

(“A free translation from Portuguese into English”)

Financial Statements

Magnesita Refratários S.A.

Individual and Consolidated Interim
Financial Information for the nine and three months
period ended June 30, 2013 and
Report on Review of Interim Financial Information

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)

Phone: +55 11 4688-6361 (Brazil)

+1 855 281-6021 (United States)

+1 786 924-6977 (Other countries)

Access Code: Magnesita

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

IR Contacts

Eduardo Gotilla – Global Finance and Investor Relations Officer

Daniel Domiciano Silva - Investor Relations

Phone: +55 11 3152 3202/3203

ri@magnesita.com

www.magnesita.com

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."

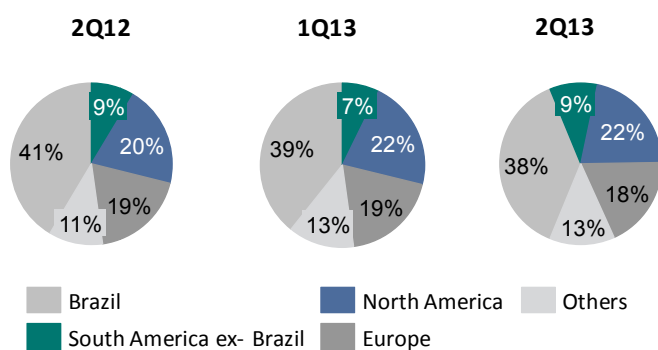
Octavio Pereira Lopes

CONSOLIDATED OPERATING AND FINANCIAL PERFORMANCE

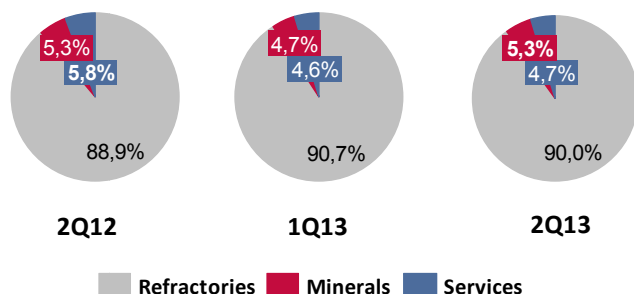
REVENUE AND VOLUME

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

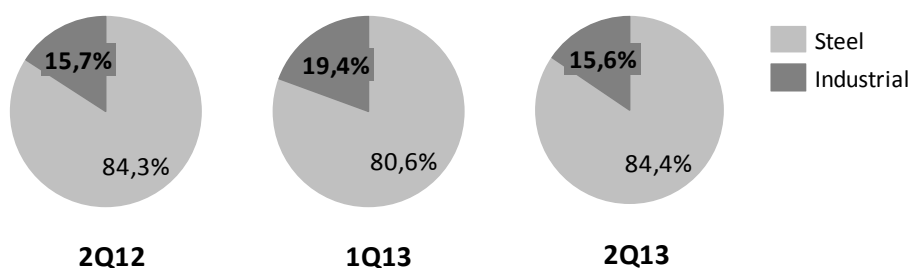


Results Analysis by Segment

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)	(d/e)
Financial Income	-3,6	1,4	41,3	N/A	N/A	-2,2	63,5	-103,4%
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%
Financial Expenses	-52,1	-39,1	-64,9	33,2%	-19,7%	-91,2	-103,6	-12,0%
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%
Net Financial Result	-55,6	-37,7	-23,6	47,5%	136,1%	-93,3	-40,1	132,8%

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.

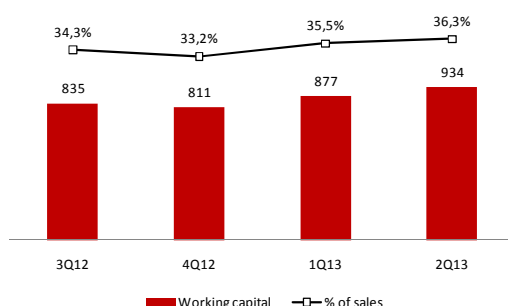
NET INCOME

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



¹ 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.

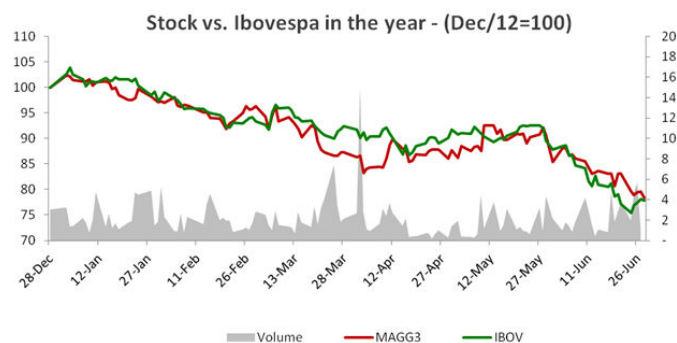
CAPITAL EXPENDITURES

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
ASSETS			
Current	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
Long term	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
Total Assets	5.776,7	5.507,7	5.593,9
LIABILITIES			
Current	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
Long term liabilities	2.178,0	2.042,8	2.196,3
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
Shareholder's equity	2.908,3	2.796,2	2.778,6
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
Total liabilities and Shareholder's equity	5.776,7	5.507,7	5.593,9
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
Cash flows from operating activities:					
Net income (losses)	23,6	26,3	36,7	49,9	65,1
Adjustments					
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
	170,6	78,6	163,4	249,2	264,2
Change in assets and liabilities					
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
	-91,3	-61,3	-64,7	-152,6	-91,0
Net cash provided from used in operating activities	79,4	17,3	98,7	96,7	173,2
Cash flows from investing activities:					
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
Net cash provided from (used in) investing activities	-50,1	-32,9	-65,7	-83,0	-130,0
Cash flows from financing activities					
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
Net cash provided from (used in) financing activities	-92,1	-132,2	104,1	-224,4	-7,9
Increase (decrease) in cash and cash equivalents	-62,9	-147,9	137,1	-210,7	35,3
Forex variations – opening balance	26,6	-7,1	8,4	19,6	6,8
Opening balance of cash and cash equivalents	641,8	796,7	667,0	796,7	770,5
Closing balance - cash and equivalents	605,6	641,8	812,5	605,6	812,5

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
Total	128,4	105,0	113,1	1.749,7	1.631,5	1.724,8	1.878,1	1.736,5	1.837,9
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	%
Controlling Block		
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%
Total Controlling Block	120.350.670	41,2%
Guepardo Investimentos	14.710.000	5,0%
Other Shareholders	156.921.264	53,8%
Total	291.981.934	100,0%

APPENDIX VI – GROSS PROFIT BY SEGMENT

Segment	2Q12	3Q12	4Q12	1Q13	2Q13
Refractory Solution					
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%
Industrial Minerals					
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%
Services					
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%
Total					
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%

Magnesita Refratários S.A.

Financial statements

June 30, 2013

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Independent auditor's review report on quarterly information (ITR)

The
Shareholders, Board of Directors and Officers of
Magnesita Refratários S.A.
Contagem - MG

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Magnesita Refratários S.A. ("Company") contained in the Quarterly Information Form– ITR for the quarter ended June 30, 2013, comprising the balance sheet as at June 30, 2013 and the related statements of income and comprehensive income for the three and six-month periods then ended, and the statements of changes in equity and cash flow for the six-month period then ended, including the explanatory information.

Management is responsible for the preparation of the individual interim financial statements in accordance with the Accounting Pronouncement CPC 21 (R1) – Interim Financial Statements and for the consolidated interim financial information in accordance with CPC 21 (R1) and International Standard IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board – IASB, as well as the presentation of this information in accordance with the rules issued by the Brazilian Securities and Exchange Commission (CVM), applicable to the preparation of Quarterly Financial Information (ITR). Our responsibility is to express an opinion 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 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily to 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 standards on auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that may be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the individual interim financial information

Based on our review, we are not aware of any fact that leads us to believe that the individual interim financial statements included in the quarterly financial information referred to above were not prepared, in all material respects, in accordance with CPC 21 (R1) applicable to the preparation of quarterly information (ITR), and presented in accordance with the rules established by CVM.

Conclusion on the consolidated interim financial information

In our opinion, we are not aware of any fact that causes us to believe that the consolidated interim financial information included in the above mentioned interim financial statements was not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of quarterly financial information (ITR), and are not presented according to the rules issued by the Brazilian Securities and Exchange Commission (CVM).

Emphasis of a matter

Restatement of corresponding figures

As mentioned in Note 3.2, due to the adoption of IFRS 11 – “Joint Arrangements”, issued in May 2011, and included as amendment in CPC 19 (R2) – “Joint Ventures”, the corresponding individual and consolidated amounts in the balance sheet at December 31, 2012, and the corresponding interim financial information related to the income statements for the six- and three-month periods ended June 30, 2012, and the statements of comprehensive income, of changes in equity, of cash flows and of value added (supplementary information) for the six-month period ended June 30, 2012, which are presented for comparison purposes, were adjusted and are being restated as provided for in CPC 23 – Accounting Policies, Changes in Accounting Estimates and Errors and CPC 26 (R1) – Presentation of Financial Statements. Our conclusion was not modified with respect to this matter.

Other matters

Statements of value added

We have also reviewed the individual and consolidated interim statements of value added (SVA) for the six-month period ended June 30, 2013, prepared under the responsibility of the Company management, the presentation of which in the interim information is required by the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to preparation of Quarterly Information, and as supplementary information under the IFRS, whereby no SVA presentation is required. 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 prepared, in all material respects, consistently with the overall individual and consolidated interim financial statements.

Belo Horizonte, August 8, 2013.

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

Rogério Xavier Magalhães
Accountant CRC-1MG080613/O-1

A free translation from Portuguese into English of individual interim financial information in accordance with accounting practices adopted in Brazil and of consolidated interim financial information in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil

MAGNESITA REFRATÁRIOS S.A.

Capital breakdown

June 30, 2013 and December 31, 2012

(In thousands of reais)

Number of shares (units)	Total - Current Quarter June 30, 2013
Common shares – Paid-in capital	291,981,934
Preferred shares – Paid-in capital	-
Total – Paid-in capital	291,981,934
Common shares – Treasury	1.018.600
Preferred shares – Treasury	-
Total – Treasury	1.018.600

MAGNESITA REFRATÁRIOS S.A.

Balance sheets – Company
June 30, 2013 and December 31, 2012
(In thousands of reais)

Account code	Description	6/30/13	12/31/12
1	Total assets	4,289,508	4,263,568
1.01	Current assets	1,167,827	1,254,596
1.01.01	Cash and cash equivalents	380,874	542,583
1.01.02	Short-term investments	27,230	22,710
1.01.02.01	Short-term investments at fair value	27,230	22,710
1.01.02.01.01	Trading securities	27,230	22,710
1.01.03	Accounts receivable	370,267	363,765
1.01.03.01	Trade accounts receivable	362,569	346,740
1.01.03.01.01	Domestic customers	170,992	152,759
1.01.03.01.02	Foreign customers	166,135	173,203
1.01.03.01.04	Unbilled measurements	25,442	20,778
1.01.03.02	Other accounts receivable	7,698	17,025
1.01.03.02.01	Property sale credit	7,698	17,025
1.01.04	Inventories	298,268	261,059
1.01.06	Taxes recoverable	74,477	56,900
1.01.06.01	Current taxes recoverable	74,477	56,900
1.01.06.01.01	Taxes on recoverable profit	15,970	11,755
1.01.06.01.02	Other taxes recoverable	58,507	45,145
1.01.08	Other current assets	16,711	7,579
1.01.08.03	Other	16,711	7,579
1.02	Noncurrent assets	3,121,681	3,008,972
1.02.01	Long-term receivables	61,383	51,817
1.02.01.03	Accounts receivable	6,358	1,323
1.02.01.03.02	Other accounts receivable	6,358	1,323
1.02.01.08	Receivables from related parties	22,765	20,933
1.02.01.08.02	Receivables from subsidiaries	22,765	20,933
1.02.01.09	Other noncurrent assets	32,260	29,561
1.02.01.09.04	Judicial deposits	15,271	13,277
1.02.01.09.05	Other	16,989	16,284
1.02.02	Investments	1,374,789	1,284,506
1.02.02.01	Equity interest	1,307,299	1,217,016
1.02.02.01.02	Interest in subsidiaries	1,306,914	1,216,396
1.02.02.01.04	Other equity interests	385	620
1.02.02.02	Investment properties	67,490	67,490
1.02.03	Property, plant and equipment	610,057	594,157
1.02.03.01	Property, plant and equipment in use	488,683	356,893
1.02.03.03	Construction in progress	121,374	237,264
1.02.04	Intangible asset	1,075,452	1,078,492
1.02.04.01	Intangible assets	1,075,452	1,078,492
1.02.04.01.02	Software and other	31,798	34,838
1.02.04.01.03	Goodwill	1,043,654	1,043,654

Account code	Description	6/30/13	12/31/12
2	Total liabilities	4,289,508	4,263,568
2.01	Current liabilities	369,479	373,153
2.01.01	Social and labor liabilities	55,783	62,357
2.01.01.01	Social liabilities	33,257	27,446
2.01.01.02	Labor liabilities	22,526	34,911
2.01.02	Trade accounts payable	178,329	164,084
2.01.02.01	Domestic suppliers	135,520	150,761
2.01.02.02	Foreign suppliers	42,809	13,323
2.01.03	Tax liabilities	18,201	19,564
2.01.03.01	Federal tax liabilities	10,788	13,139
2.01.03.01.01	Income and social contribution taxes payable	548	1,788
2.01.03.01.02	Other federal tax liabilities	10,240	11,351
2.01.03.02	State tax liabilities	7,189	5,922
2.01.03.03	Local tax liabilities	224	503
2.01.04	Loans and financing	72,278	85,088
2.01.04.01	Loans and financing	72,278	85,088
2.01.04.01.01	Local currency	6,577	18,522
2.01.04.01.02	Foreign currency	65,701	66,566
2.01.05	Other liabilities	44,888	42,060
2.01.05.02	Other	44,888	42,060
2.01.05.02.01	Dividends and interest on equity payable	228	16,900
2.01.05.02.04	Obligations with assignment of right of use	-	1,067
2.01.05.02.05	Other liabilities	44,660	24,093
2.02	Noncurrent liabilities	1,035,141	1,098,159
2.02.01	Loans and financing	839,777	927,930
2.02.01.01	Loans and financing	839,777	927,930
2.02.01.01.01	Local currency	244,888	330,547
2.02.01.01.02	Foreign currency	594,889	597,383
2.02.02	Other liabilities	108,820	103,352
2.02.02.02	Other	108,820	103,352
2.02.02.02.03	Post-employment obligations	94,539	103,352
2.02.02.02.04	Other liabilities	14,281	-
2.02.03	Deferred taxes	22,337	307
2.02.03.01	Deferred income and social contribution taxes	22,337	307
2.02.04	Provisions	64,207	66,570
2.02.04.01	Provisions for tax, social security, labor and civil contingencies	64,207	66,570
2.02.04.01.01	Provision for tax contingencies	38,718	40,578
2.02.04.01.02	Provisions for social security and labor contingencies	25,362	25,865
2.02.04.01.04	Provisions for civil contingencies	127	127
2.03	Equity	2,884,888	2,792,256
2.03.01	Paid-in capital	2,528,146	2,528,146
2.03.02	Capital reserve	242,172	244,926
2.03.02.01	Premium on share issue	(17,226)	(17,226)
2.03.02.02	Special reserve of goodwill received in merger	88,874	88,874
2.03.02.04	Options granted	32,423	29,112
2.03.02.05	Treasury stock	(7,199)	(1,134)
2.03.02.07	Special reserve law 8200/91	5,973	5,973
2.03.02.08	Reserve for share issue	139,327	139,327
2.03.04	Income reserve	88,060	88,060
2.03.04.01	Legal reserve	5,518	5,518
2.03.04.05	Retained profit reserve	82,542	82,542
2.03.05	Retained earnings/accumulated losses	47,062	-
2.03.07	Accumulated translation adjustments	(21,705)	(71,948)
2.03.08	Other comprehensive income	1,153	3,072

MAGNESITA REFRAATÓRIOS S.A.

