Quarterly Information - ITR

Magnesita Refratários S.A.

September 30, 2013

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Company information / Capital breakdown

Number of shares (Units)	Current quarter 09/30/2013
Common shares – paid-in capital	290,677,834
Preferred – paid-in capital	-
Total – paid-in capital	290,677,834
Common shares - treasury	914,400
Preferred shares - treasury	-
Total - treasury	914,400

Individual financial statements / Balance sheets - Assets

(In thousands of reais)

Account code	Account description	Current quarter 09/30/2013	Prior year 12/31/2012
1	Total assets	4,315,281	4,263,568
1.01	Current assets	1,150,534	1,254,596
1.01.01	Cash and cash equivalents	306,016	542,583
1.01.02	Short-term investments	11,451	22,710
1.01.02.01	Short-term investments at fair value	11,451	22,710
1.01.02.01.01	Marketable securities	11,451	22,710
1.01.02.01.02	Securities available for sale	-	-
1.01.02.02	Short-term investments at amortized cost	-	-
1.01.02.02.01	Securities held to maturity	-	-
1.01.03	Accounts receivable	366,029	363,765
1.01.03.01	Trade accounts receivable	360,160	346,740
1.01.03.01.01	Domestic customers	161,652	152,759
1.01.03.01.02	Foreign customers	169,174	173,203
1.01.03.01.03	Provision for credit risks	-	-
1.01.03.01.04	Unbilled measurements	29,334	20,778
1.01.03.02	Other accounts receivable	5,869	17,025
1.01.03.02.01	Property sale credit	5,869	17,025
1.01.03.02.02	Accounts receivable - Eletrobrás	-	-
1.01.03.02.03	Other	-	-
1.01.04	Inventories	330,471	261,059
1.01.05	Biological assets	-	-
1.01.06	Taxes recoverable	119,751	56,900
1.01.06.01	Current taxes recoverable	119,751	56,900
1.01.06.01.01	Income taxes recoverable	4,728	11,755
1.01.06.01.02	Other taxes recoverable	115,023	45,145
1.01.07	Prepaid expenses	1,155	-
1.01.08	Other current assets	15,661	7,579
1.01.08.01	Noncurrent assets for sale	-	-
1.01.08.02	Assets from discontinued operations	-	-
1.01.08.03	Other	15,661	7,579
1.02	Noncurrent assets	3,164,747	3,008,972
1.02.01	Long-term receivables	87,615	51,817
1.02.01.01	Short-term investments at fair value	-	-
1.02.01.01.01	Marketable securities	-	-
1.02.01.01.02	Securities available for sale	-	-
1.02.01.02	Short-term investments at amortized cost	-	-
1.02.01.02.01	Securities held to maturity	-	-
1.02.01.03	Accounts receivable	7,278	1,323
1.02.01.03.01	Trade accounts receivable	-	-
1.02.01.03.02	Other accounts receivable	7,278	1,323
1.02.01.04	Inventories	-	-
1.02.01.05	Biological assets	-	-
1.02.01.06	Deferred taxes	-	-
1.02.01.06.01	Deferred income and social contribution taxes	-	-
1.02.01.07	Prepaid expenses	-	-
1.02.01.08	Receivables from related parties	46,509	20,933
1.02.01.08.01	Receivables from affiliates	-	-
1.02.01.08.02	Receivables from subsidiaries	46,509	20,933
1.02.01.08.03	Receivables from controlling entities	-	-
1.02.01.08.04	Receivables from other related parties	-	-
1.02.01.09	Other noncurrent assets	33,828	29,561
1.02.01.09.01	Noncurrent assets for sale	-	-
1.02.01.09.02	Assets from discontinued operations	-	-
1.02.01.09.03	Goodwill from merger – shareholder net of provision	-	-
1.02.01.09.04	Judicial deposits	16,497	13,277
1.02.01.09.05	Other	17,331	16,284
1.02.02	Investments	1,382,698	1,284,506
1.02.02.01	Equity interest	1,315,208	1,217,016
1.02.02.01.01	Investments in affiliates	-	-
1.02.02.01.02	Investments in subsidiaries	1,314,836	1,216,396

