banks	205,889	-	205,889	55,805	-	55,805
- CDB and Repurchase agreements	564,577	-	564,577	539,693	-	539,693
Short-term investments - variable income	43,842	-	43,842	43,842	-	43,842
Trade accounts receivable	-	505,543	505,543	-	345,780	345,780
Derivative financial instruments	5,568	-	5,568	-	-	-
Other accounts receivable (except prepayments)	-	20,971	20,971	-	20,971	20,971
Judicial deposits	-	21,660	21,660	-	9,731	9,731
	<u>819,876</u>	<u>548,174</u>	<u>1,368,050</u>	<u>639,340</u>	<u>376,482</u>	<u>1,015,822</u>
			<u>Consolidated</u>			<u>Company</u>
			<u>Other financial liabilities</u>			<u>Other financial liabilities</u>
<b>Liabilities</b>						
<b>June 30, 2012</b>						
Loans and financing			1,082,228			1,035,901
Suppliers, contractors and haulage costs			313,792			152,995
			<u>1,396,020</u>			<u>1,188,896</u>
			<u>Consolidated</u>			<u>Company</u>
			<u>Other financial liabilities</u>			<u>Other financial liabilities</u>
<b>Liabilities</b>						
<b>December 31, 2011</b>						
Loans and financing			981,233			938,934
Suppliers, contractors and haulage costs			346,047			163,004
			<u>1,327,280</u>			<u>1,101,938</u>

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)  
June 30, 2012  
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### 8 Credit quality of financial assets

The credit quality of financial assets which are not overdue or impaired may be judged by referring to external credit ratings (if any) or historical information about the default rates of counterparties:

	Consolidated		Company	
	06/30/2012	12/31/2011	06/30/2012	12/31/2011
<b>Trade accounts receivable</b>				
<b>Counterparties with no external credit rating</b>				
Group 1	507,637	478,700	284,458	309,792
Group 2	16,266	22,891	16,266	22,891
Group 3	24,786	14,213	24,744	14,190
Provision for impairment losses	(10,800)	(10,261)	(1,116)	(1,093)
<b>Total trade accounts receivable</b>	<b>537,889</b>	<b>505,543</b>	<b>324,352</b>	<b>345,780</b>
<b>Bank account and short-term bank deposits</b>				
AAA	207,873	205,889	49,464	55,805
Marketable securities				
AAA	604,642	564,577	573,734	539,693
<b>Total cash and cash equivalents</b>	<b>812,515</b>	<b>770,466</b>	<b>623,198</b>	<b>595,498</b>

- Group 1 - Large economic groups, whose default risk level is very low.
- Group 2 - Customers that are backed by top-tier financial institutions.
- Group 3 - Customers that are not backed or have bad default history.

### 9 Cash and cash equivalents

Breakdown of cash and cash equivalents is as follows:

	Consolidated		Company	
	06/30/2012	12/31/2011	06/30/2012	12/31/2011
Cash and banks	207,873	205,889	49,464	55,805
Marketable securities				
Fixed-income operations	604,642	564,577	573,734	539,693
	<b>812,515</b>	<b>770,466</b>	<b>623,198</b>	<b>595,498</b>

At June 30, 2012, "Cash and banks" presents in the consolidated R\$ 2,809 (12/31/2011 - R\$ 2,872) in local currency and R\$ 205,063 (12/31/2011 - R\$ 203,017) in foreign currency represented basically by deposits in a checking account. "Marketable securities" were classified as "financial assets at fair value through profit or loss" and correspond to fixed-income operations with yield close to CDI variation, redeemable immediately. In the consolidated, part of these fixed-income operations in the amount of R\$ 104 (12/31/2011 - R\$ 708) is linked to exchange rate fluctuation, especially the US dollar.

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2012

(In thousands of reais)

### 10 Trade accounts receivable

	Consolidated		Company	
	06/30/2012	12/31/2011	06/30/2012	12/31/2011
Trade accounts receivable - domestic	170,459	178,362	165,792	172,663
Trade accounts receivable - foreign	354,733	317,463	46,529	60,066
Accounts receivable - subsidiaries	-	-	89,650	94,165
Provision for impairment losses	(10,800)	(10,261)	(1,116)	(1,093)
Notes receivable, net	514,392	485,564	300,855	325,801
Measurements to be billed	23,497	19,979	23,497	19,979
Trade accounts receivable	537,889	505,543	324,352	345,780

Accounts receivable are not of a financing nature and upon initial recognition are measured and recorded at fair value.

The aging list of notes receivable is as follows:

	Consolidated		Company	
	06/30/2012	12/31/2011	06/30/2012	12/31/2011
Falling due:				
Within 90 days	372,996	345,836	171,789	210,002
Over 90 days	54,164	46,669	61,912	53,741
Overdue:				
Within 30 days	41,373	56,087	17,670	33,388
Over 30 days	56,659	47,233	50,600	29,763
(-) Provision for impairment losses	(10,800)	(10,261)	(1,116)	(1,093)
	514,392	485,564	300,855	325,801

Maximum exposure to credit risk at the date of the consolidated financial statements is the book value of each type of accounts receivable mentioned above.

Changes in the provision for impairment losses were as follows:

	Consolidated	Company
At December 31, 2011	(10,261)	(1,093)
Write-offs	56	56
Exchange rate fluctuation	(595)	(79)
June 30, 2012	(10,800)	(1,116)

# Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2012

(In thousands of reais)

## 11 Inventories

	Consolidated		Company	
	06/30/2012	12/31/2011	06/30/2012	12/31/2011
Finished products	322,612	316,979	75,786	90,329
Work-in-process	34,044	35,671	20,825	25,536
Raw material	189,389	204,106	91,237	88,379
Materials and supplies (replacement materials and other)	68,056	62,700	33,127	30,346
Provision for impairment losses	(19,050)	(17,748)	-	-
	<u>595,051</u>	<u>601,708</u>	<u>220,975</u>	<u>234,590</u>

Changes in the provision for impairment losses were as follows:

	Consolidated
Balance at 12/31/2011	(17,748)
Additions	(362)
Exchange rate fluctuation	(940)
Balance at 06/30/2012	<u>(19,050)</u>

## 12 Other taxes recoverable

	Consolidated			
	06/30/2012		12/31/2011	
	Current	Non-current	Current	Non-current
Indirect taxes, especially ICMS	56,910	15,828	45,493	11,542
Taxes on shipment of goods on consignment	8,532	-	12,381	-
Other	6,454	-	6,750	-
	<u>71,896</u>	<u>15,828</u>	<u>64,624</u>	<u>11,542</u>

	Company			
	06/30/2012		12/31/2011	
	Current	Non-current	Current	Non-current
Indirect taxes, especially ICMS	29,478	15,828	26,009	11,542
Taxes on shipment of goods on consignment	7,906	-	11,511	-
Other	1,243	-	1,679	-
	<u>38,627</u>	<u>15,828</u>	<u>39,199</u>	<u>11,542</u>