Income statements – Company

Six- and three-month periods ended June 30, 2013 and 2012

(In thousands of reais)

Account code	Description	4/1/2013 to 6/30/2013	1/1/2013 to 6/30/2013	4/1/2012 to 6/30/2012	1/1/2012 to 6/30/2012
3.01	Revenue from sale of products and/or services	307,731	620,266	328,740	16,042
3.02	Cost of goods sold and/or services rendered	(196,115)	(401,317)	(222,910)	(418,136)
3.03	Gross profit	111,616	218,949	105,830	197,906
3.04	Operating income/expenses	(46,158)	(102,938)	(55,694)	(108,760)
3.04.01	Selling expenses	(33,523)	(60,233)	(32,306)	(63,024)
3.04.02	General and administrative expenses	(39,546)	(75,019)	(28,943)	(62,021)
3.04.04	Other operating revenue	24,841	29,836	1,012	2,832
3.04.05	Other operating expenses	(6,263)	(9,315)	(4,888)	(10,245)
3.04.06	Equity pickup	8,333	11,793	9,431	23,698
	Income before financial income (expenses) and taxes	65,458	116,011	50,136	89,146
3.06	Financial income (expense)	(36,179)	(49,021)	223	(3,183)
3.06.01	Financial income	53,893	52,615	36,227	54,910
3.06.01.01	Monetary/foreign exchange variation gains	51,676	44,316	26,828	31,627
3.06.01.02	Short-term investment yield	1,814	7,344	9,071	22,489
3.06.01.03	Other revenues	403	955	328	794
3.06.02	Financial expenses	(90,072)	(101,636)	(36,004)	(58,093)
3.06.02.01	Monetary/foreign exchange variation losses	(64,456)	(56,715)	(7,462)	(2,704)
3.06.02.02	Interest on loans	(23,767)	(42,506)	(28,206)	(54,080)
3.06.02.03	Other expenses	(1,849)	(2,415)	(336)	(1,309)
3.07	Income before income taxes	29,279	66,990	50,359	85,963
3.08	Income and social contribution taxes	(7,679)	(19,928)	(14,423)	(22,113)
3.08.02	Deferred	(7,679)	(19,928)	(14,423)	(22,113)
3.09	Net income from continuing operations	21,600	47,062	35,936	63,850
3.11	Income/loss for the period	21,600	47,062	35,936	63,850
3.99.01.01	Common shares (ON)	0.0700	0.1600	0.1200	0.2200
3.99.02.01	Common shares (ON)	0.0700	0.1600	0.1200	0.2200

MAGNESITA REFRAATÓRIOS S.A.

Statements of comprehensive income - Company

Six- and three-month periods ended June 30, 2013 and 2012

(In thousands of reais)

Account code	Description	4/1/2013 to 6/30/2013	1/1/2013 to 6/30/2013	4/1/2012 to 6/30/2012	1/1/2012 to 6/30/2012
4.01	Net income for the period	21,600	47,062	35,936	63,850
4.02	Other comprehensive income	91,723	48,324	62,640	58,422
	Exchange variation of subsidiaries				
4.02.01	located abroad	87,642	50,243	62,640	58,422
4.02.02	Actuarial evaluation income	4,081	4,081	-	-
4.02.03	Net gains – fair value	-	(6,000)	-	-
4.03	Comprehensive income for the period	113,323	95,386	98,576	122,272

MAGNESITA REFRATÁRIOS S.A.

Cash flows statements – Company
Six-month periods ended June 30, 2013 and 2012
(In thousands of reais)

Account code	Description	1/1/2013 to 6/30/2013	1/1/2012 to 6/30/2012
6.01	Net cash from operating activities	80,323	120,005
6.01.01	Cash from operations	164,623	132,232
6.01.01.01	Net income for the year	47,062	63,850
6.01.01.02	Charges on monetary/foreign exchange variations, net	44,418	(9,649)
6.01.01.03	Interest charges	34,827	53,873
6.01.01.04	Depreciation and depletion	23,830	20,861
6.01.01.05	Amortization of intangible assets	3,040	3,316
6.01.01.06	Equity pickup	(11,793)	(23,698)
6.01.01.07	Deferred income and social contribution taxes	19,928	22,113
6.01.01.08	Stock options	3,311	1,566
6.01.02	Changes in assets and liabilities	(84,300)	(12,227)
6.01.02.01	Trade accounts receivable	(15,829)	21,428
6.01.02.02	Inventories	(37,209)	13,615
6.01.02.03	Taxes recoverable	(17,578)	(7,250)
6.01.02.04	Trade accounts payable	14,245	(10,009)
6.01.02.05	Taxes payable	(1,362)	1,590
6.01.02.06	Dividends / interest on equity	(16,672)	(9,311)
6.01.02.07	Other	(9,895)	(22,290)
6.02	Net cash used from investing activities	(49,863)	(135,781)
6.02.01	Sale of PP&E, investments and intangible assets	5,406	1,568
6.02.02	Additions to PP&E and intangible assets	(39,360)	(104,363)
6.02.03	Paid-in capital in subsidiary	-	(18,849)
6.02.04	Marketable securities	(4,520)	(14,137)
6.02.05	Acquisition of subsidiary	(11,389)	-
6.03	Net cash from financing activities	(192,169)	43,476
6.03.01	Loans and financing	544	536,809
6.03.02	Payment of loans and financing	(145,692)	(424,508)
6.03.03	Payment of interest on loans and financing	(40,956)	(68,429)
6.03.04	Treasury stock	(6,065)	-
6.03.05	Share issuance expenses	-	(396)
6.05	Increase (decrease) in cash and cash equivalents	(161,709)	27,700
6.05.01	Cash and cash equivalents at beginning of period	542,583	595,498
6.05.02	Cash and cash equivalents at end of period	380,874	623,198

MAGNESITA REFRAATÓRIOS S.A.

Statements of changes in equity - Company

June 30, 2013 and December 31, 2012

(In thousands of reais)

Account code	Description	Paid-in capital	Capital reserves, options granted and treasury stock	Income reserve	Retained earnings or accumulated losses	Other comprehensive income	Equity
5.01	Opening balances	2,528,146	244,926	88,060	-	(68,876)	2,792,256
5.03	Adjusted opening balances	2,528,146	244,926	88,060	-	(68,876)	2,792,256
5.04	Capital transactions with shareholders	-	(2,754)	-	-	-	(2,754)
5.04.03	Recognized options granted	-	3,311	-	-	-	3,311
5.04.04	Treasury stocks acquired	-	(6,065)	-	-	-	(6,065)
5.05	Total comprehensive income	-	-	-	47,062	48,324	95,386
5.05.01	Net income for the period	-	-	-	47,062	-	47,062
5.05.02	Other comprehensive income	-	-	-	-	48,324	48,324
5.05.02.06	Foreign exchange variation from investments abroad	-	-	-	-	50,243	50,243
5.05.02.07	Net gains – fair value	-	-	-	-	(6,000)	(6,000)
5.05.02.08	Actuarial adjustment	-	-	-	-	4,081	4,081
5.07	Closing balances	2,528,146	242,172	88,060	47,062	(20,552)	2,884,888

MAGNESITA REFRATÁRIOS S.A.

Statements of changes in equity - Company

June 30, 2012 and December 31, 2011

(In thousands of reais)

Account code	Description	Paid-in capital	Capital reserves, options granted and treasury stock	Income reserve	Retained earnings or accumulated losses	Other comprehensive income	Equity
5.01	Opening balances	2,528,146	234,326	34,130	-	(158,271)	2,638,331
5.03	Adjusted 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	Share issuance expenses	-	(396)	-	-	-	(396)
5.04.03	Recognized options granted	-	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	Foreign exchange variation from investments abroad	-	-	-	-	58,422	58,422
5.07	Closing balances	2,528,146	235,496	34,130	63,850	(99,849)	2,761,773

MAGNESITA REFRAATÓRIOS S.A.

Statement of value added – Company
Six-month periods ended June 30, 2013 and 2012
(In thousands of reais)

Account code	Description	1/1/2013 to 6/30/2013	1/1/2012 to 6/30/2012
7.01	Revenues	856,515	892,069
7.01.01	Sales of goods, products and services	788,877	785,771
7.01.02	Other revenues	25,502	1,838
7.01.03	Revenues related to construction of own assets	42,136	104,536
7.01.04	Set-up/reversal of allowance for doubtful accounts	-	(76)
7.02	Inputs purchased from third parties	(559,793)	(618,318)
7.02.01	Cost of products, goods and services sold	(389,738)	(400,856)
7.02.02	Materials, electric power, outsourced services, others	(170,055)	(217,462)
7.03	Gross value added	296,722	273,751
7.04	Retentions	(26,870)	(24,177)
7.04.01	Depreciation, amortization and depletion	(26,870)	(24,177)
7.05	Net value added produced	269,852	249,574
7.06	Value added received in transfer	64,408	78,608
7.06.01	Equity pickup	11,793	23,698
7.06.02	Financial income	52,615	54,910
7.07	Total value added to be distributed	334,260	328,182
7.08	Distribution of value added	334,260	328,182
7.08.01	Personnel	140,872	172,673
7.08.02	Taxes, charges and contributions	37,938	22,113
7.08.03	Debt remuneration	108,388	69,546
7.08.03.01	Interest	42,506	54,080
7.08.03.02	Rent	6,753	11,453
7.08.03.03	Other	59,129	4,013
7.08.04	Equity remuneration	47,062	63,850
7.08.04.03	Retained profit/(loss) for the period	47,062	63,850

MAGNESITA REFRAATÓRIOS S.A.

Balance sheets – consolidated
June 30, 2013 and December 31, 2012
(In thousands of reais)

Account code	Description	6/30/2013	12/31/2012
1	Total assets	5,776,690	5,664,540
1.01	Current assets	2,106,614	2,128,944
1.01.01	Cash and cash equivalents	605,557	796,739
1.01.02	Short-term investments	27,230	22,710
1.01.02.01	Short-term investments at fair value	27,230	22,710
1.01.02.01.01	Trading securities	27,230	22,710
1.01.03	Accounts receivable	572,900	527,721
1.01.03.01	Trade accounts receivable	565,202	510,696
1.01.03.01.01	Domestic customers	170,992	158,014
1.01.03.01.02	Foreign customers	377,144	343,369
1.01.03.01.03	Provision for credit risk	(8,376)	(11,465)
1.01.03.01.04	Unbilled measurements	25,442	20,778
1.01.03.02	Other accounts receivable	7,698	17,025
1.01.03.02.01	Property sale credit	7,698	17,025
1.01.04	Inventories	714,883	638,430
1.01.06	Taxes recoverable	133,585	111,660
1.01.06.01	Current taxes recoverable	133,585	111,660
1.01.06.01.01	Taxes on recoverable profit	48,327	47,061
1.01.06.01.02	Other taxes recoverable	85,258	64,599
1.01.08	Other current assets	52,459	31,684
1.01.08.03	Other	52,459	31,684
1.02	Noncurrent assets	3,670,076	3,535,596
1.02.01	Long-term receivables	69,554	53,870
1.02.01.03	Accounts receivable	6,358	1,323
1.02.01.03.02	Other accounts receivable	6,358	1,323
1.02.01.06	Deferred taxes	25,235	17,996
1.02.01.06.01	Deferred income and social contribution taxes	25,235	17,996
1.02.01.09	Other noncurrent assets	37,961	34,551
1.02.01.09.04	Judicial deposits	16,211	18,267
1.02.01.09.05	Other	21,750	16,284
1.02.02	Investments	72,824	71,816
1.02.02.01	Equity interest	5,334	4,326
1.02.02.01.04	Other equity interests	5,334	4,326
1.02.02.02	Investment properties	67,490	67,490
1.02.03	Property, plant and equipment	1,125,453	1,082,495
1.02.03.01	Property, plant and equipment in use	967,685	817,113
1.02.03.03	Construction in progress	157,768	265,382
1.02.04	Intangible assets	2,402,245	2,327,415
1.02.04.01	Intangible assets	32,663	38,122
1.02.04.02	Goodwill	2,369,582	2,289,293