Account code	Account description	Current quarter 09/30/2013	Prior year 12/31/2012
1.02.02.01.03	Investments in jointly-held subsidiaries	-	-
1.02.02.01.04	Other equity interests	372	620
1.02.02.02	Investment properties	67,490	67,490
1.02.03	Property plant and equipment	620,417	594,157
1.02.03.01	Property plant and equipment in use	308,437	356,893
1.02.03.02	Leased property plant and equipment	-	-
1.02.03.03	Construction in progress	311,980	237,264
1.02.04	Intangible assets	1,074,017	1,078,492
1.02.04.01	Intangible assets	1,074,017	1,078,492
1.02.04.01.01	Concession agreement	-	-
1.02.04.01.02	Software and other	30,363	34,838
1.02.04.01.03	Goodwill	1,043,654	1,043,654
1.02.05	Deferred charges	-	-

Individual financial statements / Balance sheets – Liabilities and equity

(In thousands of reais)

Account code	Account description	Current quarter 09/30/2013	Prior year 12/31/2012
2	Total liabilities	4,315,281	4,263,568
2.01	Current liabilities	393,278	373,153
2.01.01	Labor and social liabilities	67,441	62,357
2.01.01.01	Social liabilities	38,777	27,446
2.01.01.02	Labor liabilities	28,664	34,911
2.01.02	Trade accounts payable	186,927	164,084
2.01.02.01	Domestic suppliers	155,724	150,761
2.01.02.02	Foreign suppliers	31,203	13,323
2.01.03	Tax liabilities	15,052	19,564
2.01.03.01	Federal tax liabilities	9,109	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	8,561	11,351
2.01.03.02	State tax liabilities	5,644	5,922
2.01.03.03	Local tax liabilities	299	503
2.01.04	Loans and financing	50,372	85,088
2.01.04.01	Loans and financing	50,372	85,088
2.01.04.01.01	In local currency	3,165	18,522
2.01.04.01.02	In foreign currency	47,207	66,566
2.01.04.02	Debentures	-	-
2.01.04.03	Financing – finance lease	-	-
2.01.05	Other liabilities	73,486	42,060
2.01.05.01	Payables to related parties	-	-
2.01.05.01.01	Payables to affiliates	-	-
2.01.05.01.02	Payables to subsidiaries	-	-
2.01.05.01.03	Payables to controlling entities	-	-
2.01.05.01.04	Payables to other related parties	-	-
2.01.05.02	Other	73,486	42,060
2.01.05.02.01	Dividends and interest on equity payable	276	16,900
2.01.05.02.02	Mandatory minimum dividends payable	-	-
2.01.05.02.03	Share-based payments	-	-
2.01.05.02.04	Liabilities with assignment of rights	-	1,067
2.01.05.02.05	Other liabilities	73,210	24,093
2.01.06	Provisions	-	-
2.01.06.01	Provisions for tax social security labor and civil contingencies	-	-
2.01.06.01.01	Provisions for tax contingencies	-	-
2.01.06.01.02	Provisions for social security and labor contingencies	-	-
2.01.06.01.03	Provisions for employee benefits	-	-
2.01.06.01.04	Provisions for civil contingencies	-	-
2.01.06.02	Other provisions	-	-
2.01.06.02.01	Provisions for guarantees	-	-
2.01.06.02.02	Provisions for restructuring	-	-
2.01.06.02.03	Provisions for environmental and decommissioning liabilities	-	-
2.01.07	Liabilities for noncurrent assets for sale and discontinued operations	-	-
2.01.07.01	Liabilities for noncurrent assets for sale	-	-
2.01.07.02	Liabilities for assets from discontinued operations	-	-
2.02	Noncurrent liabilities	1,014,973	1,098,159
2.02.01	Loans and financing	843,266	927,930
2.02.01.01	Loans and financing	843,266	927,930
2.02.01.01.01	In local currency	244,511	330,547
2.02.01.01.02	In foreign currency	598,755	597,383
2.02.01.02	Debentures	-	-
2.02.01.03	Financing – finance lease	-	-
2.02.02	Other liabilities	81,886	103,352
2.02.02.01	Payables to related parties	-	-
2.02.02.01.01	Payables to affiliates	-	-
2.02.02.01.02	Payables to subsidiaries	-	-
2.02.02.01.03	Payables to controlling entities	-	-

