

## MAGNESITA REPORTS REVENUE OF R\$643 MILLION, WITH GROSS MARGIN OF 33.7% IN 2Q13

Contagem, Brazil – August 08, 2013 – **MAGNESITA REFRATÁRIOS S.A.** (BM&FBOVESPA, Novo Mercado: MAGG3) announces today its results for the second quarter of 2013 (2Q13). The Company's consolidated operating and financial information, except where otherwise stated, is reported in thousands of Reais, pursuant to Brazilian Corporate Law.

### 2Q13 HIGHLIGHTS

- **Refractories for the steel sector:** 4.2% growth in sales volume compared to 1Q13, with expansions in all regions;
- **Refractories for the industrial sector:** 6.8% growth in sales volume compared to 2Q12, reaching 17.4% of total refractories revenue;
- **Services:** Gross margin reached 18.0%, double our margins from last year, due to the strategic realignment focusing on higher value-added services related to the refractory business;
- **Gross margin:** Reached 33.7% in 2Q13 and 33.6% in 1H13, compared to 30.8% in 1H12. The growth was driven by a better sales mix for steel and industrial clients, in addition to initiatives for productivity gains, including the Brumado expansion project;
- **EBITDA:** R\$123.1 million, positively impacted by gross margin expansion and the sale of land, which if excluded, would result in EBITDA of R\$101 million and margin of 15.7%;
- **Reframec:** On June 28, we announced the completion of the acquisition of 51% of Reframec, strengthening Magnesita's leadership in the Brazilian cement market.

### SUBSEQUENT EVENTS

- **Dalian Closing:** On July 31, we concluded the acquisition of the plant in Dalian (China), increasing mag-carbon refractory production capacity and bringing greater competitiveness to new markets;
- **Renewal of Buyback Program:** On August 8, we approved the renewal of the Share Buyback Program for an additional 365 day period;
- **Election of Investor Relations Officer:** On August 8, the Board of Directors elected Mr. Eduardo Gotilla as Investor Relations Officer, in addition to his role as Global Finance Director. Octávio Pereira Lopes remains as Magnesita's Chief Executive Officer.

## KEY PERFORMANCE INDICATORS

In R\$ million	Quarter			Var. %		Year		Var. %
	2Q13 (a)	1Q13 (b)	2Q12 (c)	(a/b)	(a/c)	1H13 (d)	1H12 (e)	(d/e)
Net Revenues	642.7	617.9	637.6	4.0%	0.8%	1,260.6	1,244.5	1.3%
Gross Profit	216.5	207.2	201.6	4.5%	7.4%	423.8	383.3	10.5%
Gross Margin (%)	33.7%	33.5%	31.6%	20bp	210bp	33.6%	30.8%	280bp
EBIT	93.8	87.1	78.3	7.6%	19.8%	180.9	140.0	29.2%
EBITDA	123.3	116.1	105.2	6.2%	17.2%	239.4	192.7	24.2%
EBITDA Margin (%)	19.2%	18.8%	16.5%	40bp	270bp	19.0%	15.5%	350bp
Net Income	23.6	26.3	36.7	-10.5%	-35.9%	49.9	65.1	-23.3%
Net Margin (%)	3.7%	4.3%	5.8%	-60bp	-210bp	4.0%	5.2%	-130bp
CAPEX	-36.0	-23.5	-62.4	53.2%	-42.3%	-59.5	-118.1	-49.6%
Operating Cash Flow	79.4	17.3	98.7	359.2%	-19.5%	96.7	173.2	-44.2%
Net Debt	1,205.1	1,058.2	968.0	13.9%	24.5%	1,205.1	968.0	24.5%
Net Debt/EBITDA	2.97x	2.73x	2.51x	8.7%	18.4%	2.97x	2.51x	18.4%

## 2Q13 Results Conference Call

Friday, August 9, 2013

In English with simultaneous translation into Portuguese

11 am (Brasília time)

10 am (New York time)

3 pm (London time)

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Access Code: Magnesita

Webcast: <http://webcall.riweb.com.br/magnesita/2013/2T/english/index.asp>

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## Message from the CEO

*"In this quarter, we continued to advance in the execution of our strategic vision, implementing relevant changes in the Company. The restructuring of our sales and corporate areas, coupled with the creation of Vice Presidencies for Minerals and People & Management and the investments in information systems are examples of the developments aimed at reaching our mission.*

*We concluded the acquisition of Reframec, a leader in installation and repair services in refractories used in cement production, further strengthening our leadership in services to industrial clients in South America. We also concluded (after 2Q13 closing) the acquisition of the Dalian plant, in China, which is key to maintaining a competitive cost base and increases our competitiveness in key developing markets.*

*Our commercial strategy to access new markets and segments continues to advance. Though still incipient, our first sales to integrated mills in the United States already demonstrates that we are able to compete in markets where historically we have never had a relevant presence. Moreover, we are moving forward with the reserves certification for the graphite project, as well as with the commercial development of the talc expansion project.*

*On the financial side, we ended the quarter with record revenue of R\$643 million, despite the adverse scenario in 2013, with steel production down on average around 5% in our key markets in the first half of the year. We were also able to improve the profitability of our operations in a sustainable manner through several initiatives and productivity gains, reaching a gross margin of 33.7%. This improvement, in light of a very challenging backdrop, further emphasizes the competitive advantages and resilience of our business model, which allows us to succeed in our strategy, ensuring both the leadership in our core markets and growth in markets where we do not yet operate effectively.*