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)  
June 30, 2012  
(In thousands of reais)

### 13 Income and social contribution taxes

#### (a) Deferred income and social contribution taxes

The Company recognizes under long-term receivables the income (25%) and social contribution (9%) tax credits on interim additions, income and social contribution tax losses, whose realization does not exceed the expected generation of future taxable profit. Tax credits by nature of these interim additions are as follows:

	Consolidated		Company	
	06/30/2012	12/31/2011	06/30/2012	12/31/2011
Tax credits on temporary additions				
Provision for impairment losses	193	313	193	313
Provision for legal proceedings	16,477	15,492	16,477	15,492
Post-employment obligations	49,488	48,712	17,827	17,359
Provision for bonuses	7,872	9,840	7,872	9,840
Accelerated depreciation	2,918	2,774		
Non-realized exchange losses on long-term debt bonds - Unhedged portion	8,696			
Other	5,904	12,284	2,653	3,205
	91,548	89,415	45,022	46,209
Tax credits on income and social contribution tax losses	264,876	231,883	262,366	229,235
Total tax credits	356,424	321,298	307,388	275,444

The realization of deferred income and social contribution tax credits is subject to future events which will allow the provisions which generated them to be deducted, in accordance with the provisions of tax legislation currently in force, as well as to the generation of future taxable profits.

The income estimates available, combined with Company operations history, indicate that Company and subsidiaries will earn future taxable profits in an amount sufficient to absorb referred to assets. The projections of future taxable profits are based on estimates relating to Company performance, among others, as well to the behavior of the market where the Company operates and certain economical aspects. Actual amounts may differ from the estimates adopted.



## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2012

(In thousands of reais)

### 13 Income and social contribution taxes (Continued)

#### (a) Deferred income and social contribution taxes (Continued)

Management estimates that the realization of deferred tax assets will be as follows:

	Provision for impairment losses	Provisions for contingencies	Post-employment obligations	Provision for bonuses	Accelerated depreciation	Non-realized exchange losses	Other	Income and social contribution tax losses	Total
1 year	-	1,648	1,177	7,872	-	-	-	9,401	20,098
2 years	-	1,648	1,177	-	-	-	-	19,213	22,038
3 years	193	1,648	1,177	-	2,918	8,696	5,904	20,713	41,249
4 years	-	1,648	1,177	-	-	-	-	22,213	25,038
5 years	-	1,648	1,177	-	-	-	-	23,713	26,538
6 to 8 years	-	4,940	3,533	-	-	-	-	84,821	93,294
9 to 11 years	-	3,297	3,533	-	-	-	-	84,802	91,632
After 11 years	-	-	36,537	-	-	-	-	-	36,537
<b>Balance at 06/30/2012</b>	<b>193</b>	<b>16,477</b>	<b>49,488</b>	<b>7,872</b>	<b>2,918</b>	<b>8,696</b>	<b>5,904</b>	<b>264,878</b>	<b>356,424</b>

Tax credits from income and social contribution tax losses are generated especially from the amortization of goodwill on future profitability due to the acquisition of subsidiaries. Referred to goodwill will be amortizable by 2013 (R\$ 284,202) and 2018 (R\$ 421,502), which provides a basis for management's expectation concerning the realization of these credits.

Worth mentioning, the tax credits recorded are supported by the technical study which CVM Ruling No. 371/02 refers to.

Non-current liabilities are as follows:

	Consolidated		Company	
	06/30/2012	12/31/2011	06/30/2012	12/31/2011
Deferred taxes on tax amortization of goodwill (i)	347,291	297,678	347,291	297,678
Social Contribution on Net Profit (CSLL) on tax incentives	548	1,788	548	1,788
Deferred taxes on accelerated tax depreciation	54,030	52,894	-	-
Other	6,547	6,547	6,547	6,547
	<b>408,416</b>	<b>358,907</b>	<b>354,386</b>	<b>306,013</b>

- (i) As from January 1, 2009, goodwill on expected future profitability ceased to be amortized in Company books, under Technical Pronouncement CPC 13. The Company has been recognizing the tax amortization of this goodwill in accordance with the provisions of Law No. 11941/09, through the Transition Tax Regime (RTT). The tax effect of this amortization gave rise to deferred income and social contribution tax credits.

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2012

(In thousands of reais)

### 13 Income and social contribution taxes (Continued)

#### (a) Deferred income and social contribution taxes (Continued)

Deferred income and social contribution tax assets and liabilities are recorded net in this quarterly information, as under:

	<b>Company</b>	
	<b>06/30/2012</b>	<b>12/31/2011</b>
Tax credits	<b>307,388</b>	275,444
Non-current liabilities	<b>354,386</b>	306,013
	<b>46,998</b>	30,569
	<b>Consolidated</b>	
	<b>06/30/2012</b>	<b>12/31/2011</b>
Tax credits	<b>356,424</b>	321,298
Tax credits - Company	<b>307,388</b>	275,444
	<b>49,036</b>	45,854
Non-current liabilities	<b>408,416</b>	358,907
Non-current liabilities - Company	<b>354,386</b>	306,013
	<b>54,030</b>	52,894
Net balance - Company	<b>46,998</b>	30,569
	<b>101,028</b>	83,463

#### (b) Reconciliation between income and social contribution tax expense

	<b>Consolidated</b>		<b>Company</b>	
	<b>06/30/2012</b>	<b>06/30/2011</b>	<b>06/30/2012</b>	<b>06/30/2011</b>
Income before income and social contribution taxes	<b>99,944</b>	92,243	<b>85,963</b>	69,644
Combined statutory rate - %	<b>34%</b>	34%	<b>34%</b>	34%
Tax benefit at statutory rate	<b>(33,981)</b>	(31,363)	<b>(29,228)</b>	(23,679)
Income and social contribution taxes on Equity pick-up	-	-	<b>8,057</b>	9,298
Effect of different rates used by subsidiaries located in other jurisdictions	<b>(2,882)</b>	(2,993)	-	-
Effect of the limited interest deductibility rule - Germany	<b>(1,741)</b>	(2,414)	-	-
Other permanent differences, net	<b>3,717</b>	(2,911)	<b>(942)</b>	(2,834)
Income and social contribution tax expense	<b>(34,887)</b>	(39,681)	<b>(22,113)</b>	(17,215)
Current	<b>(18,853)</b>	(16,331)	-	-
Deferred	<b>(16,034)</b>	(23,350)	<b>(22,113)</b>	(17,215)

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)  
June 30, 2012  
(In thousands of reais)

### 14 Sale of property

The Company sold urban and rural areas located in the municipality of São Caetano do Sul (approximately 195,938.06 m<sup>2</sup>) and in the region of Uberaba, State of Minas Gerais (approximately 2,266 hectares).