Account code	Account description	Current quarter 09/30/2013	Prior year 12/31/2012
2.02.02.01.04	Payables to other related parties	-	-
2.02.02.02	Other	81,886	103,352
2.02.02.02.01	Share-based payments	-	-
2.02.02.02.02	Future capital contributions	-	-
2.02.02.02.03	Post-employment liabilities	81,886	103,352
2.02.02.02.04	Other liabilities	-	-
2.02.03	Deferred taxes	25,145	307
2.02.03.01	Deferred income and social contribution taxes	25,145	307
2.02.04	Provisions	64,676	66,570
2.02.04.01	Provisions for tax social security labor and civil contingencies	64,676	66,570
2.02.04.01.01	Provisions for tax contingencies	39,044	40,578
2.02.04.01.02	Provisions for social security and labor contingencies	25,505	25,865
2.02.04.01.03	Provisions for employee benefits	-	-
2.02.04.01.04	Provisions for civil contingencies	127	127
2.02.04.02	Other provisions	-	-
2.02.04.02.01	Provisions for guarantees	-	-
2.02.04.02.02	Provisions for restructuring	-	-
2.02.04.02.03	Provisions for environmental and decommissioning liabilities	-	-
2.02.05	Liabilities for noncurrent assets for sale and discontinued operations	-	-
2.02.05.01	Liabilities for noncurrent assets for sale	-	-
2.02.05.02	Liabilities for assets from discontinued operations	-	-
2.02.06	Unallocated profit and revenue	-	-
2.02.06.01	Unallocated profit	-	-
2.02.06.02	Unallocated revenue	-	-
2.02.06.03	Unallocated investment grants	-	-
2.03	Equity	2,907,030	2,792,256
2.03.01	Paid-in capital	2,528,146	2,528,146
2.03.02	Capital reserves	236,517	244,926
2.03.02.01	Share issue premium	(17,226)	(17,226)
2.03.02.02	Special reserve for goodwill on merger	88,874	88,874
2.03.02.03	Sale of subscription warrants	-	-
2.03.02.04	Stock options granted	34,141	29,112
2.03.02.05	Treasury stock	(14,572)	(1,134)
2.03.02.06	Future capital contributions	-	-
2.03.02.07	Special reserve Law No. 8200/91	5,973	5,973
2.03.02.08	Share issue reserve	139,327	139,327
2.03.03	Revaluation reserve	-	-
2.03.04	Income reserves	88,060	88,060
2.03.04.01	Legal reserve	5,518	5,518
2.03.04.02	Statutory reserve	-	-
2.03.04.03	Reserve for contingencies	-	-
2.03.04.04	Unrealized profits reserve	-	-
2.03.04.05	Retained profits reserve	82,542	82,542
2.03.04.06	Special reserve for unpaid dividends	-	-
2.03.04.07	Tax incentive reserve	-	-
2.03.04.08	Proposed additional dividends	-	-
2.03.04.09	Treasury stock	-	-
2.03.05	Retained earnings (accumulated losses)	25,088	-
2.03.06	Equity adjustments	-	-
2.03.07	Cumulative translation adjustments	18,704	(71,948)
2.03.08	Other comprehensive income	10,515	3,072

Individual financial statements / Income statements

(In thousands of reais)