Account code	Description	6/30/2013	12/31/2012
2	Total liabilities	5,776,690	5,664,540
2.01	Current liabilities	690,405	689,942
2.01.01	Social and labor liabilities	84,075	94,743
2.01.01.01	Social liabilities	32,896	33,367
2.01.01.02	Labor liabilities	51,179	61,376
2.01.02	Trade accounts payable	346,441	347,941
2.01.02.01	Domestic suppliers	135,520	149,798
2.01.02.02	Foreign suppliers	210,921	198,143
2.01.03	Tax liabilities	75,260	49,300
2.01.03.01	Federal tax liabilities	43,706	42,466
2.01.03.01.01	Income and social contribution taxes payable	17,783	21,828
2.01.03.01.02	Other federal tax liabilities	25,923	20,638
2.01.03.02	State tax liabilities	31,324	6,319
2.01.03.03	Local tax liabilities	230	515
2.01.04	Loans and financing	113,083	121,037
2.01.04.01	Loans and financing	113,083	121,037
2.01.04.01.01	Local currency	6,577	18,522
2.01.04.01.02	Foreign currency	106,506	102,515
2.01.05	Other liabilities	71,546	76,921
2.01.05.02	Other	71,546	76,921
2.01.05.02.01	Dividends and interest on equity payable	603	16,922
2.01.05.02.04	Obligations with assignment of right of use	-	1,067
2.01.05.02.05	Other liabilities	70,943	58,932
2.02	Noncurrent liabilities	2,177,991	2,163,739
2.02.01	Loans and financing	856,443	950,247
2.02.01.01	Loans and financing	856,443	950,247
2.02.01.01.01	Local currency	244,888	330,547
2.02.01.01.02	Foreign currency	611,555	619,700
2.02.02	Other liabilities	1,207,622	1,121,362
2.02.02.02	Other	1,207,622	1,121,362
2.02.02.02.03	Bonds	868,396	799,491
2.02.02.02.04	Post-employment obligations	308,233	305,939
2.02.02.02.05	Other liabilities	30,993	15,932
2.02.03	Deferred taxes	49,579	25,548
2.02.03.01	Deferred income and social contribution taxes	49,579	25,548
2.02.04	Provisions	64,347	66,582
2.02.04.01	Provisions for tax, social security, labor and civil contingencies	64,347	66,582
2.02.04.01.01	Provision for tax contingencies	38,730	40,590
2.02.04.01.02	Provisions for social security and labor contingencies	25,490	25,865
2.02.04.01.04	Provisions for civil contingencies	127	127
2.03	Consolidated equity	2,908,294	2,810,859
2.03.01	Paid-in capital	2,528,146	2,528,146
2.03.02	Capital reserve	242,172	244,926
2.03.02.02	Special reserve of goodwill received in merger	88,874	88,874
2.03.02.04	Options granted	32,423	29,112
2.03.02.05	Treasury stock	(7,199)	(1,134)
2.03.02.07	Special reserve law 8200/91	5,973	5,973
2.03.02.08	Reserve - share issue	139,327	139,327
2.03.02.09	Share issuance expenses	(17,226)	(17,226)
2.03.04	Income reserve	88,060	88,060
2.03.04.01	Legal reserve	5,518	5,518
2.03.04.05	Retained profit reserve	82,542	82,542
2.03.05	Retained earnings/accumulated losses	47,062	-
2.03.07	Accumulated translation adjustments	(21,705)	(71,948)
2.03.08	Other comprehensive income	1,153	3,072
2.03.09	Noncontrolling interest	23,406	18,603

MAGNESITA REFRATÁRIOS S.A.

Income statements – consolidated

Six- and three-month periods ended June 30, 2013 and 2012

(In thousands of reais)

Account code	Description	4/1/2013 to 6/30/2013	1/1/2013 to 6/30/2013	4/1/2012 to 6/30/2012	1/1/2012 to 6/30/2012
3.01	Revenue from sale of products and/or services	642,726	1,260,642	629,801	1,229,246
3.02	Cost of goods sold and/or services rendered	(426,177)	(836,880)	(429,426)	(848,679)
3.03	Gross profit	216,549	423,762	200,375	380,567
3.04	Operating income/expenses	(122,774)	(242,862)	(122,099)	(240,564)
3.04.01	Selling expenses	(81,788)	(150,745)	(68,635)	(133,835)
3.04.02	General and administrative expenses	(61,538)	(114,864)	(46,385)	(95,801)
3.04.04	Other operating income	32,587	45,171	3,694	10,103
3.04.05	Other operating expenses	(11,919)	(22,308)	(11,054)	(21,999)
3.04.06	Equity pickup	(116)	(116)	281	968
3.05	Income before financial income (expenses) and taxes	93,775	180,900	78,276	140,003
3.06	Financial income (expenses)	(55,635)	(93,349)	(23,540)	(40,059)
3.06.01	Financial income	(3,560)	(2,181)	41,305	63,524
3.06.01.01	Monetary/foreign exchange variation gains	(8,546)	(14,159)	31,130	38,752
3.06.01.02	Short-term investment yield	2,446	8,547	9,691	23,771
3.06.01.03	Other revenues	2,540	3,431	484	1,001
3.06.02	Financial expenses	(52,075)	(91,168)	(64,845)	(103,583)
3.06.02.01	Monetary/foreign exchange variation losses	(5,766)	(6,861)	(16,990)	(12,807)
3.06.02.02	Interest on loans	(41,692)	(78,784)	(44,288)	(84,093)
3.06.02.03	Other	(4,617)	(5,523)	(3,567)	(6,683)
3.07	Income before income taxes	38,140	87,551	54,736	99,944
3.08	Income and social contribution taxes	(14,590)	(37,684)	(17,996)	(34,887)
3.08.01	Current	(6,937)	(19,103)	(8,620)	(18,853)
3.08.02	Deferred	(7,653)	(18,581)	(9,376)	(16,034)
3.09	Net income from continuing operations	23,550	49,867	36,740	65,057
3.11	Consolidated income/loss for the period	23,550	49,867	36,740	65,057
3.11.01	Attributed to shareholders of parent company	21,600	47,062	35,936	63,850
3.11.02	Attributed to noncontrolling shareholders	1,950	2,805	804	1,207
3.99.01.01	Common shares (ON)	0.07	0.16	0.12	0.22
3.99.02.01	Common shares (ON)	0.07	0.16	0.12	0.22

MAGNESITA REFRAATÓRIOS S.A.

Statements of comprehensive income – consolidated
Six- and three-month periods ended June 30, 2013 and 2012
(In thousands of reais)

Account code	Description	4/1/2013 to 6/30/2013	1/1/2013 to 6/30/2013	4/1/2012 to 6/30/2012	1/1/2012 to 6/30/2012
4.01	Consolidated net income for the period	23,550	49,867	36,740	65,057
4.02	Other comprehensive income	91,767	50,322	63,132	59,188
	Exchange variation of subsidiaries located abroad	87,686	52,241	63,132	59,188
4.02.01					
4.02.02	Actuarial evaluation income	4,081	4,081	-	-
4.02.03	Net gains – fair value	-	(6,000)	-	-
	Consolidated comprehensive income for the period	115,317	100,189	99,872	124,245
4.03					
4.03.01	Attributed to shareholders of parent company	113,323	95,386	98,576	122,272
4.03.02	Attributed to noncontrolling shareholders	1,994	4,803	1,296	1,973

MAGNESITA REFRATÁRIOS S.A.

Cash flow statements – consolidated
Six-month periods ended June 30, 2013 and 2012
(In thousands of reais)

Account code	Description	1/1/2013 to 6/30/2013	1/1/2012 to 6/30/2012
6.01	Net cash from operating activities	96,670	173,205
6.01.01	Cash from operations	249,250	264,206
6.01.01.01	Net income for the year	49,867	65,057
6.01.01.02	Charges on monetary/foreign exchange variations, net	109,857	131,370
6.01.01.03	Depreciation and depletion	55,370	49,453
6.01.01.04	Amortization of intangible assets	3,112	3,371
6.01.01.05	Deferred income and social contribution taxes	18,581	16,034
6.01.01.06	Stock options	3,311	1,566
6.01.01.07	Noncontrolling interest	2,805	1,207
6.01.01.08	Provisions for losses in inventories and accounts receivable	1,552	-
6.01.01.09	Derivative instruments – fair value – swap	4,795	(3,852)
6.01.02	Changes in assets and liabilities	(152,580)	(91,001)
6.01.02.01	Trade accounts receivable	(47,125)	(17,358)
6.01.02.02	Inventories	(81,094)	21,714
6.01.02.03	Taxes recoverable	(21,925)	(15,515)
6.01.02.08	Trade accounts payable	(1,500)	(41,844)
6.01.02.09	Taxes payable	25,960	7,488
6.01.02.10	Dividends payable	(16,319)	(9,311)
6.01.02.11	Other	(10,577)	(36,175)
6.02	Net cash used from investing activities	(83,044)	(130,037)
6.02.01	Sale of PP&E, investments and intangible assets	4,153	2,271
6.02.02	Additions to PP&E and intangible assets	(82,677)	(118,171)
6.02.03	Marketable securities	(4,520)	(14,137)
6.03	Net cash from financing activities	(224,360)	(7,875)
6.03.01	Loans and financing	594	536,809
6.03.02	Payment of loans and financing	(145,692)	(446,245)
6.03.03	Payment of interest on loans and financing	(73,197)	(98,043)
6.03.05	Treasury stock	(6,065)	(396)
6.04	Foreign exchange variation of cash and cash equivalents	19,552	6,756
6.05	Increase (decrease) in cash and cash equivalents	(191,182)	42,049
6.05.01	Cash and cash equivalents at beginning of period	796,739	770,466
6.05.02	Cash and cash equivalents at end of period	605,557	812,515

MAGNESITA REFRAATÓRIOS S.A.

Statements of changes in equity – consolidated
June 30, 2013 and December 31, 2012
(In thousands of reais)

Account code	Description	Paid-in capital	Capital reserves, options granted and treasury stock	Income reserve	Retained earnings or accumulated losses	Other comprehensive income	Equity	Noncontrolling interest	Consolidated equity
5.01	Opening balances	2,528,146	244,926	88,060	-	(68,876)	2,792,256	18,603	2,810,859
5.03	Adjusted opening balances	2,528,146	244,926	88,060	-	(68,876)	2,792,256	18,603	2,810,859
5.04	Capital transactions with shareholders	-	(2,754)	-	-	-	(2,754)	-	(2,754)
5.04.03	Recognized options granted	-	3,311	-	-	-	3,311	-	3,311
5.04.04	Treasury stocks acquired	-	(6,065)	-	-	-	(6,065)	-	(6,065)
	Total comprehensive income	-	-	-	47,062	48,324	95,386	4,803	100,189
5.05.01	Net income for the period	-	-	-	47,062	-	47,062	2,805	49,867
5.05.02	Other comprehensive income	-	-	-	-	48,324	48,324	1,998	50,322
5.05.02.06	Foreign exchange variation from investments abroad	-	-	-	-	50,243	50,243	1,998	52,241
5.05.02.07	Net gains – fair value	-	-	-	-	(6,000)	(6,000)	-	(6,000)
5.05.02.08	Actuarial adjustment	-	-	-	-	4,081	4,081	-	4,081
5.07	Closing balances	2,528,146	242,172	88,060	47,062	(20,552)	2,884,888	23,406	2,908,294

MAGNESITA REFRATÁRIOS S.A.

Statements of changes in equity – consolidated
June 30, 2012 and December 31, 2011
(In thousands of reais)

Account code	Description	Paid-in capital	Capital reserves, options granted and treasury stock	Income reserve	Retained earnings or accumulated losses	Other comprehensive income	Equity	Noncontrolling interest	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	Adjusted 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	Share issuance expenses	-	(396)	-	-	-	(396)	-	(396)
5.04.03	Recognized options granted	-	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	Foreign exchange variation from investments abroad	-	-	-	-	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 REFRAATÓRIOS S.A.

Statements of value added – consolidated
Six-month periods ended June 30, 2013 and 2012
(In thousands of reais)

Account code	Description	1/1/2013 to 6/30/2013	1/1/2012 to 6/30/2012
7.01	Revenues	1,508,284	1,527,007
7.01.01	Sales of goods, products and services	1,437,023	1,420,709
7.01.02	Other revenues	25,502	1,838
7.01.03	Revenues related to construction of own assets	42,136	104,536
7.01.04	Set-up/reversal of allowance for doubtful accounts	3,623	(76)
7.02	Inputs purchased from third parties	(983,117)	(1,058,150)
7.02.01	Cost of products, goods and services sold	(681,676)	(729,939)
7.02.02	Materials, electric power, outsourced services, others	(301,441)	(328,211)
7.03	Gross value added	525,167	468,857
7.04	Retentions	(58,482)	(52,824)
7.04.01	Depreciation, amortization and depletion	(58,482)	(52,824)
7.05	Net value added produced	466,685	416,033
7.06	Value added received in transfer	(2,297)	63,524
7.06.01	Equity pickup	(116)	-
7.06.02	Financial income (expenses)	(2,181)	63,524
7.07	Total value added to be distributed	464,388	479,557
7.08	Distribution of value added	464,388	479,557
7.08.01	Personnel	242,077	260,831
7.08.02	Taxes, charges and contributions	74,270	38,518
7.08.03	Debt remuneration	98,174	115,151
7.08.03.01	Interest	78,784	84,093
7.08.03.02	Rent	7,006	11,528
7.08.03.03	Other	12,384	19,530
7.08.04	Equity remuneration	49,867	65,057
7.08.04.03	Retained profit/(loss) for the period	47,062	63,850
7.08.04.04	Noncontrolling interest in retained profits	2,805	1,207

Magnesita Refratários S.A.

Notes to quarterly information

June 30, 2013

(In thousands of reais)

1 Operations

Magnesita Refratários S.A. (“Company” or “Magnesita”), controlled through investment vehicles of GP Investments, Ltd. and Rhône Group, 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 provides services of refractory assembly and maintenance. It also operates in the segment of processing and trading industrial minerals, such as talc, caustic magnesia and dead burned magnesite.

In addition to the plant located in Contagem, State of Minas Gerais, Brazil (Company headquarters), the Company owns plants, which manufacture refractory materials, through the following subsidiaries and joint arrangements:

- Magnesita Insider Refratários Ltda. - Brazil
- Refratarios Argentinos S.A.I.C.yM - 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

Besides the above-mentioned companies, the Company acquired Reframec Manutenções e Montagens de Refratários Ltda. (“Reframec”) through a definitive arrangement entered into April 29, 2013 (see Note 15).

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

2 Approval of quarterly financial information

This quarterly information was approved by the Company’s Board of Directors on August 8, 2013.

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

3 Summary of significant accounting practices

The Company's quarterly financial information for the six-month period ended June 30, 2013 was prepared in accordance with accounting practices adopted in Brazil, which comprise the rules set forth by the Brazilian Securities and Exchange Commission (CVM) and the pronouncements, interpretations and guidance of the Brazilian FASB (CPC), approved by CVM ("BR GAAP") and the Brazilian Corporation Law. In addition, the quarterly consolidated financial information has also been prepared and is presented in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The Company's quarterly information have been prepared in accordance with the accounting pronouncement CPC 21 (R1) – Interim financial statements – Revised (Company and consolidated) and IAS 34 - Interim Financial Reporting (consolidated). This interim financial information should be read jointly with the Company's financial statements for the year ended December 31, 2012.

Accounting practices in this interim financial information are consistent with the practices described in Note 3 of the Company's financial statements for the year ended December 31, 2012, filed with the CVM, except with regard to accounting practices of Joint Arrangements and Business Combination described in Notes 3.2 and 3.3, respectively.