These receivables are classified as follows:

	Company and Consolidated	
	06/30/2012	12/31/2011
Group 1	2,438	2,387
Group 2	16,977	18,584
	<b>19,415</b>	<b>20,971</b>
Current	15,939	13,025
Non-current	3,476	7,946

- Group 1 - Large economic groups, whose default risk level is very low.
- Group 2 - Customers that are backed by top-tier financial institutions.

### 15 Investments in subsidiaries

#### (a) Investment information

##### Book value

	Equity interest %	Participation in:	
		Equity	Adjusted net income (loss)
Iliama II Trading (Sociedade Unipessoal) Lda. Capital of 3 thousand EUROS and 3,010 units of interest	100	(44,984)	(577)
Magnesita Finance Ltd. Capital of 285.429 thousand EUROS and 1,286 units of interest	100	722,035	15,696
Magnesita Grundstucks Beteiligungs GmbH Capital of 25 thousand EUROS and 1 unit of interest	100	411	-
Metal Data S.A. - Mineração e Metalurgia Capital of R\$382 thousand and 381,703 units of interest	50	1,234	459
Magnesita Insider Refratários Ltda. Capital of R\$ 1,590 thousand and 1,590,000 units of interest	100	86,441	5,470
MAG-Tec Ltda. Capital of R\$ 200 thousand and 800,000 units of interest	100	245	-
RASA - Refractarios Argentinos S.A. I. C. y M.			

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)  
June 30, 2012  
(In thousands of reais)

### 15 Investments in subsidiaries (Continued)

#### (a) Investment information (Continued)

	Equity interest %	Participation in:	
		Adjusted equity	Adjusted net income (loss)
Capital of ARS 1,000 thousand and 1,000,000 shares	100	11,296	(1,341)
Refratários Magnesita Colômbia S.A			
Capital of R\$ 25,413,801 thousand and 1,167,320,000 units of interest	100	21,233	3,693
Refratários Magnesita Peru S.A.C.			
Capital of PEN 7,490 thousand and 1,000 units of interest	100	6,764	269
Refratários Magnesita Uruguay S.A.			
Capital of UYU 450 thousand and 450,000 units of interest	100	229	29
Total at 06/30/2012		804,904	23,698
Total at 12/31/2011		718,198	12,866

#### Goodwill

	Goodwill on acquisition
of subsidiary LWB Island Company Ltd.	322,476
of subsidiary Metal Data S.A. - Mineração e Metalurgia	10,579
June 30, 2012	333,055
Total in 2011	318,791

#### (b) Changes in investments

The changes in Company investments for the years ended December 31 were as follows:

	Company	
	06/30/2012	12/31/2011
Opening balance	1,037,645	936,370
Additions (i)	18,849	18,888
Equity pick-up	23,698	12,866
Exchange rate fluctuation - investments (ii)	44,159	46,301
Exchange rate fluctuation - goodwill (iii)	14,263	23,224
Other investments disposed of	(12)	(4)
Closing balance	1,138,602	1,037,645

- (i) In 2012, this refers to a capital increase in subsidiaries Magnesita Refratários Colômbia S.A R\$13,224, Magnesita Refratários Peru S.A.C R\$ 436 and Magnesita Finance Ltd. R\$5,189. In 2011, this refers to the acquisition of Metal Data S.A. - Metalurgia e Mineração in the amount of R\$ 11,300 and the capital increase in subsidiary Refratários Magnesita Peru S.A.C. in the amount of R\$ 7.588.
- (ii) Exchange rate fluctuation on investments matched against equity (Note 23 (c)).
- (iii) Exchange rate fluctuation on goodwill matched against equity (Note 23 (c)).

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2012

(In thousands of reais)

### 15 Investments in subsidiaries (Continued)

#### (c) Related parties (Company)

##### Balances and transactions

At June 30, 2012, major trade accounts receivable and payable and key transactions carried out in the year then ended, such as sales, purchases of services and products and dividends received, involving Company subsidiaries were as follows:

	Balances			Transactions	
	Trade accounts receivable	Trade accounts payable	Credits (Debt)	Sales	Purchases of products
Magnesita Insider Refratários Ltda. (i)	846	5,182	(851)	1,299	4,791
RASA - Refractarios Argentinos S.A. I. C. y M. (ii)	48,687	37	-	6,109	34
Iliama II Trading (Sociedade Unipessoal) Lda.	-	-	59,871	-	-
Refractários Magnesita Uruguay S.A. (iii)	284	-	-	226	-
Refractários Magnesita Colômbia S.A. (iii)	8,638	-	-	14,853	-
Refractários Magnesita Peru S.A.C. (iii)	2,969	2	-	2,743	-
Refractários Magnesita Chile (iii)	3,192	-	-	2,232	-
LWB Companies (i)	25,034	74	6,834	57,961	-
June 30, 2012	89,650	5,295	65,854	85,423	4,825
At December 31, 2011	94,165	1,998	56,983		
June 30, 2011				66,529	6,393

- (i) Sales of raw materials by the Company to the subsidiary destined to the manufacturing of refractory materials;
- (ii) Sales of raw materials and refractory materials by the Company to the subsidiary destined to the manufacturing and sale of refractory materials;
- (iii) Sale of refractory products for resale in the countries where the subsidiaries are located.

These credits refer to non-remunerated transactions carried out for the purpose of satisfying operational needs of the subsidiaries.

The products and services purchase and sale transactions between Company and subsidiaries are performed under terms which have been agreed on by the parties. Since the interest held by the Company in the subsidiaries is 100%, the transactions are eliminated in the consolidated information.

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)  
June 30, 2012  
(In thousands of reais)