Account code	Account description	Current quarter 07/01/2013 to 09/30/2013	YTD 01/01/2013 to 09/30/2013	Same prior-year quarter 07/01/2012 to 09/30/2012	Prior YTD 01/01/2012 to 09/30/2012
3.01	Revenue from sales	302,675	922,941	303,998	920,040
3.02	Cost of sales	(208,487)	(609,804)	(201,748)	(619,884)
3.03	Gross profit	94,188	313,137	102,250	300,156
3.04	Operating income (expenses)	(100,388)	(203,326)	(78,149)	(186,909)
3.04.01	Selling expenses	(36,111)	(96,344)	(32,362)	(95,387)
3.04.02	General and administrative expenses	(43,223)	(118,242)	(37,238)	(99,258)
3.04.03	Losses on impairment of assets	-	-	-	-
3.04.04	Other operating income	1,676	31,512	2,116	4,948
3.04.05	Other operating expenses	(6,473)	(15,788)	(4,565)	(14,810)
3.04.06	Equity pickup	(16,257)	(4,464)	(6,100)	17,598
3.05	Income before financial income (expenses) and taxes	(6,200)	109,811	24,101	113,247
3.06	Financial income (expenses)	(17,790)	(66,811)	(8,770)	(11,952)
3.06.01	Financial income	10,453	63,068	20,073	74,984
3.06.01.01	Monetary/foreign exchange variation gains	9,159	53,475	10,534	42,161
3.06.01.02	Short-term investment yield	940	8,284	9,157	31,646
3.06.01.03	Other income	354	1,309	382	1,177
3.06.02	Financial expenses	(28,243)	(129,879)	(28,843)	(86,936)
3.06.02.01	Monetary/foreign exchange variation losses	(5,046)	(61,761)	(5,414)	(8,118)
3.06.02.02	Interest on loans	(21,006)	(63,512)	(22,600)	(76,680)
3.06.02.03	Other expenses	(2,191)	(4,606)	(829)	(2,138)
3.07	Income before income taxes	(23,990)	43,000	15,331	101,295
3.08	Income and social contribution taxes	2,016	(17,912)	(5,633)	(27,747)
3.08.01	Current	-	-	-	-
3.08.02	Deferred	2,016	(17,912)	(5,633)	(27,747)
3.09	Net income (loss) from continuing operations	(21,974)	25,088	9,698	73,548
3.10	Net income (loss) from discontinued operations	-	-	-	-
3.10.01	Net income/loss from discontinued operations	-	-	-	-
3.10.02	Net gains/losses on assets from discontinued operations	-	-	-	-
3.11	Income (loss) for the period	(21,974)	25,088	9,698	73,548
3.99	Earnings per share (reais/share)	-	-	-	-
3.99.01	Basic earnings per share	-	-	-	-
3.99.01.01	Registered common shares	0.0800	0.0900	0.033221	0.25189
3.99.02	Diluted earnings per share	-	-	-	-
3.99.02.01	Registered common shares	0.0800	0.0900	0.033221	0.25189

Individual financial statements / Statements of comprehensive income

(In thousands of reais)

Account code	Account description	Current quarter 07/01/2013 to 09/30/2013	YTD 01/01/2013 to 09/30/2013	Same prior-year quarter 07/01/2012 to 09/30/2012	Prior YTD 01/01/2012 to 09/30/2012
4.01	Net income (loss) for the period	(21,974)	25,088	9,698	73,548
4.02	Other comprehensive income	49,771	98,095	73,473	131,895
4.02.01	Exchange variation of subsidiaries located abroad	40,409	90,652	37,512	95,934
4.02.02	Actuarial valuation gains	9,362	13,443	35,961	35,961
4.02.03	Net fair value gains	-	(6,000)	-	-
4.03	Comprehensive income for the period	27,797	123,183	83,171	205,443

Individual financial statements / Cash flow statements – Indirect method

(In thousands of reais)

Account code	Account description	YTD 01/01/2013 to 09/30/2013	Prior YTD 01/01/2012 to 09/30/2012
6.01	Net cash from operating activities	51,997	134,146
6.01.01	Cash from operations	188,803	193,116
6.01.01.01	Net income for the year	25,088	73,548
6.01.01.02	Net monetary/exchange variation charges	48,320	(54,743)
6.01.01.03	Interest charges	47,882	123,119
6.01.01.04	Depreciation and depletion	35,633	31,376
6.01.01.05	Amortization of intangible assets	4,475	4,972
6.01.01.06	Equity pickup	4,464	(17,598)
6.01.01.07	Deferred income and social contribution taxes	17,912	27,747
6.01.01.08	Stock options	5,029	4,695
6.01.02	Changes in assets and liabilities	(136,806)	(58,970)
6.01.02.01	Trade accounts receivable	(13,419)	(8,663)
6.01.02.02	Inventories	(69,412)	(12,916)
6.01.02.03	Taxes recoverable	(62,851)	(11,824)
6.01.02.07	Trade accounts payable	22,843	(9,465)
6.01.02.08	Taxes payable	(4,511)	(1,285)
6.01.02.09	Dividends payable	(16,624)	(9,311)
6.01.02.10	Other	7,168	(5,506)
6.01.03	Other	-	-
6.02	Net cash from investing activities	(53,052)	(165,736)
6.02.01	Disposal/write-off of PP&E investments and intangible assets	31,432	1,746
6.02.02	Additions to PP&E and intangible assets	(87,876)	(152,855)
6.02.03	Payment of capital in subsidiary	(39,054)	(18,849)
6.02.04	Capital reduction in subsidiary	29,937	-
6.02.05	Marketable securities	11,259	4,222
6.02.06	Dividends received	1,250	-
6.03	Net cash from financing activities	(235,512)	(40,977)
6.03.01	Loans and financing	544	541,908
6.03.02	Repayment of loans and financing	(168,220)	(490,092)
6.03.03	Interest on loans and financing	(54,398)	(92,397)
6.03.04	Treasury stock	(13,438)	-
6.03.05	Shares issue expenses	-	(396)
6.03.06	Capital Increase	-	-
6.04	Foreign exchange variation on cash and cash equivalents	-	-
6.05	Increase/(decrease) in cash and cash equivalents	(236,567)	(72,567)
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	306,016	522,931