The accounting policies were uniformly applied in the presented period, unless otherwise stated.

3.1 Basis for preparation and presentation of quarterly information

The Company and consolidated quarterly financial information were prepared considering the historical cost as basis of value and adjusted to reflect the fair value of certain financial assets and liabilities (including derivative instruments) measured at fair value.

The individual financial statements present the evaluation of investments in subsidiaries by the equity method, according to the Brazilian legislation in force. Therefore, these individual financial statements are not considered to be in accordance with the IFRS, which require the evaluation of these investments in the Company's separate financial statements at fair value or cost of acquisition.

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

3 Summary of significant accounting practices (Continued)

3.1 Basis for preparation and presentation of quarterly information (Continued)

The preparation of the quarterly information requires the use of certain critical accounting estimates and also requires that the Company's management exercise its judgment in the adoption process of accounting practices. Those areas requiring higher judgment level and complexity, as well as the areas in which the assumptions and estimates are significant for the consolidated financial statements are disclosed in Note 4.

As described in operations, the consolidated quarterly information at June 30, 2013 was prepared in accordance with the subsidiaries presented at December 31, 2012, except for the acquisition of Reframec.

3.2 Standards, amendments and interpretations

In the six-month period ended June 30, 2013, no new standards, amendments and interpretations of standards were issued, in addition to those of the Company's financial statements for the year ended December 31, 2012 disclosed in Note 3.19. In addition, no changes in relation to expected and disclosed impacts were observed in these financial statements that could affect the interim financial statements of such period.

The Company adopted, as from 2013, the IFRS 11 – “Joint Arrangements”, issued in May 2011, and included it as an amendment to the wording of CPC 19 (R2) “Joint arrangements”. Thus, since the proportionate consolidation method is no longer allowed, the Company ceased to consolidate the jointly controlled entity, Krosaki Magnesita Refractories LLC (United States). Additionally, the 40% interest in Krosaki Magnesita Refractories LLC has been accounted for by the equity method, as from January 1, 2013. For comparison purposes, the balances at December 31, 2012 and June 30, 2012 have been adjusted observing the change of accounting practice.

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

3 Summary of significant accounting practices (Continued)

3.2 Standards, amendments and interpretations (Continued)

Investments in subsidiary

The Company has 40% interest in Krosaki Magnesita Refractories LLC (United States). According to the CPC 19 - Joint Venture (IAS 31 Interest in Joint Ventures, prior to the transition to IFRS 11), the Company's interest in Krosaki was classified as joint venture. In addition, interest in Company's assets, liabilities, income and expenses were proportionally consolidated in the consolidated financial statements. After the adoption of IFRS 11, the Company has determined its interest to be a joint venture and, thus, investments were accounted for by the equity method. The effects of the adoption of IFRS 11 and CPC 19 (R2) are described below:

Impact on equity balances	12/31/2012
Addition of investment in joint arrangements	3,698
Decrease in cash and cash equivalents	(496)
Decrease in trade accounts receivable	(5,551)
Decrease in inventories	(15,860)
Decrease in property, plant and equipment	(716)
Decrease in loans and financing	7,361
Decrease in suppliers and general contractors	11,460
Decrease in other current liabilities	104
Net impact	-
Impact on income statement	6/30/2012
Decrease in net operating income	(15,242)
Decrease in cost of goods sold	12,484
Decrease in gross profit	(2,758)
Decrease in sales expenses	1,664
Decrease in administrative expenses	78
Decrease in other operating expenses	8
Equity pickup	968
Decrease in P&L before financial income (expenses) and taxes	(40)
Decrease in financial income (expenses), net	40
Impact on net income	-

The impact on cash flow statements and statement of value added in the interim financial statements were insignificant.

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

3 Summary of significant accounting practices (Continued)

3.2 Standards, amendments and interpretations (Continued)

Employee benefits

These changes affected the calculation of employees' defined benefit plans and employment termination benefits. For the Company, the transition to IAS 19R had an impact on net obligations of the defined benefit plan due to the difference in recording of interest on the plan assets and the costs of past services not yet recognizable. Consequently, the financial effect of the plan is recognized at net value based on the discount rate.

3.3 Business combination

Business combinations are accounted for by using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition-date fair value, and the value of any noncontrolling interest in the acquiree. For each business combination, the acquirer shall measure the noncontrolling interest in the acquiree either at its fair value or on the basis of its proportionate share in the identifiable net assets of the acquiree. Acquisition costs are expensed as incurred.

Upon acquiring a business, the Company assesses the financial assets and liabilities assumed with the objective of classifying and allocating them according to the contractual terms and conditions, the economic circumstances and the relevant conditions as at the acquisition date, which includes the segregation, by the entity acquired, of embedded derivatives existing in the acquired entity's host contracts.

When a business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree is remeasured as at the acquisition date through P&L.

Any contingent payments to be transferred by the acquiring entity are recognized at fair value on the acquisition date. Subsequent changes in the fair value of the contingent payment considered as an asset or as a liability must be recognized according to CPC 38 in the income statement or in other comprehensive income. If the contingent payment is classified as equity, it must not be revalued until it is finally settled in equity.

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

3 Summary of significant accounting practices (Continued)

3.3 Business combination (Continued)

Goodwill is initially measured as the amount of transferred payment in excess of the acquired net assets (identifiable net assets acquired and liabilities assumed). If payment is lower than fair value of acquired net assets, difference must be recognized as gain in income statement.

After initial recognition, goodwill is measured at cost, less any accumulated impairment losses. For impairment test purposes, goodwill acquired in a business combination is, as from the acquisition date, allocated to each cash generating unit, which is expected to benefit from such combination synergy, regardless of other assets or liabilities of the acquired company being attributed to these units.

When goodwill is part of a cash-generating unit and a portion of such unit is disposed of, the goodwill associated to the disposed portion must be included in the cost of the transaction upon determining disposal gains or losses. Goodwill disposed of under such circumstances is determined with basis on the proportionate amounts of the portion disposed of in relation to the cash-generating unit held.

4 Critical accounting estimates and judgments

The significant accounting judgments and estimates used in the preparation of this interim financial information are continuously evaluated and presented no changes with respect to those described in Note 4 of the Company's financial statements for the year ended December 31, 2012 filed with CVM. During the period ended June 30, 2013, no evidence of impairment was identified that would require the Company to redo the impairment test.

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

5 Financial risk management

5.1 Financial risk factors

a. Liquidity risk

The excess of cash kept by operational entities, in addition to the balance required for the management of current capital, is managed by the Treasury department. The treasury invests the excess of cash in checking accounts bearing interests, time deposits, short-term deposits and marketable securities, by choosing instruments with suitable maturity or liquidity to provide sufficient margin as determined by the above-mentioned estimates. At June 30, 2013, Magnesita Group held R\$385,399 (R\$481,992 at December 31, 2012) in marketable securities with expectation of readily cash generation to administrate liquidity risk.

b. Market risk

(i) Currency risk

Magnesita Group operates internationally and is exposed to currency risk arising from exposure to certain currencies, mainly with respect to US dollar, yen and euro. The currency risk arises from assets and liabilities recognized and net investments in operations carried out abroad.

Magnesita Refratários S.A.

Notes to quarterly information (Continued)
June 30, 2013
(In thousands of reais)

5 Financial risk management (Continued)

5.1 Financial risk factors (Continued)

e. Market risk (Continued)

(i) *Currency risk* (Continued)

The financial policy of Magnesita Group points out that derivative operations aim to reduce costs, reduce cash flow volatility, protect from currency exposure and avoid mismatch between currencies. As a preventive measure and to reduce the effects of exchange variation, the Management has adopted the policy of performing swap operations and having assets linked to foreign currency restatement. The accounting exposure in foreign currency is depicted below:

	Consolidated							
	In R\$ thousand – 6/30/2013				In R\$ thousand – 12/31/2012			
	USD	€	Other currencies	Total	USD	€	Other currencies	Total
Assets and liabilities in foreign currency								
Cash and cash equivalents	322,442	112,555	59,335	494,332	84,635	190,915	57,093	332,643
Marketable securities	15,425	-	-	15,425	-	-	-	-
Accounts receivable, net of credit risk provision	198,551	161,816	62,365	422,732	124,242	162,916	50,297	337,455
Trade accounts payable	(52,711)	(96,168)	(74,104)	(222,983)	(90,379)	(97,849)	(21,375)	(209,603)
Loans and financing	(666,221)	(28,239)	(18,597)	(713,057)	(648,991)	(34,455)	-	(683,446)
Issue of bonds	(868,396)	-	-	(868,396)	(799,491)	-	-	(799,491)
Notional of derivatives, net	332,400	(324,191)	-	8,209	306,525	(316,956)	-	(10,431)
Other net monetary assets (liabilities) - abroad	(33,492)	(116,455)	(52,413)	(202,360)	(59,001)	(139,664)	(23,800)	(222,465)
Net foreign exchange exposure	(752,002)	(290,682)	(23,414)	(1,066,098)	(1,082,460)	(235,093)	62,215	(1,255,338)

The management seeks to mitigate currency risk exposure related to loans through transactions carried out in the United States and Europe. Additionally, it contracts derivative financial instruments operations to reduce this exposure.

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

5 Financial risk management (Continued)

5.1 Financial risk factors (Continued)

e. Market risk (Continued)

(i) *Currency risk* (Continued)

In the sensitivity analysis of currency risk, the management considered probable the scenario expected for the closing of the following year. Scenarios I and II were calculated with deterioration rates of 25% and 50%, respectively, on the probable scenario, considering these hypothesis for June 30, 2013.

This analysis leads to the following:

Description	Probable scenario	Scenario I	Scenario II
Currency risk exposure (U.S. dollar appreciation)	(752,002)	(752,002)	(752,002)
Dollar rate at 6/30/2013	2,2156	2,2156	2,2156
Currency risk exposure (translation into U.S. dollar)	(339,412)	(339,412)	(339,412)
Foreign exchange rate estimated based on stress scenario	2.2000	2.7500	3.3000
Differences between taxes	(0.0156)	0.5344	1.0844
Effect on financial expense	5,295	(181,382)	(368,058)
Currency risk exposure (Euro appreciation)	(290,682)	(290,682)	(290,682)
Euro rate at 6/30/2013	2,8827	2,8827	2,8827
Currency risk exposure (translation into Euro)	(100,837)	(100,837)	(100,837)
Foreign exchange rate estimated based on stress scenario	2.8833	3.6042	4.3250
Differences between taxes	0.0006	0.7215	1.4423
Effect on financial expense	(61)	(72,754)	(145,437)

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

5 Financial risk management (Continued)

5.1 Financial risk factors (Continued)

e. Market risk (Continued)

(ii) *Cash flow and fair value interest rate risk*

In 2012 and 2013, the loans of the Magnesita Group at floating rates were kept in real and U.S. dollar.

Contracted interest rates for loans and financing and long-term bond in the current and noncurrent liabilities are demonstrated as below:

	Consolidated			
	6/30/2013	%	12/31/2012	%
Loans and financing				
Brazilian long-term interest rate (TJLP)	576	0.0	239	0.0
Libor	68,065	3.7	107,530	5.7
Interbank Deposit Certificates (CDI)	231,556	12.5	340,175	18.1
	300,197	16.2	447,944	23.8
Other loans not subject to interest rate risk				
Fixed-rate loans	647,086	35.4	585,796	31.6
Long-term bonds with fixed rates (Interest)	17,448	1.0	27,113	1.4
Long-term bonds with fixed rates (Principal)	868,396	47.4	799,491	42.6
Derivative financial instruments	4,795		10,431	0.6
	1,537,725	83.8	1,422,831	76.2
	1,837,922	100.0	1,870,775	100.0

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

5 Financial risk management (Continued)

5.1 Financial risk factors (Continued)

e. Market risk (Continued)

(ii) *Cash flow and fair value interest rate risk* (Continued)

The interest rate risks related to short-term investments are shown below:

	Consolidated			
	6/30/2013	%	12/31/2012	%
Cash and cash equivalents	358,169	93	459,282	95
Marketable securities	27,230	7	22,710	5
	385,399	100	481,992	100

The Company does not have derivative financial instruments for the management of risks related to loans and financing floating rates.

Interest rate risk exposure of Company's operations is as under:

	Consolidated			
	In R\$ thousand – 6/30/2013			
	CDI	TJLP	LIBOR	Total
Cash and cash equivalents (i)	110,486	-	-	110,486
Export credit notes	(203,070)	-	-	(203,070)
Import financing	-	-	(3,117)	(3,117)
Advances on export invoices	(26,782)	-	(64,948)	(91,730)
PP&E financing	-	(576)	-	(576)
Total liability exposure	(229,852)	(576)	(68,065)	(298,493)
Net exposure	(119,366)	(576)	(68,065)	(188,007)

- (i) From total cash and cash equivalents, R\$ 274,913 refers to fixed-rate short-term investment. Therefore, we have deducted this amount for sensitivity analysis purposes, since it is not associated with interest rate fluctuation.

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

5 Financial risk management (Continued)

5.1 Financial risk factors (Continued)

e. Market risk (Continued)

(ii) *Cash flow and fair value interest rate risk* (Continued)

The following table demonstrates the incremental loss that would have been recognized in the profit or loss for the quarter ended June 30, 2013. In the sensitivity analysis of interest rate risk, management considered probable the scenario expected for the following year end. Scenarios I and II were calculated with deterioration rates of 25% and 50%, respectively, on the probable scenario, considering these hypothesis for June 30, 2013. This analysis leads to the following:

Description	Probable scenario	Scenario I	Scenario II
CDI risk exposure (increase of rates)	(119,366)	(119,366)	(119,366)
CDI rate accumulated at 6/30/2013	3.41%	3.41%	3.41%
Interest rate estimated based on stress scenario	4.20%	5.25%	6.30%
Differences between taxes	0.79%	1.84%	2.89%
Effect on financial expense	(943)	(2,196)	(3,450)
LIBOR risk exposure (increase of rates)	(68,065)	(68,065)	(68,065)
LIBOR accumulated at 6/30/2013	0.73%	0.73%	0.73%
Interest rate estimated based on stress scenario	0.76%	0.96%	1.15%
Differences between taxes	0.03%	0.23%	0.42%
Effect on financial expense	(20)	(157)	(286)

Other information related to the policy for the use of financial instruments, policy of financial risk management, credit risk, liquidity risk and market risk have not gone through significant changes in terms of those disclosed in Note 5 to the financial statements of December 31, 2012.