### 16 Property, plant and equipment

	Consolidated						Annual weighted depreciation rate %
	06/30/2012			12/31/2011			
	Cost	Accumulated depreciation	Net value	Cost	Accumulated depreciation	Net value	
Land	64,507	-	64,507	61,449	-	61,449	
Mineral deposits	42,005	(4,883)	37,122	39,725	(4,360)	35,365	As per volume
Buildings and improvements	383,064	(168,727)	214,337	369,340	(155,561)	213,779	4
Machinery, facilities and equipment, including IT equipment	1,204,395	(803,738)	400,657	1,163,902	(748,911)	414,991	7 to 10
Transportation equipment	15,549	(14,369)	1,180	15,355	(14,043)	1,312	6 to 20
Furniture, fixtures and other	37,740	(22,981)	14,759	36,953	(20,777)	16,176	9 to 10
Construction in progress (iii)	259,530	-	259,530	154,945	-	154,945	
<b>Total property, plant and equipment</b>	<b>2,006,790</b>	<b>(1,014,698)</b>	<b>992,092</b>	<b>1,841,669</b>	<b>(943,652)</b>	<b>898,017</b>	
	Company						Annual depreciation rate %
	06/30/2012			12/31/2011			
	Cost	Accumulated depreciation	Net value	Cost	Accumulated depreciation	Net value	
Land (ii)	12,564	-	12,564	12,564	-	12,564	
Mineral deposits	9,132	(2,610)	6,522	9,132	(2,469)	6,663	As per volume
Buildings and improvements (i) (ii)	148,432	(90,983)	57,449	147,878	(89,447)	58,431	3.5
Machinery, facilities and equipment, including IT equipment (i)	740,474	(511,619)	228,855	728,610	(493,558)	235,052	9
Transportation equipment	11,997	(11,696)	301	12,088	(11,614)	474	20
Furniture, fixtures and other	27,021	(12,389)	14,632	27,005	(11,453)	15,552	10
Construction in progress (iii)	211,129	-	211,129	119,220	-	119,220	
<b>Total property, plant and equipment</b>	<b>1,160,749</b>	<b>(629,297)</b>	<b>531,452</b>	<b>1,056,497</b>	<b>(608,541)</b>	<b>447,956</b>	

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2012

(In thousands of reais)

### 16 Property, plant and equipment (Continued)

- (i) The Company reassessed the useful life of these assets for 2012 and concluded that there were no significant changes which would impact the depreciation rates currently used.
- (ii) The Company has assets given in guarantee in administrative and legal proceedings, in the amount of R\$ 18,584.
- (iii) No loans were capitalized in the period and in 2011, since there were no costs directly attributable to the acquisition, construction or production of qualifying assets.

Changes in property, plant and equipment were as follows:

	<u>Consolidated</u>	<u>Company</u>
At December 31, 2011	898,017	447,956
Additions	118,073	104,363
Write-offs	(703)	-
Depreciation	(49,453)	(20,861)
Transfer to intangible assets	(6)	(6)
Exchange rate fluctuation (assets abroad)	26,164	-
June 30, 2012	992,092	531,452

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)  
June 30, 2012  
(In thousands of reais)

### 17 Intangible assets

	Consolidated						
	06/30/2012			12/31/2011			
	Cost	Accumulated depreciation	Net value	Cost	Accumulated depreciation	Net value	Annual amortization rate %
Software and other (i)	76,598	(39,037)	37,561	76,492	(35,666)	40,826	12 to 20
Goodwill on investment acquisition Magnesita S.A.	1,316,509	(272,855)	1,043,654	1,316,509	(272,855)	1,043,654	
LWB	1,150,935	(2,602)	1,148,333	1,089,474	(2,602)	1,086,872	
Insider - Insumos Refratários para Siderurgia Ltda.	40,536	(699)	39,837	40,536	(699)	39,837	
Metal Data S.A. - Mineração e Metalurgia	10,579	-	10,579	10,579	-	10,579	
<b>Total intangible assets</b>	<b>2,595,157</b>	<b>(315,193)</b>	<b>2,279,964</b>	<b>2,533,590</b>	<b>(311,822)</b>	<b>2,221,768</b>	

  

	Company						
	06/30/2012			12/31/2011			
	Cost	Accumulated depreciation	Net value	Cost	Accumulated depreciation	Net value	Annual amortization rate %
Software and other	72,746	(37,027)	35,719	72,740	(33,711)	39,029	12 to 20
Goodwill on investment acquisition Magnesita S.A.	1,316,509	(272,855)	1,043,654	1,316,509	(272,855)	1,043,654	
<b>Total intangible assets</b>	<b>1,389,255</b>	<b>(309,882)</b>	<b>1,079,373</b>	<b>1,389,249</b>	<b>(306,566)</b>	<b>1,082,683</b>	

- (i) The Company reassessed the useful life of these assets for 2012 and concluded that there were no significant changes which would impact the depreciation rates currently used.



## Magnesita Refratários S.A.

Notes to quarterly information (Continued)  
June 30, 2012  
(In thousands of reais)

### 17 Intangible assets (Continued)

Changes in property, plant and equipment were as follows:

	<u>Consolidated</u>	<u>Company</u>
At December 31, 2011	2,221,768	1,082,683
Additions	92	-
Transfers	6	6
Exchange rate fluctuation	61,469	-
Amortization	(3,371)	(3,316)
June 30, 2012	<u>2,279,964</u>	<u>1,079,373</u>

### 18 Loans and financing

	<u>Consolidated</u>			
	<u>Currency</u>	<u>Annual average interest rate</u>	<u>06/30/2012</u>	<u>12/31/2011</u>
Export credit notes	R\$	CDI+1.81%	375,030	812,508
(-) Transaction costs to be amortized	-	-	(6,981)	(12,713)
Perpetual bonds	US\$	8.625%	516,426	-
(-) Transaction costs to be amortized	US\$	-	(6,512)	-
Import financing	US\$	3.35%+Libor	1,515	2,432
	US\$	8.18%	722	1,725
Property, plant and equipment financing				
Domestic currency	R\$	7,60%	17,524	623
Advances on export invoices	US\$	5.36%	36,714	39,858
	US\$	3.69%+Libor	102,017	94,624
Other	US\$	7.25%	7,456	29,553
Other	€	5.31%	11,301	12,623
			<u>1,055,212</u>	<u>981,233</u>
		Current	64,310	110,212
		Non-current	990,902	871,021

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2012

(In thousands of reais)

### 18 Loans and financing (Continued)

	Company		06/30/2012	12/31/2011
	Currency	Annual average interest rate		
Export credit notes	R\$	CDI+1.81%	<b>375,030</b>	812,508
	US\$	8.80%	<b>515,872</b>	-
(-) Transaction costs to be amortized	-	-	<b>(13,493)</b>	(12,713)
Import financing	US\$	3.35%+Libor	<b>1,515</b>	2,432
	US\$	8.18%	<b>722</b>	1,725
Property, plant and equipment financing				
Domestic currency	R\$	7.60%	<b>17,524</b>	500
Advances on export invoices	R\$	5.36%	<b>36,714</b>	39,858
	US\$	3.69%+Libor	<b>102,017</b>	94,624
			<b>1,035,901</b>	938,934
		Current	<b>50,127</b>	85,479
		Non-current	<b>985.774</b>	853.455

#### (a) Perpetual bonds (Consolidated)

In the second quarter of 2012, the Company issued US\$ 250 million in perpetual bonds denominated in US dollars through its wholly-owned subsidiary Magnesita Finance Ltd. ("Magnesita BVI"). These bonds are not backed by or subordinated to Magnesita BVI and are fully and unconditionally guaranteed by the Company, its subsidiary Magnesita Insider Refratários Ltda. and other subsidiaries headquartered abroad.