Individual financial statements / Statements of changes in equity – 01/01/2013 to 09/30/2013

(In thousands of reais)

Account code	Account description	Paid-in capital	Capital reserves options granted and treasury stock	Income reserves	Retained earnings/ accumulated losses	Other comprehensive income	Equity
5.01	Opening balances	2,528,146	244,926	88,060	-	(68,876)	2,792,256
5.02	Prior-year adjustments	-	-	-	-	-	-
5.03	Adjusted opening balances	2,528,146	244,926	88,060	-	(68,876)	2,792,256
5.04	Capital transactions with shareholders	-	(8,409)	-	-	-	(8,409)
5.04.01	Capital increases	-	-	-	-	-	-
5.04.02	Share issue expenses	-	-	-	-	-	-
5.04.03	Stock options granted and recognized	-	5,029	-	-	-	5,029
5.04.04	Treasury stock purchased	-	(13,438)	-	-	-	(13,438)
5.04.05	Treasury stock disposed of	-	-	-	-	-	-
5.04.06	Dividends	-	-	-	-	-	-
5.04.07	Interest on equity	-	-	-	-	-	-
5.04.08	Share issue reserve	-	-	-	-	-	-
5.05	Total comprehensive income	-	-	-	25,088	98,095	123,183
5.05.01	Net income (loss) for the period	-	-	-	25,088	-	25,088
5.05.02	Other comprehensive income	-	-	-	-	98,095	98,095
5.05.02.01	Financial instrument adjustments	-	-	-	-	-	-
5.05.02.02	Taxes on financial instrument adjustments	-	-	-	-	-	-
5.05.02.03	Equity pickup on comprehensive income – subsidiaries and affiliates	-	-	-	-	-	-
5.05.02.04	Translation adjustments in the period	-	-	-	-	-	-
5.05.02.05	Taxes on translation adjustments in the period	-	-	-	-	-	-
5.05.02.06	Foreign exchange variation - investments abroad	-	-	-	-	90,652	90,652
5.05.02.07	Fair value adjustment of investment properties	-	-	-	-	(6,000)	(6,000)
5.05.02.08	Actuarial adjustment	-	-	-	-	13,443	13,443
5.05.03	Reclassifications to P&L	-	-	-	-	-	-
5.05.03.01	Financial instrument adjustments	-	-	-	-	-	-
5.06	Internal changes in equity	-	-	-	-	-	-
5.06.01	Set up of reserves	-	-	-	-	-	-
5.06.02	Revaluation reserve released to retained earnings	-	-	-	-	-	-
5.06.03	Taxes on revaluation reserve released to retained earnings	-	-	-	-	-	-
5.07	Closing balances	2,528,146	236,517	88,060	25,088	29,219	2,907,030

Individual financial statements / Statements of changes in equity – 01/01/2012 to 09/30/2012

(In thousands of reais)