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

5 Financial risk management (Continued)

5.2 Capital management

Debt indices on equity are described below:

	Consolidated		Company	
	6/30/2013	12/31/2012	6/30/2013	12/31/2012
Total loans and financing, long-term bond and derivative financial instruments	1,837,922	1,870,775	912,055	1,013,018
Deducted of: cash and cash equivalents and marketable securities	(632,787)	(819,449)	(408,104)	(565,293)
Total (A)	1,205,135	1,051,326	503,951	447,725
Total equity	2,908,294	2,810,859	2,884,888	2,792,256
Total (B)	4,113,429	3,862,185	3,388,839	3,239,981
(A) / (B)	29%	27%	15%	14%

No significant changes were observed in other information on capital management, in terms of those disclosed in Note 5 to the financial statements for year ended December 31, 2012.

5.3 Fair value estimate

It is assumed that the accounting balances of trade accounts receivable, deducted of valuation allowance, and trade accounts payable are close to their fair values due to their short term to maturity.

Magnesita Group's assets and liabilities measured at fair value through profit or loss include cash equivalents, marketable securities and derivative financial instruments, which are classified in level 2.

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

6 Derivative financial instruments

The Company does not contract derivative operations with speculative purposes and does not settle them prior to respective maturities, on a regular basis.

The Company monitors the currency risks arising from its indebtedness in foreign currencies exceeding the volume of operations existing in these currencies. This monitoring also considers the evolution of foreign exchange rates, especially the U.S. dollar and the Euro, for decision making as to taking out swap operations.

Description	Maturity Month / year	Consolidated – 6/30/2013	
		(In thousands)	
		Nominal amount	Fair value R\$
Protection of foreign exchange rate:			
Swap (Germany)	3/30/2015		
Long position		US\$ 150,000	
Short position		Euro 118,110	4,795

Magnesita Refratários S.A.

Notes to quarterly information (Continued)
June 30, 2013
(In thousands of reais)

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
Assets						
June 30, 2013						
Cash, cash equivalents and marketable securities						
- Cash and banks	247,388	-	247,388	66,622	-	66,622
- Cash equivalents	358,169	-	358,169	314,252	-	314,252
Marketable securities	27,230	-	27,230	27,230	-	27,230
Trade accounts receivable	-	565,202	565,202	-	362,569	362,569
Other accounts receivable (less prepayments)	-	14,056	14,056	-	14,056	14,056
Judicial deposits	-	16,211	16,211	-	15,271	15,271
	632,787	595,469	1,228,256	408,104	391,896	800,000
Assets						
December 31, 2012						
Cash, cash equivalents and marketable securities						
- Cash and banks	337,457	-	337,457	126,984	-	126,984
- Cash equivalents	459,282	-	459,282	415,599	-	415,599
Marketable securities	22,710	-	22,710	22,710	-	22,710
Trade accounts receivable	-	510,696	510,696	-	346,740	346,740
Other accounts receivable (less prepayments)	-	18,348	18,348	-	18,348	18,348
Judicial deposits	-	18,267	18,267	-	13,277	13,277
	819,449	547,311	1,366,760	565,293	378,365	943,658

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

7 Financial instruments by category (Continued)

	Consolidated			Company
	Liabilities measured at fair value through profit or loss	Non-trading financial liabilities	Total	Non-trading financial liabilities
Liabilities				
June 30, 2013				
Loans and financing and bonds	-	1,833,127	1,833,127	912,055
Suppliers, general contractor and freights	-	346,441	346,441	178,329
Derivative financial instruments	4,795	-	4,795	-
	<u>4,795</u>	<u>2,179,568</u>	<u>2,184,363</u>	<u>1,090,384</u>
	Consolidated			Company
	Liabilities measured at fair value through profit or loss	Non-trading financial liabilities	Total	Non-trading financial liabilities
Liabilities				
December 31, 2012				
Loans and financing and bonds	-	1,860,344	1,860,344	1,013,018
Suppliers, general contractor and freights	-	347,941	347,941	164,084
Derivative financial instruments	10,431	-	10,431	-
	<u>10,431</u>	<u>2,208,285</u>	<u>2,218,716</u>	<u>1,177,102</u>

7.1 Fair value

	Consolidated – 6/30/2013	
	Book value	Fair value
Cash and banks	247,388	247,388
Cash and cash equivalents	358,169	358,169
Marketable securities	27,230	27,230
Trade accounts receivable	565,202	565,202
Other accounts receivable (less prepayments)	14,056	14,056
Judicial deposits	16,211	16,211
	<u>1,228,256</u>	<u>1,228,256</u>
Loans and financing and bonds	1,833,127	1,833,411
Suppliers, general contractor and freights	346,441	346,441
Derivative financial instruments	4,795	4,795
	<u>2,184,363</u>	<u>2,184,647</u>

Fair value of financial assets and liabilities is included in the value for which the instrument could be exchanged in a current transaction between parties willing to negotiate, and not on a forced sale or settlement.

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

7 Financial instruments by category (Continued)

7.1 Fair value (Continued)

The fair value of negotiable bonus and securities is based on price quotations on the date of the interim financial information. The fair value of non-trading instruments, of bank loans and other debts, of obligations under finance lease, as well as of other noncurrent financial liabilities is estimated through the discounted future cash flows at rates currently available for similar and remaining debts or maturities.

8 Credit quality of financial assets

The quality of financial assets' credit falling due or deteriorated may be assessed by reference to external credit ratings (if any) or to historical information about counterparty default rates:

	Consolidated		Company	
	6/30/2013	12/31/2012	6/30/2013	12/31/2012
Trade accounts receivable				
Counterparties without external credit rating				
Group 1	343,344	330,666	314,286	286,307
Group 2	114,119	81,685	25,300	19,722
Group 3	116,115	109,810	22,983	40,711
Provision for impairment losses	(8,376)	(11,465)	-	-
Total trade accounts receivable	565,202	510,696	362,569	346,740
Checking account and short-term bank deposits				
AAA	247,388	337,457	66,622	126,984
Marketable securities				
AAA	379,910	421,792	341,482	378,109
BBB	5,489	60,200	-	60,200
Cash, cash equivalents and marketable securities	632,787	819,449	408,104	565,293

- Group 1 - Large economic groups, whose risk of default is very low.
- Group 2 - Customers backed by top-tier financial institutions.
- Group 3 - Customers not backed by financial institution or with poor credit history.

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

9 Cash and cash equivalents

Balance breakdown is as follows:

	Consolidated		Company	
	6/30/2013	12/31/2012	6/30/2013	12/31/2012
Cash and banks	247,388	337,457	66,622	126,984
Marketable securities	358,169	459,282	314,252	415,599
	605,557	796,739	380,874	542,583

"Cash and banks" comprises essentially deposits in checking account. The "marketable securities" were classified as fair value through profit or loss and correspond to fixed-income transactions bearing interest close to the CDI variation, and are immediately redeemable. Part of cash and cash equivalents in consolidated amounts to R\$ 494,332 in foreign currency (R\$ 332,643 at December 31, 2012).

10 Trade accounts receivable

	Consolidated		Company	
	6/30/2013	12/31/2012	6/30/2013	12/31/2012
Trade accounts receivable – in reais	204,940	158,014	170,992	152,759
Trade accounts receivable – in other currencies	343,196	343,369	48,471	63,056
Other receivables from subsidiaries	-	-	117,664	110,147
Provision for impairment losses	(8,376)	(11,465)	-	-
Trade notes receivable, net	539,760	489,918	337,127	325,962
Unbilled measurements	25,442	20,778	25,442	20,778
Trade accounts receivable	565,202	510,696	362,569	346,740

The accounts receivable does not qualify for financing and are initially evaluated and recorded at fair value.

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

10 Trade accounts receivable (Continued)

The aging list of trade notes receivable is as under:

	Consolidated		Company	
	6/30/2013	12/31/2012	6/30/2013	12/31/2012
Trade notes falling due:				
Up to 90 days – Third parties	325,726	317,388	123,235	123,041
Up to 90 days - Intercompany	-	-	53,377	42,160
Over 90 days – Third parties	80,838	53,418	64,885	51,074
Over 90 days - Intercompany	-	-	11,151	7,848
Trade notes overdue:				
Up to 30 days – Third parties	48,282	50,105	8,641	19,087
Up to 30 days - Intercompany	-	-	2,559	14,229
Over 30 days – Third parties	93,290	80,472	20,688	21,531
Over 30 days - Intercompany	-	-	52,591	46,992
(-) Provision for impairment losses	(8,376)	(11,465)	-	-
	539,760	489,918	337,127	325,962

The maximum exposure to credit risk at the reporting date of the consolidated interim financial information refers to the book value of each class of the above-mentioned accounts receivable.

Below follows the changes recorded under valuation allowance:

	Consolidated
At December 31, 2012	(11,465)
Additions	(91)
Write-offs	3,714
Foreign exchange variation	(534)
At June 30, 2013	(8,376)

11 Inventories

	Consolidated		Company	
	6/30/2013	12/31/2012	6/30/2013	12/31/2012
Finished products	337,521	306,282	79,077	79,832
Work-in-process	42,289	39,079	27,819	26,577
Raw material	294,858	252,167	154,687	117,784
Storeroom (replacement material and other)	63,445	59,491	36,685	36,866
(-) Valuation allowance	(23,230)	(18,589)	-	-
	714,883	638,430	298,268	261,059

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

11 Inventories (Continued)

Below follows the changes recorded under valuation allowance:

	Consolidated
Balance at December 31, 2012	(18,589)
Additions	(1,845)
Write-offs	475
Foreign exchange variation	(3,271)
Balance at June 30, 2013	<u>(23,230)</u>

12 Other taxes recoverable

	Consolidated			
	6/30/2013		12/31/2012	
	Current	Noncurrent	Current	Noncurrent
Indirect taxes	72,217	16,989	52,457	16,284
Taxes on shipment of goods on consignment	5,275	-	6,612	-
Other	7,766	-	5,530	-
	<u>85,258</u>	<u>16,989</u>	<u>64,599</u>	<u>16,284</u>

	Company			
	6/30/2013		12/31/2012	
	Current	Noncurrent	Current	Noncurrent
Indirect taxes	53,100	16,989	38,530	16,284
Taxes on shipment of goods on consignment	5,252	-	6,501	-
Other	155	-	114	-
	<u>58,507</u>	<u>16,989</u>	<u>45,145</u>	<u>16,284</u>

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

13 Income and social contributions taxes

(a) Tax credit

The Company recognizes in long-term assets 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. The tax credits, demonstrated by the nature of such temporary additions, comprise:

	Consolidated		Company	
	6/30/2013	12/31/2012	6/30/2013	12/31/2012
Tax credits on temporary differences				
Provision for permanent asset losses	193	193	193	193
Provision for contingencies	16,911	16,760	16,911	16,760
Post-employment obligations	78,657	71,068	32,143	35,140
Provision for bonuses	6,412	8,530	6,412	8,530
Accelerated depreciation	902	3,402	-	-
Unrealized exchange losses on long-term bonds - Non-hedged position	-	9,154	-	-
Other	20,519	7,884	2,530	2,862
	123,594	116,991	58,189	63,485
Tax credits on IRPJ and CSLL losses	314,020	311,732	307,730	304,860
Tax credit due to incorporation of shareholders	48,231	53,324	48,231	53,324
Total tax credits	485,845	482,047	414,150	421,669

The realization of deferred income and social contribution tax credits depends on future events that will make provisions that gave rise to such events deductible, in accordance with tax legislation in force as well as the generation of future taxable income.

As a result, the estimate of the tax asset realization should not be taken as sole indicative of Magnesita's future profit or loss. Taxable profit considers variables, such as: tax incentives, permanent and temporary differences, thus having no direct correlation with the Company's net income.

Projections of results available, combined with the history of its operations, indicate that the Company and its subsidiaries will obtain taxable profits in amounts sufficient to absorb the referred to tax credits. The projections of future taxable profits consider estimates related, among others, to Company's performance, as well as to its market behavior and certain economic aspects. Actual amounts may differ from the estimates adopted.

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

13 Income and social contributions taxes (Continued)

(a) Tax credits (Continued)

The management estimates that the realization of the deferred tax asset will be as shown below:

	Consolidated		Company	
	Book value	Present value	Book value	Present value
1 year	21,120	20,151	19,790	18,847
2 years	26,341	23,976	24,778	22,474
3 years	97,963	86,232	77,474	66,925
4 years	29,897	24,761	28,262	23,251
5 years onward	310,524	139,570	263,846	119,573
Balance at June 30, 2013	485,845	294,690	414,150	251,070

Tax credit from income and social contribution tax losses is generated especially from the amortization of goodwill on future profitability due to the acquisition of subsidiaries. Referred to goodwill will be amortizable by 2018 (R\$ 330,065), which provides a basis for the management's expectation to realize these credits.

It is important to stress that the tax credit recorded is supported by the technical study provided for in CVM Ruling No. 371/02.

The Group has R\$ 97,985 in tax losses generated in China. A deferred tax asset was not recognized in respect of such losses, since these cannot be used to offset taxable profits of other companies in the Group and have been generated in subsidiaries recording losses for some time. Subsidiaries do not have taxable temporary differences or other tax planning opportunities available that can support the recognition of such losses as deferred taxes assets. Should the Group recognize all amounts net of the deferred tax assets the total thereof would come to R\$ 20,523.