Characteristics of these perpetual bonds are as follows:

- Term: perpetual
- Annual interest rate: 8.625%, paid on a three-month basis

Transaction costs to be amortized in the amount of R\$ 6,512 correspond to expenses incurred for issuing these perpetual bonds, which will be amortized at the effective interest rate.

At June 30, 2012, long-term debt / perpetual bonds total R\$ 498,816 and short-term debt, referring to interest, total R\$ 11,098. Referred to perpetual bonds were used mainly for the purpose of prepaying 100% (approximately R\$ 400 million) of the debt represented by the Export Credit Note entered into with Banco Itaú BBA S.A. at March 20, 2008.

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)  
June 30, 2012  
(In thousands of reais)

### 18 Loans and financing (Continued)

#### (b) Export credit notes (Consolidated)

Characteristics of Company operations involving export credit notes are as follows:

- Creditor: Banco Bradesco S.A.
- Amount: R\$ 100,942
- Term: 5 years
- Grace period: 2 years
- Annual interest: CDI + 1.35% (from 08/15/2009 to 02/10/2010, CDI + 4.0%; 02/11/2010 to 12/07/2010, CDI + 2.75%)
- Creditor: Banco Itaú BBA S.A.
- Amount: R\$ 65,817
- Term: 5 years
- Grace period: 3 years
- Annual interest: CDI + 2.10% (from 08/15/2009 to 04/08/2010, CDI + 4.0%; 04/08/2010 to 02/21/2011, CDI + 2.75%)
- Covenants: Net debt / EBITDA (4.5 until 12/31/2010; 4.0 until 06/30/2011; and 3.5 onwards). EBITDA/Net financial expenses (2.0 12/31/2010 onwards)
- Creditor: Banco Bradesco S.A.
- Amount: R\$ 208,271
- Term: 5 years
- Grace period: 3 years
- Annual interest: CDI + 1.50%
- Covenants: Net debt / EBITDA (4.75 until 12/31/2010; 4.0 until 12/31/2011; and 3.75 onwards).

Transaction costs to be amortized refer to the commission paid upon renegotiation of the contracts and will be amortized over the terms of the contracts.

Annual financial covenants of the Export Credit Notes (NCEs) of Banco Bradesco S.A. are as follows:

	<u>Net debt / Ebitda (Lajida) - maximum</u>	<u>Ebitda (Lajida) / Net financial expense - minimum</u>
4 Q/2010	4.5	2.00
1 Q 2011 to 4 Q 2011	4.0	2.00
1 Q 2012 onwards	3.75	2.00

The requirements for December 31, 2011 and June 30, 2012 were complied with.

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)  
June 30, 2012  
(In thousands of reais)

### 18 Loans and financing (Continued)

#### (c) Advances on export invoices

Advances on export invoices refer to loans obtained from financial institutions, such as Banco do Brasil, Santander, Itaú and Bradesco, for the purpose of financing the exports made by the Company.

#### (d) Maturity

At June 30, 2012, loans and financing by maturity are as follows:

	<u>Consolidated</u>	<u>Company</u>
Within 180 days	23,677	23,677
After 180 and within 360 days	67,649	26,450
2013	98,491	95,840
2014	154,078	152,639
2015	219,676	218,087
After 2016	518,657	519,208
	<u>1,082,228</u>	<u>1,035,901</u>

At June 30, 2012, the fair value of loans and financing do not differ significantly from respective book values, since these loans and financing were entered into and registered at rates and under conditions prevailing in the market for operations of similar nature, risk and maturity.

#### (d) Credit limits

The Company has non-used credit lines, as under:

	<u>06/30/2012</u>	<u>12/31/2011</u>
<b>Variable rate</b>		
- Maturity within one year	<b>90,038</b>	90,038
- Maturity over one year	<b>600,000</b>	661,255
<b>Fixed rate</b>		
- Maturity within one year	<b>21,000</b>	21,000
- Maturity over one year	<b>5,000</b>	5,000
	<u><b>716,038</b></u>	<u>777,293</u>

The credit lines which mature within one year are credit lines subject to annual review on different dates in 2012. The other credit lines were contracted for the purpose of assisting the financing of the proposed expansion of the Group activities.

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)  
June 30, 2012  
(In thousands of reais)

### 19 Long-term debt bonds

General conditions and characteristics of the debt bonds issued in the first quarter of 2010, amounting to US\$ 400 million, remain unchanged.

At June 30, 2012, total long-term debt bonds amount to R\$ 790,330.

### 20 Other taxes payable

	Consolidated		Company	
	06/30/2012	12/31/2011	06/30/2012	12/31/2011
Indirect taxes, especially ICMS	25,674	21,842	16,642	15,000
Other	14,234	15,150	2,076	3,367
	<b>39,908</b>	<b>36,992</b>	<b>18,718</b>	<b>18,367</b>

### 21 Provision for legal proceedings

The Company and its subsidiaries are party to legal and administrative proceedings in various courts and government entities arising in the normal course of business, especially on tax matters and also on labor and social security matters. The provisions for contingencies are determined based on analysis of ongoing litigation, unfavorable outcomes and risk assessment. Breakdown of the provision for legal proceedings is as follows:

	Consolidated		Company	
	06/30/2012	12/31/2011	06/30/2012	12/31/2011
Tax - Provision	39,971	38,999	39,959	38,987
Tax - Judicial deposit	(4,153)	(2,029)	(4,153)	(2,029)
Labor - Provision	23,837	22,546	23,837	22,546
Labor - Judicial deposit	(7,477)	(14,975)	(3,305)	(3,302)
Civil - Provision	127	127	127	127
Social security - Provision	2,329	2,226	2,329	2,226
Social security - Judicial deposit	(4,344)	(4,400)	(4,344)	(4,400)
Other - Judicial deposit	(723)	(256)	-	-
	<b>49,567</b>	<b>42,238</b>	<b>54,450</b>	<b>54,155</b>
Non-current - Provision	66,264	63,898	66,252	63,886
Non-current - Judicial deposit	(16,697)	(21,660)	(11,802)	(9,731)
	<b>49,567</b>	<b>42,238</b>	<b>54,450</b>	<b>54,155</b>

Changes in this provision in the 1st quarter of 2012 are as follows:

	Consolidated	Company
Balance at December 31, 2011	63,898	63,886
Additions	1,291	1,291
Write-offs	(48)	(48)
Monetary restatement	1,123	1,123
Balances at June 30, 2012	<b>66,264</b>	<b>66,252</b>

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)  
June 30, 2012  
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### 21 Provision for legal proceedings (Continued)

Management, based on information provided by its legal counsel, set up provisions in amounts deemed sufficient to cover probable losses on ongoing litigation, classified into short and long-term, in accordance with the expected outcomes, as above.