*The negative highlight of the quarter was the increase in our net debt, as a reflection of the exchange rate variation on foreign currency-denominated debt. It is worth noting, on the other hand, that the net effect of the depreciation of the Brazilian real will be positive for Magnesita. Only approximately 30% of our results are denominated in Reais, since a disproportionate share of our costs and expenses are in Brazil. Therefore, this new exchange rate level will have a positive impact in our results and in the medium term should offset the increase in net debt.*

*It is also worth mentioning that the effect of the depreciation was mitigated by a significant change in our net debt profile implemented during the first half. In December 2012, we had 114% of our net debt in foreign currencies. In June 2013, this percentage has been reduced to 88%.*

*Despite the increase of our debt, our liquidity position remains very comfortable. We had R\$633 million in cash at the end of the quarter, which is almost twice our need for amortization over the next 5 years. In addition, 30% of our total debt corresponds to the perpetual bonds and the remaining 70% have average duration of almost 7 years.*

*The commitment of our team gives us confidence that we are on the right track to achieve our strategic vision.*

*Thank you."*

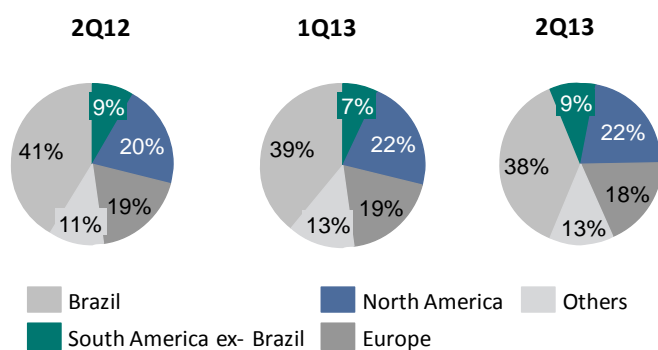
*Octavio Pereira Lopes*

## CONSOLIDATED OPERATING AND FINANCIAL PERFORMANCE

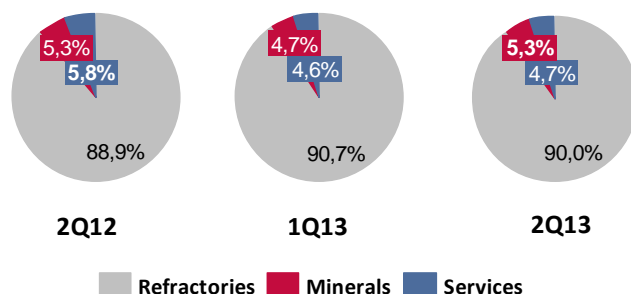
### REVENUE AND VOLUME

Segment	Quarter			Var. %		Year		Var. %
	2Q13 (a)	1Q13 (b)	2Q12 (c)	(a/b)	(a/c)	6M13 (d)	6M12 (e)	(d/e)
<b>Refractory Solution</b>								
Volume ('000 ton)	271,7	268,2	283,5	1,3%	-4,1%	539,9	558,3	-3,3%
Revenues (R\$ million)	578,8	560,5	566,9	3,3%	2,1%	1.139,2	1.117,3	2,0%
<b>Industrial Minerals</b>								
Volume ('000 ton)	235,4	238,5	212,9	-1,3%	10,6%	474,0	442,2	7,2%
Revenues (R\$ million)	34,0	28,8	34,0	17,9%	0,1%	62,8	59,1	6,3%
<b>Services</b>								
Revenues (R\$ million)	30,0	28,6	36,8	4,8%	-18,6%	58,6	68,1	-14,0%
<b>TOTAL</b>								
Revenues (R\$ million)	642,7	617,9	637,6	4,0%	0,8%	1.260,6	1.244,5	1,3%

### Sales Breakdown by Region – Client location



### Consolidated Revenue Breakdown by Segment

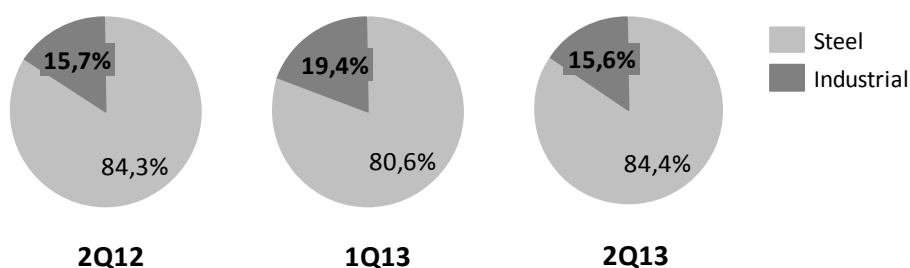


## Results Analysis by Segment

### Refractory solutions

Refractory Solution	Quarter			Var. %		Year		Var. %
	2Q13 (a)	1Q13 (b)	2Q12 (c)	(a/b)	(a/c)	6M13 (d)	6M12 (e)	(d/e)
Volume ('000 ton)	271,7	268,2	283,5	1,3%	-4,1%	539,9	558,3	-3,3%
Revenues (R\$ million)	578,8	560,5	566,9	3,3%	2,1%	1.139,2	1.117,3	2,0%

#### % of Refractory Revenue for Steel vs Industrial Sectors



### Refractory Solutions – Steel Sector

Refractory Solution - Steel	Quarter			Var. %		Year		Var. %
	2Q13 (a)	1Q13 (b)	2Q12 (c)	(a/b)	(a/c)	6M13 (d)	6M12 (e)	(d/e)
Volume ('000 ton)	235,2	225,9	249,3	4,2%	-5,6%	461,1	483,5	-4,6%
Revenues (R\$ million)	488,6	451,9	477,6	8,1%	2,3%	940,5	927,4	1,4%

Even though the global steel industry continues to face excess capacity and retracted demand, we witnessed production increases in the main markets where Magnesita operates during 2Q13. Thus, sales volume for steel grew 4.2% compared to 1Q13, with a particularly strong performance in Western Europe, where our growth was greater than that of steel production. Revenue reached R\$488.6 million, 8.1% above 1Q13.