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

13 Income and social contributions taxes (Continued)

(a) Tax credits (Continued)

The noncurrent liabilities break down as under:

	Consolidated		Company	
	6/30/2013	12/31/2012	6/30/2013	12/31/2012
Deferred taxes on tax amortization of goodwill (i)	424,247	408,310	411,415	396,904
Deferred taxes on accelerated tax depreciation	60,870	55,025	-	-
Deferred taxes on net gains of fair value	18,525	18,525	18,525	18,525
Other	6,547	7,739	6,547	6,547
	<u>510,189</u>	<u>489,599</u>	<u>436,487</u>	<u>421,976</u>

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

(b) Reconciliation of IRPJ and CSLL expenses

	Consolidated		Company	
	6/30/2013	6/30/2012	6/30/2013	6/30/2012
Income (loss) before income and social contribution taxes	87,551	99,944	66,990	85,963
Combined statutory rate - %	34%	34%	34%	34%
Tax benefit at statutory rate	(29,767)	(33,981)	(22,777)	(29,228)
Income and social contribution taxes on equity pickup	-	-	4,010	8,057
Effect of different rates used by the subsidiaries located in other jurisdictions	(8,484)	(2,882)	-	-
Effect of the limited liability deductibility rule in Germany	(4,709)	(1,741)	-	-
Other	5,276	3,717	(1,161)	(942)
Income and social contribution tax expenses	<u>(37,684)</u>	<u>(34,887)</u>	<u>(19,928)</u>	<u>(22,113)</u>
Current	(19,103)	(18,853)	-	-
Deferred	<u>(18,581)</u>	<u>(16,034)</u>	<u>(19,928)</u>	<u>(22,113)</u>

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

13 Income and social contributions taxes (Continued)

(c) Reconciliation of deferred tax assets and liabilities, net

	Consolidated		Company	
	6/30/2013	12/31/2012	6/30/2013	12/31/2012
Deferred tax assets	485,845	482,047	414,150	421,669
Deferred tax liabilities	(510,189)	(489,599)	(436,487)	(421,976)
Deferred tax assets (liabilities), net	(24,344)	(7,552)	(22,337)	(307)
Reflected in the balance sheet				
Assets	25,235	17,996	-	-
Liabilities	(49,579)	(25,548)	(22,337)	(307)
Net balance	(24,344)	(7,552)	(22,337)	(307)

(d) Changes in deferred tax assets and liabilities, net

	Consolidated	Company
Balance at December 31, 2012 – Assets (liabilities)	(7,552)	(307)
Revenue / (expense) of taxes recognized in P&L	(18,581)	(19,928)
Tax (expense) recognized in equity	(2,102)	(2,102)
Foreign exchange variation	3,891	-
Balance at June 30, 2013 – Assets (liabilities)	(24,344)	(22,337)

14 Property sale credit

The Company sold urban and rural areas located in the municipality of São Caetano do Sul.

Such credits receivable are classified below:

	Company and Consolidated	
	6/30/2013	12/31/2012
Group 1	787	2,512
Group 2	13,269	15,836
	14,056	18,348
Current	7,698	17,025
Noncurrent	6,358	1,323

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

Magnesita Refratários S.A.

Notes to quarterly information (Continued)
June 30, 2013
(In thousands of reais)

15 Investments in subsidiaries and joint arrangements

(a) Information on investments

Book value - Company

	Equity interest %	Adjusted equity	Adjusted net income (loss)	Interest		Net income	Income before IR/CS
				Total assets	Liabilities		
Iliama II Trading (sole proprietorship company) Lda. Capital of 3 thousand EUROS and 3,010 units of interest	100	-	(122)	15,773	15,773	-	(123)
Magnesita Finance Ltd. (*) Capital of 285,429 thousand EUROS and 1,286 units of interest	100	764,916	5,472	1,506,635	561,909	-	(265)
Magnesita Grundstücks Beteiligungs GmbH Capital of 25 thousand EUROS and 1 unit of interest	100	415	-	448	33		
Metal Data S.A. - Mineração e Metalurgia Capital of R\$382 and 381,703 units of interest	50	1,513	113	3,384	929	6,232	2,174
Magnesita Insider Refratários Ltda. Capital of R\$ 1,590 and 1,590,000 units of interest	100	91,915	3,579	104,083	12,168	15,236	5,423
MAG-Tec Ltda. Capital of R\$ 200 and 800,000 units of interest	100	245	-	285	40	-	-
RASA - Refractarios Argentinos S.A. I. C. y M. Capital of ARS 1,000 thousand and 1,000,000 shares	100	8,979	(1,087)	108,310	102,586	42,567	(1,325)
Refractários Magnesita Colômbia S.A Capital of COP 11,673,200 thousand and 1,167,320,000 units of interest	100	27,017	3,167	46,173	19,156	27,558	3,167
Refractários Magnesita Peru S.A.C. Capital of PEN 6,890 thousand and 1,000 units of interest	100	8,872	699	10,773	1,901	5,669	699
Refractários Magnesita Uruguay S.A. Capital of UYU 450 thousand and 450,000 units of interest	100	492	103	1,652	1,161	925	136
MMD Araçuaí Holding Ltda. Capital of R\$ 7,611 and 7,611,183 units of interest	90	7,611	-	9,713	242	-	-
Reframec – Manutenção e Montagem de Refratários S.A. Capital of R\$ 1,786 and 1,786,000 units of interest	100	4,170	(131)	6,269	2,099	1,307	(131)
Total in 2013		916,145	11,793				
Total in 2012		868,131	19,964				

(*) Includes information from indirect investments in joint arrangements (see details in Note 3.2)

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

15 Investments in subsidiaries and joint arrangements (Continued)

(a) Information on investments (Continued)

Goodwill

	Goodwill generated on acquisition
Of subsidiary Magnesita Finance Ltd.	358,822
Of subsidiary Metal Data S.A. - Mineração e Metalurgia	10,579
Of subsidiary Reframec - Manutenção e Montagem de Refratários S.A.	21,368
Total in 2013	390,769
Total in 2012	348,265

(b) Changes in investments in subsidiaries

The changes recorded in investment accounts for the years ended June 30, 2013 and December 31, 2012 were as follows:

	Company	
	2013	2012
Balance at beginning of year	1,217,016	1,037,645
Additions (i)	-	7,611
Capital increase in subsidiaries (ii)	-	18,849
Equity pickup	11,793	19,964
Foreign exchange variation on investment (iii)	29,108	56,849
Exchange rate fluctuation on goodwill (iv)	21,135	29,474
Paid-in capital in subsidiary (v)	-	46,660
Acquisition of subsidiary (vi)	25,670	-
Dividends received	(1,250)	-
Other	3,827	(36)
Balance at end of year	1,307,299	1,217,016

- (i) Refers to the acquisition of MMD Araçuaí Holding.
- (ii) Refers to capital increase in subsidiaries Magnesita Refractories Colômbia S.A in the amount of R\$13,224, Magnesita Refractories Peru S.A.C. R\$ 436 and Magnesita Finance Ltd. R\$5,189.
- (iii) Exchange rate fluctuation on investments matched against equity (Note 22 (d)).

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

15 Investments in subsidiaries and joint arrangements (Continued)

(b) Changes in investments in subsidiaries (Continued)

- (iv) Exchange rate fluctuation on goodwill matched against equity (Note 22 (d)).
- (v) Refers to the paid-in capital commitment in the subsidiary Iliama II Trading (sole proprietorship) Ltda.
- (vi) Refers to acquisition of Reframec- Manutenção e Montagem de Refratários S.A.

(c) Related parties (Company)

Balances and transactions

At June 30, 2013, 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 dividend received, involving Company's subsidiaries are described below:

	Balances			Transactions	
	Accounts receivable	Trade accounts payable	Credits (debits)	Sales	Purchase of products
Magnesita Insider Refratários Ltda. (i)	149	5,419	(611)	1,421	5,524
Metal Data S.A. - Mineração e Metalurgia	-	-	-	-	-
RASA - Refractorios Argentinos S.A. I. C. y M.					
(ii)	57,049	-	-	9,407	-
Iliama II Trading (Sociedade Unipessoal) Ltda.	-	-	15,583	-	-
Refratários Magnesita Uruguay S.A. (iii)	107	-	-	73	-
Refratários Magnesita Colômbia S.A. (iii)	7,345	2,655	-	4,987	1,525
Refratários Magnesita Peru S.A.C. (iii)	1,513	-	-	2,798	-
Refratários Magnesita Chile (iii)	2,538	-	-	1,578	-
Empresas LWB (i)	48,963	2,523	7,793	95,779	-
At June 30, 2013	117,664	10,597	22,765	116,043	7,049
At December 31, 2012	110,147	6,303	20,933		
At June 30, 2012				85,423	4,825

- (i) Sale of raw materials by the Company destined to the manufacturing by the subsidiary of refractory materials;
- (ii) Sale 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.

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

15 Investments in subsidiaries and joint arrangements (Continued)

(c) Related parties (Company) (Continued)

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

The purchase and sale transactions of products and services between Company and subsidiaries are performed under terms agreed upon by the parties, which are eliminated in the consolidated information.

The Company fully and unconditionally guarantees bonds issued by its subsidiaries, Rearden G Holdings Eins GmbH and Magnesita Finance Ltd. (Empresas LWB).

(d) Acquisition of Reframec

On April 29, 2013, Magnesita disclosed the final agreement to acquire Reframec Manutenções e Montagens de Refratários Ltda. ("Reframec"). Magnesita paid approximately R\$ 11,388 in cash to acquire 51% of Reframec's capital. The remaining 49% equity interest will be acquired in annual installments based on fixed EBIT multiples over the next four years, for an average EBIT multiple of approximately 5 times, estimated in R\$ 14,281. Total acquisition cost was R\$ 25,669.

Reframec was founded in 2005 and is a leader in installation and repair services for refractories used in cement production.

Post-close, Reframec will continue to operate independently.

While closing this acquisition, Magnesita analyzed the assets, liabilities and equity of Reframec at fair value and applied the Business Combinations effects on its individual and consolidated financial statements.

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

15 Investments in subsidiaries and joint arrangements (Continued)

(d) Acquisition of Reframec (Continued)

Fair value of identifiable assets and liabilities of Reframec on the acquisition date is as follows:

Assets	
Cash and cash equivalents	251
Trade accounts receivable	1,109
Other accounts receivable	1,374
Inventories	780
Long-term receivables	41
Property, plant and equipment	2,386
	<hr/> 5,941
Liabilities	
Trade accounts payable	(263)
Salaries and payroll charges	(521)
Tax liabilities	(54)
Other accounts payable	(802)
	<hr/> (1,640)
 Total identifiable assets, net	 4,301
Preliminary goodwill	21,368
Total payment	<hr/> 25,669

Assets acquired and liabilities undertaken

The preliminary goodwill of R\$ 21,368 is based solely on the perspective of future profitability of Reframec, pursuant to item II, paragraph 2, article 385 of the Income Tax Regulation (RIR/99) (Decree No. 3000/1999) and in accordance with Technical Pronouncement CPC 15 (R1) – Business Combination, issued by the Brazilian FASB (CPC), which is based on the IFRS 3 issued by IASB (BV 2011), and approved by Resolution No. 1350/2011 of the Brazil's National Association of State Boards of Accountancy (CFC).

The fair value of equity interest acquisition was estimated under the discounted cash flow method. Reframec is a privately-held company on which no market information is available. The fair value estimation is based on the following:

- Discount rate (WACC) estimated in 12%.

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

15 Investments in subsidiaries and joint arrangements (Continued)

(d) Acquisition of Reframec (Continued)

Assets acquired and liabilities undertaken (Continued)

- The Company's net book value (perpetuity) estimated by the constant growth model, whereby, after the period covered by this projection, the net income will have a constant and perpetual growth.

Since the acquisition date, Reframec gave the Group a net revenue of R\$ 1,306 and loss before taxes of R\$ 131. If the business combination had been conducted in the beginning of the year, Reframec's net revenue would have totaled R\$ 10,521 and the income would have been R\$ 1,328.

Acquisition payment	
Payment transferred	11,388
Contingent payment undertaken	<u>14,281</u>
Total payment	<u>25,669</u>

Contingent payment

As part of the acquisition agreement entered into with Reframec's former owners, a contingent payment was agreed between the parties. Additional payments to the former owners will be made in annual installments based on fixed EBIT multiples over the next four years, for an average EBIT multiple of approximately 5 times.

At June 30, 2013, the key performance indicators of Reframec showed clearly that the projections will be met and the realization of projections is probable. Consequently, fair value of the contingent payment at June 30, 2013 shows that the referred to amounts will be realized.

Magnesita Refratários S.A.

Notes to quarterly information (Continued)
June 30, 2013
(In thousands of reais)

16 Property, plant and equipment

	Consolidated						
	6/30/2013			12/31/2012			
	Cost	Accumulated depreciation	Net amount	Cost	Accumulated depreciation	Net amount	Annual average weighted depreciation rate %
Land	67,216	-	67,216	65,829	-	65,829	
Mineral deposits	39,725	(5,513)	34,212	36,795	(4,455)	32,340	Based on volume
Buildings and leasehold improvements	530,008	(224,365)	305,643	504,154	(205,801)	298,353	4
Machinery, facilities and equipment, including IT equipment	1,380,682	(849,196)	531,486	1,224,118	(828,444)	395,674	7
Transport equipment	16,156	(15,091)	1,065	15,704	(14,711)	993	6
Furniture, fixtures and other	55,616	(27,553)	28,063	53,042	(29,118)	23,924	9
Construction in progress (iii)	157,768	-	157,768	265,382	-	265,382	
Total property, plant and equipment	2,247,171	(1,121,718)	1,125,453	2,165,024	(1,082,529)	1,082,495	

	Company						
	6/30/2013			12/31/2012			
	Cost	Accumulated depreciation	Net amount	Cost	Accumulated depreciation	Net amount	Annual average weighted depreciation rate %
Land (ii)	12,127	-	12,127	12,127	-	12,127	
Mineral deposits	9,292	(2,793)	6,499	9,292	(2,627)	6,665	Based on volume
Buildings and leasehold improvements (i) (ii)	153,169	(93,995)	59,174	154,114	(92,488)	61,626	4
Machinery, facilities and equipment, including IT equipment (i)	946,812	(551,252)	395,560	791,903	(530,184)	261,719	10
Transport equipment	11,997	(11,919)	78	11,997	(11,840)	157	20
Furniture, fixtures and other	29,498	(14,253)	15,245	27,908	(13,309)	14,599	10
Construction in progress (iii)	121,374	-	121,374	237,264	-	237,264	
Total property, plant and equipment	1,284,269	(674,212)	610,057	1,244,605	(650,448)	594,157	

- (i) The Company reassessed the useful life of these assets for 2013 and concluded that there were no significant changes eventually impacting the depreciation rates currently used.
- (ii) The Company has assets given in guarantee in administrative and legal proceedings totaling R\$18,584 at June 30, 2013.
- (iii) No financial charges from loans and financing were capitalized in 2013, given that there were no costs directly attributable to the acquisition, construction or production of qualifying assets.

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

16 Property, plant and equipment (Continued)

Changes in property, plant and equipment were as follows:

	Consolidated	Company
At December 31, 2012	1,082,495	594,157
Additions	61,183	40,610
Write-offs	(1,895)	(880)
Depreciation	(55,370)	(23,830)
Exchange rate fluctuation (assets abroad)	39,040	-
At June 30, 2013	1,125,453	610,057

Magnesita Refratários S.A.