Major contingencies whose likelihood of loss is estimated as probable and for which a provision was set in this interim financial information did not change significantly in the course of litigation and remain consistent with the discussion and rationale presented in Note 23 of Company financial statements for the year ended December 31, 2011, filed with the CVM.

The provisions and estimates for tax, civil, social security, labor and other proceedings were consistently applied in all periods presented. The provisions set up for the major proceedings were as follows:

	Company	
	06/30/2012	12/31/2011
Social Security Tax (INSS)	2,329	2,226
Federal VAT (IPI)	8,146	7,961
Financial Compensation for the Exploration of Mineral Resources	1,855	1,614
Income and social contribution taxes on profits earned abroad	21,169	20,707

Proceedings of a tax, civil and labor nature, whose likelihood of loss is estimated by management as possible, based on the opinion of legal counsel, did not change significantly in the course of litigation, nor did respective estimates, and remain consistent with the discussion and rationale presented in Note 23 of Company financial statements for the year ended December 31, 2011, filed with the CVM.

### 22 Post-employment obligations

The Company and its subsidiaries offer retirement plans to employees, whose actuarial losses, recognized in the consolidated financial statements for 2011, are as follows:

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2012

(In thousands of reais)

### 22 Post-employment obligations (Continued)

Description	Region				Consolidated
	Subsidiaries			Company	
	Europe	United States	China	South America	
Defined Benefit Plan	96,944	40,739	-	52,432	190,115
Seniority bonus	3,756	-	-	-	3,756
Early retirement plan	-	-	36,328	-	36,328
June 30, 2012	100,700	40,739	36,328	52,432	230,199
At December 31, 2011	96,426	40,447	34,997	51,056	222,926

#### Company

The general characteristics and conditions of the defined contribution plans and defined benefit plans, supported by the Company, in these interim financial information, as well as the assumptions used for the purpose of calculating the plan obligations, remain unchanged and consistent with those presented in Note 24 of Company financial statements for the year ended December 31, 2011, filed with the CVM.

For 2012, the projected funding expenses regarding the Defined Contribution Plan amount to R\$ 5,864 and will be charged to cost of products sold and services rendered, selling expenses or general and administrative expenses, as apportioned by Company stakeholders. At June 30, 2012, Company pension plan had 7,176 active members (12/31/2011 - 7,147).

At June 30, 2012, BB Previdência had 256 (12/31/2011- 241) inactive members - retirees and pensioners and 1,267(12/31/2011 - 1,277) members who remain entitled to deferred benefits.

The liabilities deriving from actuarial valuation, corresponding to the members of the Defined Benefit Plan, was recognized by the sponsoring entity in non-current liabilities - post-employment obligations, as follows:

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)  
June 30, 2012  
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### 22 Post-employment obligations (Continued)

	<u>Present value of obligations</u>	<u>Fair value of assets</u>	<u>Company Liabilities recognized</u>
At December 31, 2011	(203,862)	152,806	(51,056)

Projected actuarial costs for the Defined Benefit Plan for 2012 are as follows:

	<u>06/30/2012</u>
Current service costs	(776)
Interest expenses	(19,977)
Yield from plan assets	14,889
	<u>(5,864)</u>

#### Subsidiaries

##### (i) Defined Contribution Plans

The general characteristics and conditions of the defined contribution plans in the United States and United Kingdom in these interim financial information, as well as the assumptions used for the purpose of calculating the plan obligations, remain unchanged and consistent with those presented in Note 24 of Company financial statements for the year ended December 31, 2011, filed with the CVM.

The total cost of these Plans amounted to R\$ 1,193 in the 1st half of 2012 (R\$ 963 in the 1st half of 2011), calculated at the rates defined in respective rules. R\$ 572 of this total were posted to cost of products sold, R\$ 274 to selling expenses and R\$ 347 to administrative expenses (1st half of 2011: R\$ 449, R\$ 219, R\$ 295, respectively).

##### (ii) Defined Benefit Plans

The subsidiaries also have Defined Benefit Plans in Europe and the United States, which are determined based on the projected unit credit method and whose valuation was prepared by an independent actuary, who maintained the actuarial economical hypotheses in line and consistent with those presented in Note 24 of Company financial statements for the year ended December 31, 2011, as follows:



## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2012

(In thousands of reais)

### 22 Post-employment obligations (Continued)

#### (ii) Defined Benefit Plans (Continued)

	Region			
	Europe		United States	
	06/30/2012	12/31/2011	06/30/2012	12/31/2011
Present value of actuarial liabilities	(96,944)	(92,926)	(260,613)	(240,543)
Fair value of assets	-	-	219,874	200,096
Actuarial liabilities	(96,944)	(92,926)	(40,739)	(40,447)
Active members	443	424	305	305
Inherited members	1,144	1,175	576	576
Terminated members, eligible for the Plan	325	283	234	234

The total cost of the defined benefit plans amounted to R\$ 1,575 in the 1st half of 2012 (R\$ 10,131 in the 1st half of 2011). R\$ 739 of this total were posted to cost of products sold, R\$ 400 to selling expenses and R\$ 436 to administrative expenses (1st half of 2011: R\$ 264, R\$ 159, and (R\$ 10,554), respectively).

#### (iii) Early retirement plan

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

### 23 Equity

#### (a) Capital

At June 30, 2012 and December 31, 2011, capital amounts to R\$ 2,528,146 and is divided into 291,981,934 common registered shares with no par value.

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)  
June 30, 2012  
(In thousands of reais)

### 23 Equity (Continued)

Changes in capital in 2012 and 2011 are as follows:

Date	Event	Change		Capital	
		Number of shares - thousand	R\$ thousand	Number of shares - thousand	R\$ thousand
12/31/2010	Balance	-	-	258,212	2,388,845
02/14/2011	Capital increase in cash (i)	33,770	139,301	291,982	2,528,146
12/31/2011	Balance			291,982	2,528,146
06/30/2012	Balance	-	-	<u>291,982</u>	<u>2,528,146</u>

- (i) 33,770 shares were issued, at R\$ 8.25 (eight reais and twenty five cents), totaling R\$ 278,602. 50% of this amount, net of the expenses with advisory and audit charges and fees, was recorded under capital and the remaining amount allocated to capital reserve.

The Company is authorized to increase capital by R\$ 4,000,000, irrespective of any amendments to Company Articles of Association, through a decision made by the Board of Directors establishing the conditions for issue.

#### (b) Reserves

The general characteristics and conditions of the provisions referring to dividends, capital reserves and income reserves in this interim financial information did not suffer any significant changes and remain consistent with the information presented in Note 25 of Company financial statements for the year ended December 31, 2011, filed with the CVM.

The amount of R\$ 1,566 (1st half of 2011 - R\$ 3,026) was constituted by way of share options granted to Board of Directors and officers in the 1st half of 2012 matched against the expense recorded in net income for the year.