Year-over-year sales volume decreased by 5.6%, mainly explained by the drop in steel production in Magnesita's main markets in this period. Despite the volume decline, revenue grew by 2.3%, reflecting improved sales mix, as well as the real's depreciation effect in foreign currency sales.

In the first half, sales volume for the steel industry decreased 4.6%, also explained by the drop in steel production in Magnesita's main markets (South America -4.5%; U.S. -5.8%; EU-27 -5.0%), as mentioned above.

## Refractory Solutions – Industrial

Refractory Solution - Industrial	Quarter			Var. %		Year		Var. %
	2Q13 (a)	1Q13 (b)	2Q12 (c)	(a/b)	(a/c)	6M13 (d)	6M12 (e)	(d/e)
Volume ('000 ton)	36,5	42,3	34,2	-13,7%	6,8%	78,8	74,8	5,4%
Revenues (R\$ million)	90,2	108,6	89,2	-16,9%	1,1%	198,8	189,9	4,7%

Sales to industrial sectors reached R\$90.2 million in this quarter, down 16.9% compared to 1Q13, due to seasonal effects, since the scheduled maintenance shutdowns for cement kilns are usually concentrated in the first quarter.

Year-on-year sales volume growth of 6.8% was driven by the strong performance of the cement industry in both Brazil and South America, markets where Magnesita has an important presence, and also by the good sales performance of the glass industry in Argentina.

In the six months period, volumes grew 5.4% compared to same period in 2012, reflecting the Company's continuous pursuit of higher share of industrial segment, thus conferring greater business diversification. Sales to this segment represented 17.4% of total refractory sales, compared to 17.0% in the same period of 2012.

## Industrial Minerals

Industrial Minerals	Quarter			Var. %		Year		Var. %
	2Q13 (a)	1Q13 (b)	2Q12 (c)	(a/b)	(a/c)	6M13 (d)	6M12 (e)	(d/e)
Volume ('000 ton)	235,4	238,5	212,9	-1,3%	10,6%	474,0	442,2	7,2%
Revenues (R\$ million)	34,0	28,8	34,0	17,9%	0,1%	62,8	59,1	6,3%

Revenue from sales of industrial minerals reached R\$34.0 million in the quarter, 17.9% higher than 1Q13 and stable compared to 2Q12. When compared to the previous quarter, the result is mainly explained by the expansion of talc sales, in addition to higher magnesite sinter sales in the period. Year-on-year, the lower volume of magnesite sinter sold during 2Q13 was offset by the increased sales of talc, CCM and other minerals, as well as the exchange rate depreciation in 2013.

In 1H13, despite the lower sales volume of magnesite sinter, revenue from mineral sales increased by 6.3% to R\$62.8 million, driven by higher sales of caustic magnesia

and talc, and also by the exchange rate effect on sales of other materials in foreign currencies.

## Services

Services	Quarter			Var. %		Year		Var. %
	2Q13 (a)	1Q13 (b)	2Q12 (c)	(a/b)	(a/c)	6M13 (d)	6M12 (e)	(d/e)
Revenues (R\$ million)	30,0	28,6	36,8	4,8%	-18,6%	58,6	68,1	-14,0%

Service revenues increased 4.8% compared to 1Q13, reaching R\$30.0 million in the quarter. The growth is primarily explained by partial consolidation of Reframec in this quarter. The 18.6% decline in service revenues against 2Q12 reflects Magnesita's strategic repositioning since 2H12, focusing on higher value-added services with activities directly linked to refractory installation and maintenance and a gradual discontinuation of lower value-added industrial maintenance contracts

In 1H13, service revenues reached R\$58.6 million, down 14.0% over the same period of 2012, also explained by the segment's strategic realignment.

## GROSS PROFIT AND MARGIN

### Consolidated

Consolidated	Quarter			Var. %		Year		Var. %
	2Q13 (a)	1Q13 (b)	2Q12 (c)	(a/b)	(a/c)	1H13 (d)	1H12 (e)	(d/e)
Revenues (R\$ million)	642.7	617.9	637.6	4.0%	0.8%	1,260.6	1,244.5	1.3%
Gross Profit (R\$ million)	216.5	207.2	201.6	4.5%	7.4%	423.8	383.3	10.5%
Gross Margin (%)	33.7%	33.5%	31.6%	20bp	210bp	33.6%	30.8%	280bp

### By segment

### Refractory solutions

Refractory Solution	Quarter			Var. %		Year		Var. %
	2Q13 (a)	1Q13 (b)	2Q12 (c)	(a/b)	(a/c)	1H13 (d)	1H12 (e)	(d/e)
Volume ('000 ton)	271.7	268.2	283.5	1.3%	-4.1%	539.9	558.3	-3.3%
Revenues (R\$ million)	578.8	560.5	566.9	3.3%	2.1%	1,139.2	1,117.3	2.0%
Gross Profit (R\$ million)	197.0	192.4	183.6	2.4%	7.3%	389.4	353.2	10.3%
Gross Margin (%)	34.0%	34.3%	32.4%	-30bp	160bp	34.2%	31.6%	260bp



Gross margin of refractory solutions reached 34.0% in the quarter, in line with the 1Q13 margin, and up by 160 bps against 2Q12. Year-to-date gross margin of 34.2% is 260 bps higher than the same period in 2012, when it reached 31.6%. This expansion in 2013 primarily reflects: better sales mix, with a higher share of the industrial sector; better mix within the steel segment; cost reduction projects and productivity gains, especially with the Brumado expansion, in addition to the anticipation of purchase of strategic raw materials at an attractive cost and; the impact of the real depreciation against the Dollar and Euro in the period.