Notes to quarterly information (Continued)
June 30, 2013
(In thousands of reais)

17 Intangible assets

	Consolidated						
	6/30/2013			12/31/2012			
	Cost	Accumulated amortization	Net amount	Cost	Accumulated amortization	Net amount	Annual amortization rate %
Softwares and other (i)	105,733	(73,070)	32,663	81,133	(43,011)	38,122	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	1,256,746	(2,602)	1,254,144	1,197,825	(2,602)	1,195,223	
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	
Reframec - Montagens e Manutenção de Refratários S.A.	21,368	-	21,368	-	-	-	
Total intangible assets	2,751,471	(349,226)	2,402,245	2,646,582	(319,167)	2,327,415	

	Company						
	6/30/2013			12/31/2012			
	Cost	Accumulated amortization	Net amount	Cost	Accumulated amortization	Net amount	Annual amortization rate %
Softwares and other	75,160	(43,362)	31,798	75,160	(40,322)	34,838	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	
Total intangible assets	1,391,669	(316,217)	1,075,452	1,391,669	(313,177)	1,078,492	

- (i) The Company reassessed the useful life of these assets for 2013 and concluded that there were no significant changes eventually impacting the depreciation rates currently used.

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

17 Intangible assets (Continued)

Changes in intangible assets were as follows:

	Consolidated	Company
At December 31, 2012	2,327,415	1,078,492
Additions	21,494	-
Foreign exchange variation	56,448	-
Amortization	(3,112)	(3,040)
At June 30, 2013	2,402,245	1,075,452

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

18 Loans and financing

Consolidated				
	Currency	Annual average interest rate	6/30/2013	12/31/2012
Export credit notes	R\$	CDI+1.10%	206,363	312,018
(-) Transaction costs to be amortized	-	-	(1,589)	(2,603)
Perpetual bonds	US\$	8.625%	565,843	537,988
(-) Transaction costs to be amortized	-	-	(8,804)	(15,137)
Import financing	US\$	1.75%+Libor 12m	3,117	4,386
PP&E financing				
Local currency	R\$	7.50%	48,196	48,001
Local currency	R\$	5.50%	28	239
Local currency	R\$	3%	548	-
(-) Transaction costs to be amortized	-	-	(376)	-
Advances on export invoices	US\$	2.92%+Libor 6m	64,948	103,144
	US\$	63.9% CDI	26,782	30,760
Swap (Germany)	US\$ vs €	-	4,795	10,256
NDF (United Kingdom)	GBP vs €	-	-	175
Other	US\$	7.25%	23,792	7,602
Other	€	5.31%	35,883	34,455
			<u>969,526</u>	<u>1,071,284</u>
		Current	113,083	121,037
		Noncurrent	856,443	950,247
Company				
	Currency	Annual average interest rate	6/30/2013	12/31/2012
Export credit notes	R\$	CDI+1.10%	206,363	312,018
(-) Transaction costs to be amortized	US\$	8.80%	565,742	521,989
	-	-	(3,293)	(11,190)
Import financing	US\$	1.75%+Libor 12m	3,117	4,386
PP&E financing				
Local currency	R\$	7.50%	48,196	48,001
Local currency	R\$	5.50%	28	239
Local currency	R\$	3%	548	-
(-) Transaction costs to be amortized	-	-	(376)	-
Advances on export invoices	US\$	2.92%+Libor 6m	64,948	103,144
	US\$	63.9% CDI	26,782	30,760
Other	US\$		-	3,671
			<u>912,055</u>	<u>1,013,018</u>
		Current	72,278	85,088
		Noncurrent	839,777	927,930

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

18 Loans and financing (Continued)

(a) Bonds (Consolidated)

In 2Q12, the Company issued US\$ 250 million in perpetual bonds denominated in U.S. 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\$ 8,804 correspond to expenses incurred for issuing these perpetual bonds, which will be amortized at the effective interest rate.

At June 30, 2013, long-term debts / perpetual bonds total R\$ 546,799. 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. on March 20, 2008.

(b) Export credit notes (Consolidated)

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

- Creditor: Banco do Brasil S.A.
- Amount: R\$ 206,363
- Term: 7 years
- Grace period: 3 years
- Annual interest rate: CDI + 1.50% until September 4, 2012 and after the amendment CDI + 1.10%
- Covenants: Adjusted net debt / EBITDA (i) (4.75 until December 31, 2010; 4.00 until December 31, 2012; and 3.75 onward)

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

18 Loans and financing (Continued)

(b) Export credit notes (Consolidated) (Continued)

- (i) Adjusted EBITDA is calculated by adding the results of discontinued operations, income tax and social contribution, profit sharing in subsidiaries, jointly controlled and affiliates, financial income (expense), depreciation, amortization and depletion and other additions and exclusions of non-recurring operations, such as the sales result of assets not related to the Company's business and restructuring expenses to the net profit (loss) for the year.

The transaction costs to be amortized correspond to the commission paid at the time of renegotiation of agreements and will be amortized observing the same agreements' term.

Requirements for June 30, 2013 were met.

(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 Company's exports.

(d) Maturity

At June 30, 2013, balances payable in the short- and long- term, undiscounted, mature as under:

	Consolidated	Company
Up to 180 days	45,196	45,196
From 180 to 360 days	67,887	27,082
2014	19,488	15,878
2015	104,492	100,507
2016	80,487	76,210
2017 onwards	651,976	647,182
	<u>969,526</u>	<u>912,055</u>

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

18 Loans and financing (Continued)

(e) Credit limits

The Company has the following credit lines:

	6/30/2013	12/31/2012
Variable rate		
- Maturity within one year	146,450	153,261
- Maturity over one year	1,421,480	1,164,824
Fixed rate		
- Maturity within one year	9,027	20,000
- Maturity over one year	83,000	158,779
	<u>1,659,957</u>	<u>1,496,864</u>

The credit lines maturing within one year are credit lines subject to annual review on different dates in 2013. The other credit lines were contracted for the purpose of assisting the financing of the proposed expansion of the Group activities.

19 Other taxes payable

	Consolidated		Company	
	6/30/2013	12/31/2012	6/30/2013	12/31/2012
Indirect taxes	39,889	14,759	15,335	14,072
Direct taxes	17,588	12,713	2,318	3,704
	<u>57,477</u>	<u>27,472</u>	<u>17,653</u>	<u>17,776</u>

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

20 Provision for contingencies

The Company and subsidiaries are parties to legal and administrative proceedings in various courts and government agencies arising from the normal course of its activities, and involving substantially tax, labor and social security matters. The provision for contingencies is determined based on the analysis of legal proceedings pending judgment, infraction notices and risk assessments. The provisions break down as under:

	Consolidated		Company	
	6/30/2013	12/31/2012	6/30/2013	12/31/2012
Tax - Provision	38,730	40,590	38,718	40,578
Tax – Judicial deposit	(6,322)	(5,102)	(6,322)	(5,102)
Labor - Provision	22,991	23,451	22,863	23,451
Labor – Judicial deposit	(5,446)	(8,340)	(5,428)	(4,119)
Civil – Provision	127	127	127	127
Social security - Provision	2,499	2,414	2,499	2,414
Social security – Judicial deposit	(3,521)	(4,056)	(3,521)	(4,056)
Other – Judicial deposit	(922)	(769)	-	-
	48,136	48,315	48,936	53,293
Noncurrent - Provision	64,347	66,582	64,207	66,570
Noncurrent – Judicial deposit	(16,211)	(18,267)	(15,271)	(13,277)
	48,136	48,315	48,936	53,293

Changes in provision for 2013 break down as under:

	Consolidated	Company
Balance at December 31, 2012	66,582	66,570
Additions	128	-
Write-offs	(3,098)	(3,098)
Monetary restatement	735	735
Balance at June 30, 2013	64,347	64,207

Based on information provided by its legal advisors, the management has set up a provision in an amount considered sufficient to cover probable losses arising from probable losses with lawsuits in progress, classified between short- and long-term in accordance with the expected outcomes thereof, as shown above.

No significant changes in significant liability contingencies with probable losses for which a provision was set up in this interim financial information were identified in the course of litigation, remaining consistent with the same discussions and arguments presented in Note 22 to the Company's financial statements for the year ended December 31, 2012, filed with the CVM.

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

20 Provision for contingencies (Continued)

The provisions and estimates for the tax, civil, social security, labor and other legal proceedings have been uniformly invested in all presented periods. The amounts set up for the main proceedings were the following:

	Company	
	6/30/2013	12/31/2012
Brazilian Social Security Institute (INSS)	2,499	2,414
Federal Value Added Tax (IPI)	8,515	8,331
Financial Compensation for the Exploration of Mineral Resources	1,969	1,912
Income and social contribution taxes on profits earned abroad	21,850	21,524

Tax, civil and labor proceedings, whose likelihood of loss is estimated by management as possible, based on the opinion of its legal counselors, did not change significantly in the course of litigation, nor did respective estimates, remaining consistent with the discussion and rationale presented in Note 22 of Company's financial statements for the year ended December 31, 2012, filed with the CVM.

21 Post-employment obligations

The Company and subsidiaries offer retirement plans to employees, whose actuarial liabilities, recognized in the consolidated financial statements at June 30, 2013, are as follows:

Description	Region				Consolidated
	Subsidiaries			Company	
	Europe	United States	China	South America	
Defined benefit plan	128,346	36,172	-	94,539	259,057
Seniority bonus	5,288	-	-	-	5,288
Early retirement plan	-	-	43,888	-	43,888
At June 30, 2013	133,634	36,172	43,888	94,539	308,233
At December 31, 2012	125,672	35,880	41,035	103,352	305,939

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

21 Post-employment obligations (Continued)

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 23 of Company's financial statements for the year ended December 31, 2012, filed with the CVM.

For 2013, the projected funding expenses regarding the Defined Contribution Plan ("CD") amount to R\$ 5,328 and will be charged to cost of sales, selling expenses or general and administrative expenses, as apportioned by Company stakeholders. At June 30, 2013, the CD plan had 7,075 active members (12/31/2012 – 7,020).

At June 30, 2013, the CD plan had 264 (12/31/2012 - 272) inactive members – retirees and pensioners and 1,242 (12/31/2012 – 1,249) members who will 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:

	Company		
	Present value of actuarial obligations	Fair value of assets	Liabilities recognized
At December 31, 2012	(270,451)	167,099	(103,352)
At June 30, 2013	(255,763)	161,224	(94,539)

Subsidiaries

(i) Defined Contribution Plans

The general characteristics and conditions of the defined contribution plans in the United States and the United Kingdom, as well as the assumptions used for the purpose of calculating the plan obligations, remain unchanged and consistent with those presented in Note 23 of the Company's financial statements for the year ended December 31, 2012, filed with the CVM.

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

21 Post-employment obligations (Continued)

Subsidiaries (Continued)

(i) Defined Contribution Plans (Continued)

The total cost of these Plans amounted to R\$ 1,369 (R\$ 1,193 in 1Q12), calculated at the rates defined in the respective rules. Out of this total, R\$ 832 were posted to cost of sales, R\$ 305 to selling expenses and R\$ 232 to administrative expenses (1Q12: R\$ 572, R\$ 274, R\$ 347, 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 23 of the Company's financial statements for the year ended December 31, 2012, as follows:

	Region			
	Europe		United States	
	6/30/2013	12/31/2012	6/30/2013	12/31/2012
Present value of actuarial obligations	(128,346)	(121,645)	(330,366)	(276,815)
Fair value of assets	-	-	294,194	240,935
Actuarial liabilities	(128,346)	(121,645)	(36,172)	(35,880)
Active members	443	443	238	238
Assisted members	1,144	1,144	714	714
Terminated members, but eligible for the plan	325	325	398	398
Economic actuarial hypothesis:				
Discount rate	5% p.a.	5% p.a.	4% p.a.	4% p.a.
Return on investments	-	-	7.25% p.a.	7.25% p.a.
Salary increase	2.50% p.a.	2.50% p.a.	3.75% p.a.	3.75% p.a.
Adjustment of benefits	1.75% p.a.	1.75% p.a.	-	-
Inflation	-	-	1.75% p.a.	1.75% p.a.

The total cost of the defined benefit plans amounted to R\$ 1,401 in the first half of 2013 (R\$ 1,575 in the first half of 2012), with R\$ 833 stemmed from expenses posted to cost of sales, R\$ 386 to selling expenses R\$ 182 to administrative expenses (first half of 2012 - R\$ 739, R\$ 400 e R\$ 436, 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 the Group's actuarial liabilities.

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

22 Equity

(a) Capital

At June 30, 2013 and December 31, 2012, the Company's capital amounted to R\$2,528,146, divided into 291,981,934 common, registered shares with no par value.

The Company is authorized to increase its capital by in up to R\$4,000,000, regardless of statutory reform, by resolution of the Board of Directors which shall determine the conditions of issue.

In the meeting held August 15, 2012, the Board of Directors at Magnesita Refratários S.A. approved the Company issue share buyback program to be held in treasury for later disposal or cancellation of shares with no reduction in capital, beginning on August 15, 2012 and ending August 15, 2013. The Company's objective is to maximize shareholder value through efficient management of capital structure.

The limit in the number of shares to be acquired is 8,581,563 (eight million, five hundred and eighty one thousand, five hundred and sixty three) common shares that correspond to 5% (five percent) of shares in circulation.

Acquisitions are carried out at market price on the trading floor of BM&FBOVESPA S.A. "Securities, Commodities and Futures Exchange", in compliance with the regulatory and blackout periods, especially regarding the marketable securities' trading restriction provided for in article 12 of the Brazilian Securities and Exchange Commission – CVM Ruling No. 476 of January 16, 2009 and in article 48 of CVM Ruling No. 400 of December 29, 2003.

Up to June 30, 2013, Magnesita acquired 1,018,600 (one million, eighteen thousand and six hundred) shares, by the amount of R\$ 7,199, registered as "Treasury stock" in equity.

The table below presents information concerning acquisitions of Company's shares since the start of the share buyback program:

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

22 Equity (Continued)

(a) Capital (Continued)

Share Buyback Program							
Period	Type	Number of shares	Repurchase negotiation price (R\$)			Closing market quotation (R\$)	Market value (R\$ thousand)
			Minimum	Weighted average	Maximum		
6/30/2013	Common shares	1,018,600	6.59	7.11	7.49	6.47	6,590

At June 30, 2013, Magnesita had 1,018,600 common shares issued in Treasury, representing 0.35% of the Company's total shares, which were recorded for accounting purposes in the amount of R\$ 7,199.

(b) Capital reserve

- Goodwill reserve on the issue of shares: In the amount of R\$139,327, refers to 50% of goodwill in the subscription of shares issued in 2011, as explained in Note 22 (a).
- Special Reserve - Law No. 8200/91: Refers to the special monetary restatement constituted in 1991, pursuant to Law No. 8200/91. This reserve may be used to increase capital or absorption of accumulated losses.
- Special reserve – goodwill received in merger: This corresponds to goodwill resulting from the merger of Mukden Participações Ltda., a shareholder of Magnesita Refratários S.A., net of provision set up under the CVM Ruling 349/01. Shares will be distributed to all shareholders upon the use of this reserve for capital increase.
- Stock options granted: This corresponds to the value of the Company's stock options granted to managing officers. In the first half of 2013, a capital reserve was set up as matching entry of expenses recognized in the profit or loss for the year in the amount of R\$ 3,311 (R\$ 1,566 for the first half of 2012).