#### (c) Equity valuation adjustment

This records the matching entry for the exchange rate fluctuation on investments in subsidiaries abroad, on loans from subsidiaries abroad and goodwill. The exchange rate fluctuation amounts recorded referring to investments and goodwill abroad were as follows:

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)  
June 30, 2012  
(In thousands of reais)

### 23 Equity (Continued)

	<b>Company</b>
Balance at 12/31/2011	<u>(158,271)</u>
Exchange rate fluctuation - foreign investments	44,159
Exchange rate fluctuation - goodwill abroad	14,263
Balance at 06/30/2012	<u>(99,849)</u>

### 24 Information by segment

Management defined the operational segments of the Magnesita Group based on the reports used for the purpose of making strategic decisions, reviewed by the Board of Directors. The Board of Directors analyses Company business and segments it under a geographical region perspective.

Revenue from the reported operational segments derives basically from the manufacturing and trading of refractory products.

The amounts provided by the Board of Directors are consistent with the balances recorded in the consolidated financial statements.

Information by business segment, reviewed by management, for the 1st half-year ended June 30, 2012 and June 30, 2011, are as follows:

	Consolidated - 06/30/2012				
	South America	Europe	North America	China	Total
Total revenue by segment, net	671,786	317,945	286,601	73,562	1,349,894
Revenue between segments, net	<u>(52,456)</u>	<u>(24,827)</u>	<u>(22,379)</u>	<u>(5,744)</u>	<u>(105,406)</u>
Revenue from third parties, net	619,330	293,118	264,222	67,818	1,244,488
Net income (loss)	48,155	4,316	17,338	(4,752)	65,057
Total accounts receivable by segment	293,305	169,518	104,069	24,097	590,989
Accounts receivable between segments	<u>(26,353)</u>	<u>(15,231)</u>	<u>(9,351)</u>	<u>(2,165)</u>	<u>(53,100)</u>
Trade accounts receivable, net	266,952	154,287	94,718	21,932	537,889
Inventories	287,601	141,807	137,506	28,137	595,051
Property, plant and equipment	543,390	225,080	102,501	121,121	992,092
Total suppliers by segment	169,739	83,445	82,922	23,797	359,903
Suppliers between segments	<u>(21,747)</u>	<u>(10,691)</u>	<u>(10,624)</u>	<u>(3,049)</u>	<u>(46,111)</u>
Suppliers, contractors and haulage costs, net	147,992	72,754	72,298	20,748	313,792

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2012

(In thousands of reais)

### 24 Information by segment (Continued)

	Consolidated - 06/30/2011				
	South America	Europe	North America	China	Total
Total revenue by segment, net	630,288	315,145	233,646	59,488	1,238,267
Revenue between segments, net	(40,700)	(20,350)	(15,068)	(3,841)	(79,959)
Revenue from third parties, net	589,588	294,795	218,578	55,647	1,158,308
Net income (loss)	29,483	12,446	17,866	(7,366)	52,429
Total accounts receivable by segment	305,178	148,268	78,681	19,981	552,108
Accounts receivable between segments	(18,761)	(9,115)	(4,837)	(1,228)	(33,941)
Trade accounts receivable, net	286,417	139,153	73,844	18,753	518,167
Inventories	298,626	119,505	112,471	24,801	555,403
Property, plant and equipment	365,434	208,338	74,371	131,011	779,154
Total suppliers by segment	130,495	84,859	73,431	27,887	316,672
Suppliers between segments	(13,903)	(9,041)	(7,823)	(2,971)	(33,738)
Suppliers, contractors and haulage costs, net	116,592	75,818	65,608	24,916	282,934

### 25 Stock option plan

General conditions and characteristics of the stock option plan in this interim financial information are consistent with those described in Note 27 of Company financial statements for the year ended December 31, 2011, filed with the CVM.

The number of stock options and corresponding weighted average prices in the year are as follows

	06/30/2012		12/31/2011	
	Number (in thousands)	Average price at fair value (R\$)	Number (in thousands)	Average price at fair value (R\$)
Outstanding - opening balance	11,016	4,05	10,316	4.10
Granted (revoked) in the period	(1,290)	4,05	700	3.25
Options balance	9,726	4,05	11,016	4.05
Probability adjustment	77.8%		77.8%	
Number of options to be recognized by year	7,567	3,15	8,570	3.15

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2012

(In thousands of reais)

### 25 Stock option plan (Continued)

The amount to be recognized on an accrual basis considering a five-year term to exercise the options, adjusted for probability, is R\$ 29,104 for the entire period, and R\$ 1,566 were recorded in 2012, totaling R\$ 18,547 in a specific equity account.

The model and assumptions adopted for the purpose of measuring fair value for 2012 and 2011 were:

- Model used: Black-Scholes-Merton
- Annual volatility: historical volatility based on periods with the same duration of the option calculated until grant date
- Real interest rate: 8.15% p.a.
- Spot value: value of Company shares at grant date
- Strike price: the price established in the stock option plan (R\$ 10.00)
- Term: average term of the options
- Dividends: 1.2% on the market value of the share.

### 26 Expenses by nature

	CONSOLIDATED		Company	
	1 H/12	1 H/11	1 H/12	1 H/11
Depreciation and amortization	52,824	48,127	24,177	21,488
Employee benefits	250,991	247,010	162,833	169,817
Raw material and materials for use and consumption	567,550	489,721	224,309	206,139
Expenses with transportation and commissions	68,509	67,491	36,151	34,395
Services rendered by third parties	70,339	61,691	53,553	47,914
Other expenses	82,328	109,160	42,158	29,731
	<u>1,092,541</u>	<u>1,023,200</u>	<u>543,181</u>	<u>509,484</u>
Classification				
Cost of products sold and services rendered	861,163	789,358	418,136	389,533
Selling expenses	135,499	125,957	63,024	63,190
General and administrative expenses	95,879	107,885	62,021	56,761
	<u>1,092,541</u>	<u>1,023,200</u>	<u>543,181</u>	<u>509,484</u>
	Consolidated		Company	
	2 Q/12	2 Q/11	2 Q/12	2 Q/11
Depreciation and amortization	26,996	23,684	12,181	10,808
Employee benefits	123,643	113,876	79,331	81,729
Raw material and materials for use and consumption	282,573	241,421	115,301	101,742
Expenses with transportation and commissions	34,913	37,271	18,098	18,219
Services rendered by third parties	35,324	30,205	27,184	22,681
Other expenses	48,523	69,654	32,064	25,084
	<u>551,972</u>	<u>516,111</u>	<u>284,159</u>	<u>260,263</u>
Classification				
Cost of products sold and services rendered	435,989	399,758	222,910	200,837
Selling expenses	69,559	65,801	32,306	33,653
General and administrative expenses	46,424	50,552	28,943	25,773
	<u>551,972</u>	<u>516,111</u>	<u>284,159</u>	<u>260,263</u>