Account code	Account description	Paid-in capital	Capital reserves options granted and treasury stock	Income reserves	Retained earnings/ accumulated losses	Other comprehensive income	Equity
5.01	Opening balances	2,528,146	234,326	34,130	-	(158,271)	2,638,331
5.02	Prior-year adjustments	-	-	-	-	-	-
5.03	Adjusted opening balances	2,528,146	234,326	34,130	-	(158,271)	2,638,331
5.04	Capital transactions with shareholders	-	4,299	-	-	-	4,299
5.04.01	Capital increases	-	-	-	-	-	-
5.04.02	Share issue expenses	-	(396)	-	-	-	(396)
5.04.03	Stock options granted and recognized	-	4,695	-	-	-	4,695
5.04.04	Treasury stock purchased	-	-	-	-	-	-
5.04.05	Treasury stock disposed of	-	-	-	-	-	-
5.04.06	Dividends	-	-	-	-	-	-
5.04.07	Interest on equity	-	-	-	-	-	-
5.04.08	Share issue reserve	-	-	-	-	-	-
5.05	Total comprehensive income	-	-	-	73,548	131,895	205,443
5.05.01	Net income (loss) for the period	-	-	-	73,548	-	73,548
5.05.02	Other comprehensive income	-	-	-	-	131,895	131,895
5.05.02.01	Financial instrument adjustments	-	-	-	-	-	-
5.05.02.02	Taxes on financial instrument adjustments	-	-	-	-	-	-
5.05.02.03	Equity pickup on comprehensive income – subsidiaries and affiliates	-	-	-	-	-	-
5.05.02.04	Translation adjustments in the period	-	-	-	-	-	-
5.05.02.05	Taxes on translation adjustments in the period	-	-	-	-	-	-
5.05.02.06	Foreign exchange variation - investments abroad	-	-	-	-	95,934	95,934
5.05.02.07	Fair value adjustment of investment properties	-	-	-	-	35,961	35,961
5.05.03	Reclassifications to P&L	-	-	-	-	-	-
5.05.03.01	Financial instrument adjustments	-	-	-	-	-	-
5.06	Internal changes in equity	-	-	-	-	-	-
5.06.01	Set up of reserves	-	-	-	-	-	-
5.06.02	Revaluation reserve released to retained earnings	-	-	-	-	-	-
5.06.03	Taxes on revaluation reserve released to retained earnings	-	-	-	-	-	-
5.07	Closing balances	2,528,146	238,625	34,130	73,548	(26,376)	2,848,073

Individual financial statements / Statements of value added

(In thousands of reais)

Account code	Account description	YTD 01/01/2013 to 09/30/2013	Prior YTD 01/01/2012 to 09/30/2012
7.01	Revenue	1,283,553	1,324,003
7.01.01	Sales of goods, products and services	1,167,894	1,167,616
7.01.02	Other revenue	26,114	3,220
7.01.03	Revenue from construction of own assets	89,545	153,248
7.01.04	Set up/reversal of allowance for doubtful accounts	-	(81)
7.02	Inputs purchased from third parties	(871,503)	(915,916)
7.02.01	Cost of sales	(578,830)	(586,038)
7.02.02	Materials electricity outsourced services and other	(292,673)	(329,878)
7.02.03	Loss/recovery of receivables	-	-
7.02.04	Other	-	-
7.03	Gross value added	412,050	408,087
7.04	Retentions	(40,108)	(36,348)
7.04.01	Depreciation amortization and depletion	(40,108)	(36,348)
7.04.02	Other	-	-
7.05	Net value added produced	371,942	371,739
7.06	Value added received in transfer	58,604	92,582
7.06.01	Equity pickup	(4,464)	17,598
7.06.02	Financial income	63,068	74,984
7.06.03	Other	-	-
7.07	Total value added to be distributed	430,546	464,321
7.08	Distribution of value added	430,546	464,321
7.08.01	Personnel	219,611	261,346
7.08.01.01	Direct compensation	-	-
7.08.01.02	Benefits	-	-
7.08.01.03	Unemployment Compensation Fund (FGTS)	-	-
7.08.01.04	Other	-	-
7.08.02	Taxes charges and contributions	45,153	27,747
7.08.02.01	Federal	-	-
7.08.02.02	State	-	-
7.08.02.03	Local	-	-
7.08.03	Debt remuneration	140,694	101,680
7.08.03.01	Interest	63,512	76,680
7.08.03.02	Rent	10,815	14,744
7.08.03.03	Other	66,367	10,256
7.08.04	Equity remuneration	25,088	73,548
7.08.04.01	Interest on equity	-	-
7.08.04.02	Dividends	-	-
7.08.04.03	Retained profits/loss for the period	25,088	73,548
7.08.05	Other	-	-