## Industrial minerals

Industrial Minerals	Quarter			Var. %		Year		Var. %
	2Q13 (a)	1Q13 (b)	2Q12 (c)	(a/b)	(a/c)	1H13 (d)	1H12 (e)	(d/e)
Volume ('000 ton)	235.4	238.5	212.9	-1.3%	10.6%	474.0	442.2	7.2%
Revenues (R\$ million)	34.0	28.8	34.0	17.9%	0.1%	62.8	59.1	6.3%
Gross Profit (R\$ million)	14.1	11.3	14.8	25.5%	-4.8%	25.4	25.2	0.6%
Gross Margin (%)	41.6%	39.0%	43.7%	250bp	-210bp	40.4%	42.7%	-230bp

Margin for minerals closed the quarter at 41.6%, compared to 39.0% in 1Q13 and 43.7% in 2Q12. The quarter-on-quarter increase reflects the change in the sales mix and the impact of the exchange rate depreciation on sales in foreign currencies, whose costs are denominated in Reais.

## Services

Services	Quarter			Var. %		Year		Var. %
	2Q13 (a)	1Q13 (b)	2Q12 (c)	(a/b)	(a/c)	1H13 (d)	1H12 (e)	(d/e)
Revenues (R\$ million)	30.0	28.6	36.8	4.8%	-18.6%	58.6	68.1	-14.0%
Gross Profit (R\$ million)	5.4	3.6	3.2	51.5%	70.2%	9.0	4.9	83.0%
Gross Margin (%)	18.0%	12.4%	8.6%	550bp	940bp	15.3%	7.2%	810bp

The change in the strategic focus of the service segment from the 2nd half of 2012 has resulted in gradual and sustainable margin expansion. In this quarter, Magnesita almost entirely eliminated projects with low value-added services. Therefore, 2Q13 margin reached 18.0%, against 12.4% in 1Q13 and 8.6% in 2Q12. For the year, despite the decline in revenues, gross profit is 83.0% higher than in 2012, with a gross margin of 15.3% versus 7.2% in the previous year.

## GENERAL AND ADMINISTRATIVE EXPENSES (G&A)

Consolidated	Quarter			Var. %		Year		Var. %
	2Q13 (a)	1Q13 (b)	2Q12 (c)	(a/b)	(a/c)	1H13 (d)	1H12 (e)	(d/e)
Revenues (R\$ million)	642.7	617.9	637.6	4.0%	0.8%	1,260.6	1,244.5	1.3%
G&A	-61.5	-53.3	-46.4	15.4%	32.6%	-114.9	-95.9	19.8%
% of G&A on revenues	9.6%	8.6%	7.3%	90bp	230bp	9.1%	7.7%	140bp

G&A expenses totaled R\$61.5 million in 2Q13, 15.4% higher than 1Q13 and 32.6% higher than 2Q12. The increase compared to 1Q13 is primarily explained by the reversal of a provision for variable compensation made in 1Q13, and the foreign exchange rate impact on the conversion of expenses generated in other currencies to the Real. The 2Q13 G&A expense levels should reflect Magnesita's recurring level to reach our strategic vision, in line with what the Company has been communicating to the market.

The year-on-year increase is explained by lower provision for variable compensation expenses in 2Q12, coupled with the impact of the real depreciation. The expansion of corporate structure to meet the Company's new strategic vision also contributed to the increase in 2013.

## EBITDA

EBITDA Conciliation (R\$ million)	Quarter			Var. %		Year		Var. %
	2Q13 (a)	1Q13 (b)	2Q12 (c)	(a/b)	(a/c)	1H13 (d)	1H12 (e)	(d/e)
Operational Profit (EBIT)	93.8	87.1	78.3	7.6%	19.8%	180.9	140.0	29.2%
Depreciation/Amortization	29.5	29.0	26.9	1.8%	9.9%	58.5	52.7	11.1%
EBITDA	123.3	116.1	105.2	6.2%	17.2%	239.4	192.7	24.2%
EBITDA Margin	19.2%	18.8%	16.5%	40bp	270bp	19.0%	15.5%	350bp

EBITDA for the quarter totaled R\$123.3 million, with a margin of 19.2%, positively impacted by the increase in gross margin and by the sale of land in São Caetano do Sul in the amount of approximately R\$23.5 million. Excluding this effect, EBITDA would have been R\$101.0 million with a margin of 15.7%.

Excluding the non-recurring effects in 2Q13, the decline compared to 1Q13 mainly reflects the sales mix with a decrease in industrial sales and an increase in exports, which resulted in higher selling expenses and freight. New hires during the quarter to

support Magnesita's new commercial strategy, as well as an increase in administrative expenses also contributed to EBITDA decrease.