(c) Income reserve

- Legal reserve: It is set up upon appropriation of 5% profit for the year, after adjustments and deductions provided for by law, including the deduction of accumulated losses, if any, up to the limit of 20% of the Company's capital, in

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

accordance with article 193 of the Corporation Law.

22 Equity (Continued)

(c) Income reserve (Continued)

- Reserve for investments: It is constituted based on article 27, item (d) of the Company's articles of incorporation, which provides for new investments effectively made with the remaining portion of net income, after the set-up of legal reserve and mandatory minimum dividend. The balance of this reserve, added to the other balances of income reserves - with exception to unrealized income reserves and contingency reserve - shall not exceed the Company's capital.

(d) Other comprehensive income

It records the matching entry of foreign exchange variation of investment in subsidiaries abroad, intercompany loans of subsidiaries abroad and goodwill, actuarial evaluation and gain of fair value adjustment of investment property. The foreign exchange variation amounts of investments and goodwill abroad are as follows:

	Company
Balance at December 31, 2012	<u>(68,876)</u>
Foreign exchange variation on foreign investments	29,108
Foreign exchange variation of goodwill abroad	21,135
Actuarial evaluation income	4,081
Net gains – fair value	<u>(6,000)</u>
Balance at June 30, 2013	<u><u>(20,552)</u></u>

23 Business segment information

The management defines operating segments of the Magnesita Group based on reports used for strategic decision making, reviewed by the Board of Directors. As from the date the CEO of Magnesita took office, in May 2012, the Magnesita Group has been undergoing some structural changes. In October 2012, such changes led to a global management change and, consequently, to the amendment of the Company's mission and vision, and of how reports are analyzed. As from October 2012, the management and the Board of Directors have been conducting their business analyses by segmenting them according to the prospects of the Company line-of-business, namely: Refractory solutions, Service solutions and Minerals.

The revenue generated by the reported operating segments is mostly a result of the

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

manufacturing and marketing of refractory products.

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

Business segment information for the period ended June 30, 2013, as reviewed by management, is as follows:

	Consolidated			Total
	Refractory	Minerals	Services	
Net revenue from sales	1,139,228	62,844	58,570	1,260,642
Cost of sales	(749,799)	(37,461)	(49,620)	(836,880)
Gross profit	389,429	25,383	8,950	423,762

Business segment information for the period ended June 30, 2012, as reviewed by management, is as follows:

	Consolidated			Total
	Refractory	Minerals	Services	
Net revenue from sales	1,102,051	59,109	68,086	1,229,246
Cost of sales	(755,955)	(29,530)	(63,194)	(848,679)
Gross profit	346,096	29,579	4,892	380,567

24 Stock option plan

In accordance with its Articles of Incorporation, the Company has a stock option plan approved by the Annual Shareholders' Meeting to integrate executives in the Company's development in the mid- and long-terms. This plan is administered by the Board of directors or, at the discretion thereof, by a committee, which shall approve the stock option plan. The options granted represent 6% of the total capital share.

The options granted will entitle shareholders to acquire Company's shares over the period of five years after the grant date at a rate of 20% of the number of shares granted each year. The exercise of such option is conditioned to the employment relationship with the Company at the time such option is exercised. The shares acquired each year remain inalienable for one year.

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

24 Stock option plan (Continued)

The Company changed the stock options granted to executives, by replacing the original options with new options. These changes consisted of a change in the strike option price, resuming as from July 22, 2012 the five year vesting period for the right to exercise the options.

The number of stock options granted and corresponding weighted average prices for the year are as follows:

	6/30/2013		12/31/2012	
	Number (thousand)	Average price of option fair value (R\$)	Number (thousand)	Average price of option fair value (R\$)
Outstanding at the beginning	14,402	3.11	11,016	4.05
Granted over the period	350	3.36	7,706	2.63
Cancelled over the period	-	-	(1,638)	4.28
Expired over the period	-	-	(2,682)	4.90
Balance of options	14,752	3.12	14,402	3.11
Probability adjustments (average)	80%		80%	
Quantity to be accounted for by accrual period	11,802	3.12	11,522	3.11

The value to be accounted for by accrual period in relation to the five-year vesting period of options, adjusted by the probability, totals R\$ 42,714 for the full period, and R\$ 3,311 was recorded in the first half of 2013 (R\$ 12,131 in 2012), totaling R\$ 32,423 in specific account under equity. Total expenses to be recognized is R\$ 10,291.

The model and assumptions adopted in fair value measurement were:

	Original substituted plan	New plan
Model used	Black-Scholes-Merton	Binomial
Annual volatility	Historical volatility based on periods with the same duration of the option calculated up to grant date	Period 11.5.2008 to 7.20.2012
Interest rate	8.15% p.a.	9.01% p.a.
Spot value	Value of Company shares on the grant date	Value of Company shares on the grant date
Strike	R\$ 10.00 restated by IGP-M	R\$ 6.30 restated by IPCA
Term	Average option term	Average option term
Dividend	1.2% on market value of shares	1.2% on market value of shares

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

24 Stock option plan (Continued)

In accordance with paragraph B43 of CPC 10 (R1), Company's expenses correspond to the fair value of the original stock option plan on the grant date, plus any differences between the fair value of the current plan on the grant date and the fair value of the original plan recalculated on the grant date of the new plan.

25 Expenses by nature

	Consolidated		Company	
	1 st half/2013	1 st half/2012	1 st half/2013	1 st half/2012
Depreciation and amortization	58,482	52,824	26,870	24,177
Employee benefits	280,023	250,991	153,320	162,833
Raw materials and store and supplies	516,609	567,550	202,534	224,309
Expenses with transport and commission	71,508	68,509	28,834	36,151
Services provided by third parties	63,899	70,339	42,391	53,553
Other expenses	111,968	68,102	82,620	42,158
	1,102,489	1,078,315	536,569	543,181
Classification				
Cost of sales	836,880	848,679	401,317	418,136
Selling expenses	150,745	133,835	60,233	63,024
General and administrative expenses	114,864	95,801	75,019	62,021
	1,102,489	1,078,315	536,569	543,181

	Consolidated		Company	
	2Q13	2Q12	2Q13	2Q12
Depreciation and amortization	29,458	26,996	13,403	12,181
Employee benefits	145,474	123,643	79,876	79,331
Raw materials and store and supplies	292,557	282,573	102,916	115,301
Expenses with transport and commission	29,557	34,913	12,584	18,098
Services provided by third parties	29,905	35,324	16,701	27,184
Other expenses	42,552	40,997	43,704	32,064
	569,503	544,446	269,184	284,159
Classification				
Cost of sales	426,177	429,426	196,115	222,910
Selling expenses	81,788	68,635	33,523	32,306
General and administrative expenses	61,538	46,385	39,546	28,943
	569,503	544,446	269,184	284,159

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Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

26 Expenses with benefits to employees

	Consolidated		Company	
	1 st half/2013	1 st half/2012	1 st half/2013	1 st half/2012
Salaries and fees	192,191	171,200	96,216	100,313
Payroll charges	63,150	64,038	40,917	49,648
Profit sharing	17,330	12,199	12,893	9,622
Retirement plan	7,352	3,554	3,294	3,250
	280,023	250,991	153,320	162,833
	Consolidated		Company	
	2Q13	2Q12	2Q13	2Q12
Salaries and fees	99,058	85,772	48,955	50,176
Payroll charges	32,750	31,683	21,590	24,503
Profit sharing	9,952	4,430	7,645	3,046
Retirement plan	3,714	1,758	1,686	1,606
	145,474	123,643	79,876	79,331

27 Other operating income (expenses), net

	Consolidated		Company	
	1 st half/2013	1 st half/2012	1 st half/2013	1 st half/2012
Labor claims	(4,618)	(4,326)	(4,618)	(4,326)
Reversal of tax provisions	2,419	-	2,419	-
Assignment of payroll processing rights	1,067	1,600	1,067	1,600
Restructuring expenses (i)	(1,967)	-	(1,967)	-
Net gains from disposal of property, plant and equipment	22,016	238	22,016	238
Employee benefits	1,428	(2,931)	1,428	(2,931)
Unusual losses in inventories	-	(4,015)	-	-
Other income (expenses), net	2,518	(2,462)	176	(1,994)
	22,863	(11,896)	20,521	(7,413)
	Consolidated		Company	
	2Q13	2Q12	2Q13	2Q12
Labor claims	(2,953)	(1,661)	(2,953)	(1,661)
Reversal of tax provisions	-	-	-	-
Assignment of payroll processing rights	267	800	267	800
Restructuring expenses (i)	(738)	-	(738)	-
Net gains from disposal of property, plant and equipment	21,536	(275)	21,536	(275)
Employee benefits	-	(1,466)	-	(1,466)
Unusual losses in inventories	-	(4,015)	-	-
Other income (expenses), net	2,556	(743)	466	(1,274)
	20,668	(7,360)	18,578	(3,876)

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

28 Earnings per share

(a) Basic

Basic earnings per share are calculated by dividing the net profit attributable to the Company's shareholders by the weighted average number of common shares issued in the fiscal year.

	Consolidated	
	1 st half/2013	1 st half/2012
Basic		
Basic numerator		
Net income attributable to shareholders	47,062	63,850
Basic denominator		
Weighted average number of outstanding shares	291,501	291,982
Basic earnings per share (in R\$)	0.16	0.22

(b) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potential 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-mentioned is compared to the number of shares issued, assuming the exercise of the stock options.

	Consolidated	
	1 st half/2013	1 st half/2012
Diluted		
Diluted numerator		
Net income attributable to shareholders	47,062	63,850
Diluted denominator		
Weighted average number of outstanding shares	291,501	291,982
Adjustments of stock option plan	11,802	7,567
Weighted average number of shares for diluted earnings	303,303	299,549
Diluted earnings per share (in R\$)	0.16	0.22

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Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

29 Net revenue from sales and services

	Consolidated		Company	
	1 st half/2013	1 st half/2012	1 st half/2013	1 st half/2012
Gross revenue from sales and services				
In reais	653,601	682,504	638,135	664,030
In other currencies	783,402	722,963	150,742	121,741
	1,437,003	1,405,467	788,877	785,771
Sales taxes	(176,361)	(176,221)	(168,611)	(169,729)
Net revenue from sales and services	1,260,642	1,229,246	620,266	616,042
	Consolidated		Company	
	2Q13	2Q12	2Q13	2Q12
Gross revenue from sales and services				
In reais	326,459	357,381	318,078	347,527
In other currencies	406,127	364,279	74,891	69,337
	732,586	721,660	392,969	416,864
Sales taxes	(89,860)	(91,859)	(85,239)	(88,124)
Net revenue from sales and services	642,726	629,801	307,730	328,740

30 Commitments

30.1 Input supply agreements

The Company has a commitment arising from electric power supply agreements related to its industrial activities, effective up to 2021. At June 30, 2013, the Company was in compliance with such agreements.

The amounts are shown through energy consumption estimates in accordance with the agreement term, whose prices are based on volumes, also estimated, resulting from the Company's ongoing operations.

Below follows the total minimum payments of supply, measured at nominal value, pursuant to the agreement:

	Company – 6/30/2013
Less than one year	12,120
More than one year and less than four years	72,720
More than four years	84,000
	168,840

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

30 Commitments (Continued)

30.2 Operating lease liabilities

The Company has commitments arising from real estate operating lease agreements, properties in which it stores and ships products, in addition to operating lease agreements of machinery and equipment.

The lease terms range between one and six years and do not have purchase option clause at the end of the term; however, it allows for timely renewals in accordance with the market conditions in which these are entered into.

At June 30, 2013, the commitment undertaken with future considerations of these operating leases had the following maturities:

	<u>Company – 6/30/2013</u>
Less than one year	950
More than one year and less than five years	5,566
More than five years	55,919
	62,435

31 Insurance coverage

The Company and its subsidiaries have insurance policies against operational risks on industrial facilities, machinery and inventory items. The insurance covers loss of profit, fire, flood and other risks, as follows:

	<u>Consolidated</u>		<u>Company</u>	
	<u>6/30/2013</u>	<u>12/31/2012</u>	<u>6/30/2013</u>	<u>12/31/2012</u>
Asset amounts insured	3,209,105	3,113,515	1,757,525	1,761,760
Loss of profit	875,811	889,240	92,937	92,937
Civil liability	292,340	294,956	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, 2013

(In thousands of reais)

32 Key management personnel compensation

Key management personnel compensation (Board of Directors and Executive Board members) in the first half of 2013 totaled R\$ 4,249 (1st half of 2012 - R\$ 4,350) related to management fees. Additionally, the fair value of stock options granted is recorded in profit or loss in the amount of R\$ 3,311 (1st half of 2012 - R\$ 1,566).

33 Explanatory notes presented in the annual financial statements that are not presented in this interim financial information

Pursuant to Official Circular CVM/SNC/SEP/Nº 003/2011, the Company presented notes considered relevant within the context of "Basic Conceptual Pronouncement - Conceptual Framework for the Preparation and Presentation of Financial Statements". All information whose omission or distortion could influence the economic decisions of users was properly disclosed in this interim financial information, which should be read jointly with the financial statements as at December 31, 2012.

We indicate below the exact location of the explanatory notes whose information has not been repeated in this interim financial information due to redundancy or relevance:

Note 16 - Investment properties

Note 19 – Impairment test of nonfinancial assets

Note 30 - Financial income (expenses), net

Note 33 - Transactions not involving cash and cash equivalents

34 Subsequent events

On August 5, 2013, Magnesita announced the completion of the acquisition of Dalian Mayerton Refractories Co. Limited ("DMR"), a refractories production unit located in Dalian city (Liaoning Province, People's Republic of China), with installed production capacity of up to 50,000 tons/year of mag-carbon refractory bricks. On April 22, 2013, Magnesita announced to the market that it entered into a definitive agreement to acquire DMR. The transaction amounts to approximately US\$22 million (including DMR liabilities) and includes all assets and current employees of DRM.

Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2013

(In thousands of reais)

34 Subsequent events (Continued)

The Company expects to integrate the unit and reach the maximum capacity – 50,000 tons of mag-carbon refractory products - in two years (non-reviewed), with the possibility of future expansion.

The Company is registering the acquisition with Dalian authorities (Dalian Municipal Administration for Industry and Commerce) and, once this process is completed, the unit will be renamed Magnesita Refractories (Dalian) Co, Ltd.