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2012

(In thousands of reais)

### 27 Expenses with employee benefits

	Consolidated		Company	
	1 H/12	1 H/11	1 H/12	1 H/11
Salaries and compensation	171,200	172,417	100,313	106,486
Social charges	64,038	66,670	49,648	52,181
Profit sharing	12,199	11,275	9,622	7,444
Retirement plan	3,554	(3,352)	3,250	3,706
	<u>250,991</u>	<u>247,010</u>	<u>162,833</u>	<u>169,817</u>
	Consolidated		Company	
	2 Q/12	2 Q/11	2 Q/12	2 Q/11
Salaries and compensation	85,772	86,356	50,176	52,821
Social charges	31,683	32,229	24,503	25,433
Profit sharing	4,430	2,655	3,046	1,679
Retirement plan	1,758	(7,364)	1,606	1,796
	<u>123,643</u>	<u>113,876</u>	<u>79,331</u>	<u>81,729</u>

### 28 Other operating income (expenses), net

	Consolidated		Company	
	1 H/12	1 H/11	1 H/12	1 H/11
Labor claims	(4,326)	(3,867)	(4,326)	(3,867)
Assignment of rights and payroll processing	1,600	1,600	1,600	1,600
Reversal – health insurance	-	10,777	-	10,777
Net gains from real-estate development	238	2,512	238	2,512
Supplemental judicial gain – Eletrobrás lawsuit	-	6,530	-	6,530
Employee benefits	(2,931)	(2,926)	(2,931)	(2,926)
Unusual inventory losses	(4,015)	-	-	-
Other, net	(2,470)	(879)	(1,994)	235
	<u>(11,904)</u>	<u>13,747</u>	<u>(7,413)</u>	<u>4,084</u>
	Consolidated		Company	
	2 Q/12	2 Q/11	2 Q/12	2 Q/11
Labor claims	(1,661)	(1,186)	(1,661)	(1,186)
Assignment of rights and payroll processing	800	800	800	800
Reversal – health insurance	-	10,777	-	10,777
Net gains from real-estate development	(275)	1,813	(275)	1,813
Supplemental judicial gain – Eletrobrás lawsuit	-	1,824	-	1,824
Employee benefits	(1,466)	(1,465)	(1,466)	(1,465)
Unusual inventory losses	(4,015)	-	-	-
Other, net	(748)	14	(1,274)	258
	<u>(7,365)</u>	<u>12,577</u>	<u>(3,876)</u>	<u>2,044</u>

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2012

(In thousands of reais)

### 29 Earnings per share

#### (a) Basic

Earnings per share are calculated by dividing the income attributable to Company shareholders by the weighted average number of common shares issued in the year:

	Consolidated	
	1 H/12	1 H/11
<b>Basic</b>		
<b>Basic numerator</b>		
Net income attributable to shareholders:	63,850	52,429
<b>Basic denominator</b>		
Weighted average number of shares outstanding (thousand)	291,982	286,354
Basic earnings per share (in R\$)	0,22	0,18

#### (b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding, which would be issued upon conversion of all potentially dilutive common shares. The Company has only one category of potentially dilutive common shares: stock options. As such, a calculation is made in order to determine the number of shares which could have been purchased at fair value (determined as the annual average market price of Company shares), based on the monetary value of the subscription rights linked to the purchase options of shares outstanding. The number of shares calculated as above is compared to the number of shares issued, assuming the exercise of the stock options.

	Consolidated	
	1 H/12	1 H/11
<b>Diluted</b>		
<b>Basic numerator</b>		
Net income attributable to shareholders	63,850	52,429
<b>Basic denominator</b>		
Weighted average number of shares outstanding (thousand)	291,982	286,354
Number of potential shares (stock options) (in thousands)	7,567	8,570
Weighted average number of shares for diluted earnings (in thousands)	299,549	294,924
Diluted earnings per share (in R\$)	0.22	0.18

At June 30, 2012, the 7,567 thousand stock options outstanding, granted to Company executives, were not included in the calculation of diluted earnings per share, since the exercise price was higher than the average market price of common shares in the period and, therefore, these options will not have a dilutive effect.

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2012

(In thousands of reais)

### 30 Net sales and service revenues

	Consolidated		Company	
	1 H/12	1 H/11	1 H/12	1 H/11
<b>Gross revenue from sales and services</b>				
Domestic market	682,504	675,782	664,030	653,412
Foreign market	738,205	658,364	121,741	95,301
	<u>1,420,709</u>	<u>1,334,146</u>	<u>785,771</u>	<u>748,713</u>
Taxes on sales	<u>(176,221)</u>	<u>(175,838)</u>	<u>(169,729)</u>	<u>(168,557)</u>
<b>Net revenue from sales and services</b>	<u>1,244,488</u>	<u>1,158,308</u>	<u>616,042</u>	<u>580,156</u>
	Consolidated		Company	
	2 Q/12	2 Q/11	2 Q/12	2 Q/11
<b>Gross revenue from sales and services</b>				
Domestic market	357,381	337,357	347,527	325,247
Foreign market	372,113	333,881	69,337	54,214
	<u>729,494</u>	<u>671,238</u>	<u>416,864</u>	<u>379,461</u>
Taxes on sales	<u>(91,859)</u>	<u>(88,221)</u>	<u>(88,124)</u>	<u>(84,338)</u>
<b>Net revenue from sales and services</b>	<u>637,635</u>	<u>583,017</u>	<u>328,740</u>	<u>295,123</u>

### 31 Insurance coverage

The Company and its subsidiaries have insurance coverage against operational risks on industrial facilities, machinery and inventories. This coverage guarantees loss of profits, fire, flood and other risks, as follows:

	Consolidated		Company	
	06/30/2012	12/31/2011	06/30/2012	12/31/2011
Amount insured	2,806,510	2,760,557	1,629,561	1,593,092
Loss of profits	819,468	777,986	92,937	92,937
Civil liability	281,507	268,856	25,000	25,000

Additionally, the Company has insurance for civil liability risk of the Board of Directors and officers, credit insurance, group life insurance for employees, transportation insurance, work accident insurance and travel insurance for employees.



## **Magnesita Refratários S.A.**

Notes to quarterly information (Continued)

June 30, 2012

(In thousands of reais)

### **32 Management fees**

Management (members of the Board of Directors and officers) fees in the 1<sup>st</sup> half of 2012 was R\$ 4,350 (1<sup>st</sup> half of 2011 - R\$ 3,805). Furthermore, the fair value of the stock options granted in the amount of R\$ 1,566 (1st half of 2011 - R\$ 3,026) is recorded in the net income for the period.