Year-to-date, recurring EBITDA reached R\$217.2 million, representing a margin of 17.2%, up 12.7% compared to the same period in 2012 when it reached R\$192.7 million, with a margin of 15.5%.

## FINANCIAL INCOME/EXPENSES

Consolidated	Quarter			Var. %		Year		Var. %
	2Q13 (a)	1Q13 (b)	2Q12 (c)	(a/b)	(a/c)	6M13 (d)	6M12 (e)	
<b>Financial Income</b>	<b>-3,6</b>	<b>1,4</b>	<b>41,3</b>	<b>N/A</b>	<b>N/A</b>	<b>-2,2</b>	<b>63,5</b>	<b>-103,4%</b>
Forex variation on assets	-8,5	-5,6	31,1	52,3%	N/A	-14,2	38,8	-136,5%
Income from financial investments	2,4	6,1	9,7	-59,9%	-74,8%	8,5	23,8	-64,0%
Other income	2,5	0,9	0,5	185,1%	424,8%	3,4	1,0	242,8%
<b>Financial Expenses</b>	<b>-52,1</b>	<b>-39,1</b>	<b>-64,9</b>	<b>33,2%</b>	<b>-19,7%</b>	<b>-91,2</b>	<b>-103,6</b>	<b>-12,0%</b>
Forex variation on liabilities	-5,8	-1,1	-17,0	426,6%	-66,1%	-6,9	-12,8	-46,4%
Interest on loans	-41,7	-37,1	-44,3	12,4%	-5,9%	-78,8	-84,1	-6,3%
Other expenses	-4,6	-0,9	-3,6	409,6%	28,6%	-5,5	-6,7	-17,8%
<b>Net Financial Result</b>	<b>-55,6</b>	<b>-37,7</b>	<b>-23,6</b>	<b>47,5%</b>	<b>136,1%</b>	<b>-93,3</b>	<b>-40,1</b>	<b>132,8%</b>

In the quarter, net financial results were an expense of R\$55.6 million against R\$37.7 million in 1Q13 and R\$23.6 million in 2Q12. This mainly reflects the interest expense related to our international bonds and, to a lesser extent, the decision to convert our cash from Reais to US dollars, which reduced our financial revenues.

## NET INCOME

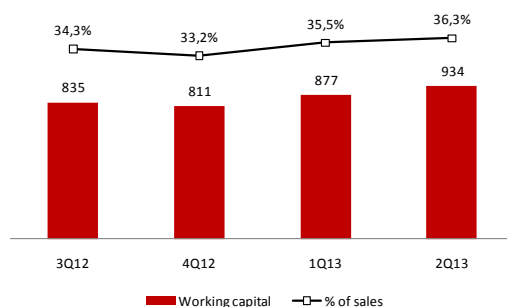
Net income in 2Q13 was R\$23.6 million (3.7% margin), compared to R\$26.3 million (4.3% margin) in 1Q13 and R\$36.7 million (margin of 5.8%) in 2Q12. Net income in 2Q13 was negatively impacted by the exchange rate depreciation, as explained in the financial results, and positively impacted by the real estate sale.

For the year, the net result was R\$49.9 million (4.0% margin), compared to R\$65.1 million (5.2% margin) in 2012. The decline also reflects the effect of exchange rate depreciation in 2013, impacting the financial result.

The company continues to benefit from tax credits generated by tax losses in previous fiscal years and goodwill. For the year, the Company made a provision of R\$37.7

million for income tax and social contribution, however, due to these credits, the cash disbursement will be R\$19.1 million.

## WORKING CAPITAL



<sup>1</sup> Calculation considers sales of the quarters annualized

Working capital remained virtually in line with the previous quarter, if the effect of the Real's depreciation in the quarter is excluded. Year-on-year, the increase is mostly driven from the higher inventory levels of raw material.

## DEBT

Magnesita's gross debt in the end of 2Q13 was R\$1,837.9 million, compared to R\$1,736.5 million in 1Q13. This increase was due to depreciation of the Real against other currencies, which impacted the portion of our debt that is foreign currency-denominated. Debt maturing in the short term corresponded to 6.2% of total debt at end of the quarter.

In 2Q13, the balance of perpetual bonds was R\$546.8 million and represented 29.8% of gross debt and 45.6% of net debt.

Cash and cash equivalents at the end of the quarter were R\$632.8 million, compared to R\$677.7 million in 1Q13. The decrease in cash reflects the Company's decision to prepay certain loans, in addition to one-off payments such as dividends and the acquisition of Reframec.

Leverage as measured by Net Debt/LTM EBITDA, was 2.97x at the end of 2Q13, compared to 2.73x in 1Q13. The increase was due to the impact of the exchange rate

on foreign currency-denominated debt, as mentioned above, yet the benefit of the new exchange rate level is not fully reflected in our EBITDA. Excluding the foreign exchange rate impact, which does not affect cash, leverage would remain stable, in line with 1Q13.

Despite being non-cash, the foreign exchange impact on leverage was mitigated by the Company's decision to reduce its foreign exchange exposure by converting the majority of its cash into Dollars. Between 4Q12 and 2Q13 our net debt in foreign currencies was reduced from 114% to 88%.

Excluding the perpetual bonds, net leverage would be 1,61x.