Consolidated financial statements / Balance sheets - Assets

(In thousands of reais)

Account code	Account description	Current quarter 09/30/2013	Prior year 12/31/2012
1	Total assets	5,768,854	5,664,540
1.01	Current assets	2,012,368	2,128,944
1.01.01	Cash and cash equivalents	444,524	796,739
1.01.02	Short-term investments	11,451	22,710
1.01.02.01	Short-term investments at fair value	11,451	22,710
1.01.02.01.01	Marketable securities	11,451	22,710
1.01.02.01.02	Securities available for sale	-	-
1.01.02.02	Short-term investments at amortized cost	-	-
1.01.02.02.01	Securities held to maturity	-	-
1.01.03	Accounts receivable	563,746	527,721
1.01.03.01	Trade accounts receivable	557,877	510,696
1.01.03.01.01	Domestic customers	170,908	158,014
1.01.03.01.02	Foreign customers	366,106	343,369
1.01.03.01.03	Provision for credit risks	(8,471)	(11,465)
1.01.03.01.04	Unbilled measurements	29,334	20,778
1.01.03.02	Other accounts receivable	5,869	17,025
1.01.03.02.01	Property sale credit	5,869	17,025
1.01.03.02.03	Other	-	-
1.01.04	Inventories	771,182	638,430
1.01.05	Biological assets	-	-
1.01.06	Taxes recoverable	184,703	111,660
1.01.06.01	Current taxes recoverable	184,703	111,660
1.01.06.01.01	Income taxes recoverable	23,027	47,061
1.01.06.01.02	Other taxes recoverable	161,676	64,599
1.01.07	Prepaid expenses	6,533	-
1.01.08	Other current assets	30,229	31,684
1.01.08.01	Noncurrent assets for sale	-	-
1.01.08.02	Assets from discontinued operations	-	-
1.01.08.03	Other	30,229	31,684
1.02	Noncurrent assets	3,756,486	3,535,596
1.02.01	Long-term receivables	58,302	53,870
1.02.01.01	Short-term investments at fair value	-	-
1.02.01.01.01	Marketable securities	-	-
1.02.01.01.02	Securities available for sale	-	-
1.02.01.02	Short-term investments at amortized cost	-	-
1.02.01.02.01	Securities held to maturity	-	-
1.02.01.03	Accounts receivable	7,278	1,323
1.02.01.03.01	Trade accounts receivable	-	-
1.02.01.03.02	Other accounts receivable	7,278	1,323
1.02.01.04	Inventories	-	-
1.02.01.05	Biological assets	-	-
1.02.01.06	Deferred taxes	11,037	17,996
1.02.01.06.01	Deferred income and social contribution taxes	11,037	17,996
1.02.01.07	Prepaid expenses	-	-
1.02.01.08	Receivables from related parties	-	-
1.02.01.08.01	Receivables from affiliates	-	-
1.02.01.08.03	Receivables from controlling entities	-	-
1.02.01.08.04	Receivables from other related parties	-	-
1.02.01.09	Other noncurrent assets	39,987	34,551
1.02.01.09.01	Noncurrent assets for sale	-	-
1.02.01.09.02	Assets from discontinued operations	-	-
1.02.01.09.03	Goodwill from merger – shareholder, net of provision	-	-
1.02.01.09.04	Judicial deposits	17,648	18,267
1.02.01.09.05	Other	22,339	16,284
1.02.02	Investments	73,050	71,816
1.02.02.01	Equity interest	5,560	4,326
1.02.02.01.01	Investments in affiliates	-	-
1.02.02.01.04	Other equity interests	5,560	4,326
1.02.02.02	Investment properties	67,490	67,490

Account code	Account description	Current quarter 09/30/2013	Prior year 12/31/2012
1.02.03	Property, plant and equipment	1,184,691	1,082,495
1.02.03.01	Property, plant and equipment in use	833,539	817,113
1.02.03.02	Leased property, plant and equipment	-	-
1.02.03.03	Construction in progress	351,152	265,382
1.02.04	Intangible assets	2,440,443	2,327,415
1.02.04.01	Intangible assets	33,940	38,122
1.02.04.01.01	Concession agreement	-	-
1.02.04.02	Goodwill	2,406,503	2,289,293