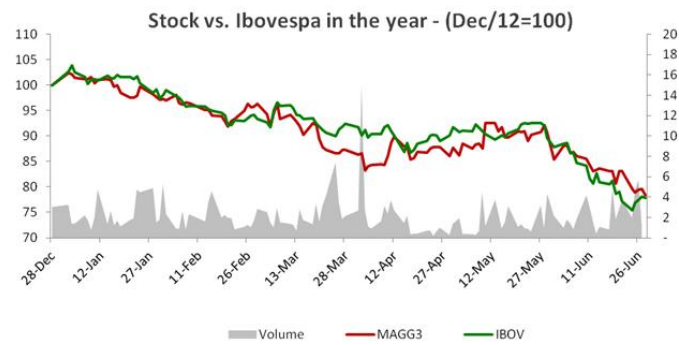
## **CAPITAL EXPENDITURES**

Total CAPEX for 2Q13 amounted to R\$36.0 million, compared to R\$23.5 million in 1Q12 and R\$62.4 million in 2Q12. Year-to-date investments totaled R\$59.5 million against R\$118.1 million in the same period of 2012. The reduction was mainly related to the conclusion of the Brumado expansion project. Of the total investments in 1H13, R\$40.8 million were allocated to refurbishments, maintenance, system upgrades, environment, IT projects and investments in clients; R\$5.0 million to productivity projects; and R\$13.8 million to mining projects.

## **CAPITAL MARKETS**

Magnesita's common shares (Novo Mercado: MAGG3) closed the quarter at R\$6.47, down 21.6% year-to-date. In the same period, the Ibovespa Index decreased by 22.1%, closing the period at 47,457 points. The average daily trading volume in the year was R\$2.2 million, with an average of 293 thousand shares traded daily.

Magnesita's market value at the end of the quarter was R\$1.9 billion.



## **Disclaimer**

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

## **IFRS 11 – Joint arrangement**

*The Company has applied, starting in the 2013 fiscal year, IFRS 11 - "Joint Arrangements" issued in May 2011, and has included as an amendment to the text of the CPC 19 (R2) - "Joint Venture". Thus, the method of proportionate consolidation is no longer permitted, the Company ceased to consolidate the jointly controlled Krosaki Magnesita Refractories LLC (United States). Additionally, starting on January 1, 2013, holdings in Krosaki Magnesita Refractories LLC (40%) are being accounted for using the equity method. For comparison purposes, the balance sheets of December 31, 2012 and June 30, 2012 were adjusted in the Quarterly Information Form ("Formulário ITR") to reflect the change of accounting practices, however, the Earnings Release do not reflect such adjustments.*

### **About Magnesita Refratários S.A.**

*Magnesita Refratários S.A. is a publicly-held company, with shares traded on the BM&FBovespa's Novo Mercado in Brazil and through Level 1 ADRs in the U.S., dedicated to mining, producing and trading an extensive line of refractory materials. Its products are used mainly by the steel, cement and glass industries. Its industrial activities started in 1940, shortly after magnesite deposits were discovered in Brumado, Bahia State. At present, it operates 28 industrial and mining plants: sixteen in Brazil, three in Germany, three in China, one in the United States, two in France, one in Belgium, one in Taiwan and one in Argentina, with a capacity to produce over 1,4 million tons per year of refractories. The Company is the market leader in Brazil and South America and exported to over 70 countries in 2012.*

### **Mission**

*To provide integrated service, refractory and mineral solutions that maximize client results in order to create profitable, lasting relationships that are replicable in other regions.*

### **Vision**

*To be the best supplier of refractory solutions and industrial minerals, leveraging and developing our mineral resources.*

### **Values**

- ✓ Clients
- ✓ People
- ✓ Meritocracy
- ✓ Ethics
- ✓ Profit
- ✓ Management and Method
- ✓ Speed and transparency
- ✓ Safety, the environment and community



## APPENDIX I – CONSOLIDATED BALANCE SHEET

As per Brazilian Corporate Law (R\$ million)	06/30/2013	03/31/2013	06/30/2012
<b>ASSETS</b>			
<b>Current</b>	2.106,6	2.023,0	2.177,8
Cash and cash equivalents	632,8	677,7	812,5
Accounts receivable	565,2	522,4	537,9
Inventories	714,9	658,1	595,1
Recoverable taxes	133,6	117,8	125,6
Others	60,2	47,0	106,8
<b>Long term</b>	3.670,1	3.484,8	3.416,1
Deferred income and social contribution taxes	25,2	17,7	49,0
Legal deposits	16,2	20,7	16,7
Others	28,1	23,7	77,1
Investments	72,8	72,5	1,2
Property, plant and equipment	1.125,5	1.064,2	992,1
Intangibles	2.402,2	2.286,1	2.280,0
<b>Total Assets</b>	<b>5.776,7</b>	<b>5.507,7</b>	<b>5.593,9</b>
<b>LIABILITIES</b>			
<b>Current</b>	690,4	668,8	619,1
Suppliers	346,4	303,3	313,8
Loans	113,1	105,0	91,3
Salaries and social charges	84,1	102,7	93,8
Taxes and contributions	75,3	67,1	62,6
Others	71,5	90,7	57,5
<b>Long term liabilities</b>	<b>2.178,0</b>	<b>2.042,8</b>	<b>2.196,3</b>
Loans	1.724,8	1.631,5	1.781,2
Deferred tax and contributions	49,6	36,4	101,0
Severance payment	308,2	294,9	230,2
Provision for contingencies	64,3	64,0	66,3
Others	31,0	16,1	17,5
<b>Shareholder's equity</b>	<b>2.908,3</b>	<b>2.796,2</b>	<b>2.778,6</b>
Capital	2.528,1	2.528,1	2.528,1
Capital and revenue reserves	249,4	247,8	235,5
Profit reserves	88,1	88,1	34,1
Retained earnings (losses)	47,1	25,5	63,9
Other comprehensive income	-20,6	-112,3	-99,8
Shares buyback	-7,2	-2,4	0,0
Non- controlling interests	23,4	21,4	16,8
<b>Total liabilities and Shareholder's equity</b>	<b>5.776,7</b>	<b>5.507,7</b>	<b>5.593,9</b>
Total number of shares outstanding ('000)	292,0	292,0	292,0
Book Value Per Share	9,96	9,58	9,52

## APPENDIX II – CONSOLIDATED INCOME STATEMENT

As per Brazilian Corporate Law (R\$ million)	Quarter			Var. %		Year		Var. %
	2Q13 (a)	1Q13 (b)	2Q12 (c)	a/b	a/c	1H13 (d)	1H12 (e)	d/e
Net operating revenues	642.7	617.9	637.6	4.0%	0.8%	1,260.6	1,244.5	1.3%
Cost of goods sold	-426.2	-410.7	-436.0	3.8%	-2.3%	-836.9	-861.2	-2.8%
Gross Profit	216.5	207.2	201.6	4.5%	7.4%	423.8	383.3	10.5%
Gross margin (%)	33.7%	33.5%	31.6%	20bp	210bp	33.6%	30.8%	280bp
Selling expenses	-81.8	-69.0	-69.6	18.6%	17.6%	-150.7	-135.5	11.3%
General and administrative expenses	-61.5	-53.3	-46.4	15.4%	32.6%	-114.9	-95.9	19.8%
Other operating income (expenses)	20.6	2.2	-7.4	836.3%	N/A	22.7	-11.9	-291.1%
Operating profit (EBIT)	93.8	87.1	78.3	7.6%	19.8%	180.9	140.0	29.2%
Operating margin (%)	14.6%	14.1%	12.3%	50bp	230bp	14.3%	11.3%	310bp
Financial income (expenses)	-41.3	-31.0	-37.7	33.3%	9.6%	-72.3	-66.0	9.5%
Currency variation, net	-14.3	-6.7	14.1	113.4%	N/A	-21.0	25.9	-181.0%
Income before income tax and social contrib.	38.1	49.4	54.7	-22.8%	-30.3%	87.6	99.9	-12.4%
Income tax and social contribution	-14.6	-23.1	-18.0	-36.8%	-18.9%	-37.7	-34.9	8.0%
Net income (losses)	23.6	26.3	36.7	-10.5%	-35.9%	49.9	65.1	-23.3%
Net margin (%)	3.7%	4.3%	5.8%	-60bp	-210bp	4.0%	5.2%	-130bp
Earning per share (R\$)	0.08	0.09	0.13	n/a	-35.9%	0.17	0.22	-23.3%
Depreciation/amortization	29.5	29.0	27.0	1.8%	9.4%	58.5	52.8	10.8%
EBITDA	123.3	116.1	105.2	6.2%	17.2%	239.4	192.7	24.2%
EBITDA Margin (%)	19.2%	18.8%	16.5%	40bp	270bp	19.0%	15.5%	350bp

## APPENDIX III – CONSOLIDATED CASH FLOW

As per Brazilian Corporate Law (R\$'000)	2T13	1T13	2T12	6M13	6M12
<b>Cash flows from operating activities:</b>					
Net income (losses)	23,6	26,3	36,7	49,9	65,1
<b>Adjustments</b>					
Charges and monetary/exchange variations, net	87,7	22,1	104,8	109,9	131,4
Depreciation and amortization	28,0	27,4	25,3	55,4	49,5
Intangible amortization	1,5	1,6	1,7	3,1	3,4
Impairment	0,0	0,0	0,0	0,0	0,0
Deferred income tax and social contribution	7,7	10,9	9,4	18,6	16,0
Derivativos - fair value swap	15,5	-10,7	-15,3	4,8	-3,9
Stock Option	1,6	1,7	0,0	3,3	1,6
Minority interests	3,7	-0,9	0,8	2,8	1,2
Provision for losses on inventory and accounts receivable	1,6	0,0	0,0	1,6	0,0
	<b>170,6</b>	<b>78,6</b>	<b>163,4</b>	<b>249,2</b>	<b>264,2</b>
<b>Change in assets and liabilities</b>					
Accounts receivable	-20,5	-26,6	-19,8	-47,1	-17,4
Inventories	-63,7	-17,3	2,5	-81,1	21,7
Taxes recoverable	-14,0	-7,9	-20,3	-21,9	-15,5
Account receivable – law suit	0,0	0,0	0,0	0,0	0,0
Suppliers	34,7	-36,2	9,4	-1,5	-41,8
Accrued taxes	6,9	19,1	-1,0	26,0	7,5
Dividends/Interests on equity payable	-16,3	0,0	-9,3	-16,3	-9,3
Others	-18,3	7,7	-26,1	-10,6	-36,2
	<b>-91,3</b>	<b>-61,3</b>	<b>-64,7</b>	<b>-152,6</b>	<b>-91,0</b>
<b>Net cash provided from used in operating activities</b>	<b>79,4</b>	<b>17,3</b>	<b>98,7</b>	<b>96,7</b>	<b>173,2</b>
<b>Cash flows from investing activities:</b>					
Securities and other investments	8,7	-13,2	-2,9	-4,5	-14,1
Disposal of property, plant and equipment	0,5	3,6	1,1	4,2	2,3
Additions of fixed, investments and intangible assets	-59,3	-23,3	-64,0	-82,7	-118,2
<b>Net cash provided from (used in) investing activities</b>	<b>-50,1</b>	<b>-32,9</b>	<b>-65,7</b>	<b>-83,0</b>	<b>-130,0</b>
<b>Cash flows from financing activities</b>					
New loans and financing	0,4	0,2	527,2	0,6	536,8
Payment of loans and financing	-40,7	-105,0	-407,6	-145,7	-446,2
Payment of loans and financing - interest	-47,1	-26,1	-15,4	-73,2	-98,0
Shares issue costs/goodwill due to shares issue	0,0	0,0	0,0	0,0	-0,4
Capital increase	0,0	0,0	0,0	0,0	0,0
Buyback	-4,8	-1,3	0,0	-6,1	0,0
<b>Net cash provided from (used in) financing activities</b>	<b>-92,1</b>	<b>-132,2</b>	<b>104,1</b>	<b>-224,4</b>	<b>-7,9</b>
<b>Increase (decrease ) in cash and cash equivalents</b>	<b>-62,9</b>	<b>-147,9</b>	<b>137,1</b>	<b>-210,7</b>	<b>35,3</b>
Forex variations – opening balance	26,6	-7,1	8,4	19,6	6,8
<b>Opening balance of cash and cash equivalents</b>	<b>641,8</b>	<b>796,7</b>	<b>667,0</b>	<b>796,7</b>	<b>770,5</b>
<b>Closing balance - cash and equivalents</b>	<b>605,6</b>	<b>641,8</b>	<b>812,5</b>	<b>605,6</b>	<b>812,5</b>

#### APPENDIX IV – DEBT (R\$ million)

Type	Short term			Long term			Total		
	31/12/2012	31/03/2013	30/06/2013	31/12/2012	31/03/2013	30/06/2013	31/12/2012	31/03/2013	30/06/2013
Bonds (Reg. 144A)	0,0	0,0	0,0	799,5	788,9	868,4	799,5	788,9	868,4
Export credit notes	44,9	39,3	17,6	787,4	698,9	751,2	832,3	738,2	768,8
Advance	47,4	47,1	50,7	86,5	85,3	41,0	133,9	132,4	91,7
Fixed assets financing	0,8	0,9	0,9	47,4	47,4	47,5	48,2	48,2	48,4
Import financing	4,4	4,4	3,1	0,0	0,0	0,0	4,4	4,4	3,1
Others	30,9	13,4	40,8	29,0	11,0	16,7	59,8	24,4	57,5
<b>Total</b>	<b>128,4</b>	<b>105,0</b>	<b>113,1</b>	<b>1.749,7</b>	<b>1.631,5</b>	<b>1.724,8</b>	<b>1.878,1</b>	<b>1.736,5</b>	<b>1.837,9</b>
Share %	6,8%	6,0%	5,2%	93,2%	94,0%	92,9%	100,0%	100,0%	100,0%
Cash+investments							819,9	677,7	632,8
Net Debt							1.058,2	1.058,8	1.205,1

#### APPENDIX V – SHAREHOLDING STRUCTURE – 06/30/2013

Shareholders	COMMON SHARES	%
<b>Controlling Block</b>		
Alumina Holdings LLC (GP Investments)	88.654.796	30,4%
MAG Fundo de Invest. em Participações (GP Investments)	9.537.978	3,3%
GPCP4 Fundo de Invest. em Participações (GP Investments)	1.138.301	0,4%
Rearden L Holdings 3 S.À R.L (RHONE)	21.019.595	7,2%
<b>Total Controlling Block</b>	<b>120.350.670</b>	<b>41,2%</b>
Guepardo Investimentos	14.710.000	5,0%
Other Shareholders	156.921.264	53,8%
<b>Total</b>	<b>291.981.934</b>	<b>100,0%</b>

## APPENDIX VI – GROSS PROFIT BY SEGMENT

Segment	2Q12	3Q12	4Q12	1Q13	2Q13
<b>Refractory Solution</b>					
Volume (t)	283.471	252.475	250.034	268.183	271.748
Revenues (R\$ '000)	566.861	535.150	533.953	560.473	578.756
Gross Profit (R\$ '000)	183.638	165.941	158.323	192.399	197.030
Gross Margin (%)	32,4%	31,0%	29,7%	34,3%	34,0%
<b>Industrial Minerals</b>					
Volume (t)	212.894	169.290	221.909	238.545	235.439
Revenues (R\$ '000)	33.965	30.318	40.266	28.847	33.997
Gross Profit (R\$ '000)	14.840	13.638	16.590	11.256	14.127
Gross Margin (%)	43,7%	45,0%	41,2%	39,0%	41,6%
<b>Services</b>					
Volume (t)	36.809	42.671	36.873	28.597	29.973
Gross Profit (R\$ '000)	3.169	5.947	5.436	3.558	5.392
Gross Margin (%)	8,6%	13,9%	14,7%	12,4%	18,0%
<b>Total</b>					
Volume (t)	496.366	421.765	471.943	506.728	507.186
Revenues (R\$ '000)	637.635	608.139	611.092	617.916	642.726
Gross Profit (R\$ '000)	201.646	185.527	180.349	207.213	216.550
Gross Margin (%)	31,6%	30,5%	29,5%	33,5%	33,7%