Consolidated financial statements / Balance sheets – Liabilities and equity

(In thousands of reais)

Account code	Account description	Current quarter 09/30/2013	Prior year 12/31/2012
2	Total liabilities	5,768,854	5,664,540
2.01	Current liabilities	700,349	689,942
2.01.01	Labor and social liabilities	107,219	94,743
2.01.01.01	Social liabilities	35,366	33,367
2.01.01.02	Labor liabilities	71,853	61,376
2.01.02	Trade accounts payable	352,596	347,941
2.01.02.01	Domestic suppliers	150,664	149,798
2.01.02.02	Foreign suppliers	201,932	198,143
2.01.03	Tax liabilities	59,069	49,300
2.01.03.01	Federal tax liabilities	41,820	42,466
2.01.03.01.01	Income and social contribution taxes payable	22,008	21,828
2.01.03.01.02	Other federal tax liabilities	19,812	20,638
2.01.03.02	State tax liabilities	16,950	6,319
2.01.03.03	Local tax liabilities	299	515
2.01.04	Loans and financing	74,281	121,037
2.01.04.01	Loans and financing	74,281	121,037
2.01.04.01.01	In local currency	3,165	18,522
2.01.04.01.02	In foreign currency	71,116	102,515
2.01.04.02	Debentures	-	-
2.01.04.03	Financing – finance lease	-	-
2.01.05	Other liabilities	107,184	76,921
2.01.05.01	Payables to related parties	-	-
2.01.05.01.01	Payables to affiliates	-	-
2.01.05.01.03	Payables to controlling entities	-	-
2.01.05.01.04	Payables to other related parties	-	-
2.01.05.02	Other	107,184	76,921
2.01.05.02.01	Dividends and interest on equity payable	1,618	16,922
2.01.05.02.02	Mandatory minimum dividends payable	-	-
2.01.05.02.03	Share-based payments	-	-
2.01.05.02.04	Liabilities with assignment of rights	-	1,067
2.01.05.02.05	Other liabilities	105,566	58,932
2.01.06	Provisions	-	-
2.01.06.01	Provisions for tax, social security, labor and civil contingencies	-	-
2.01.06.01.01	Provisions for tax contingencies	-	-
2.01.06.01.02	Provisions for social security and labor contingencies	-	-
2.01.06.01.03	Provisions for employee benefits	-	-
2.01.06.01.04	Provisions for civil contingencies	-	-
2.01.06.02	Other provisions	-	-
2.01.06.02.01	Provisions for guarantees	-	-
2.01.06.02.02	Provisions for restructuring	-	-
2.01.06.02.03	Provisions for environmental and decommissioning liabilities	-	-
2.01.07	Liabilities for noncurrent assets for sale and discontinued operations	-	-
2.01.07.01	Liabilities for noncurrent assets for sale	-	-
2.01.07.02	Liabilities for assets from discontinued operations	-	-
2.02	Noncurrent liabilities	2,144,015	2,163,739
2.02.01	Loans and financing	876,943	950,247
2.02.01.01	Loans and financing	876,943	950,247
2.02.01.01.01	In local currency	244,511	330,547
2.02.01.01.02	In foreign currency	632,432	619,700
2.02.01.02	Debentures	-	-
2.02.01.03	Financing – finance lease	-	-
2.02.02	Other liabilities	1,147,888	1,121,362
2.02.02.01	Payables to related parties	-	-
2.02.02.01.01	Payables to affiliates	-	-
2.02.02.01.03	Payables to controlling entities	-	-

Account code	Account description	Current quarter 09/30/2013	Prior year 12/31/2012
2.02.02.01.04	Payables to other related parties	-	-
2.02.02.02	Other	1,147,888	1,121,362
2.02.02.02.01	Share-based payments	-	-
2.02.02.02.02	Future capital contributions	-	-
2.02.02.02.03	Bonds	874,021	799,491
2.02.02.02.04	Post-employment liabilities	254,784	305,939
2.02.02.02.05	Other liabilities	19,083	15,932
2.02.03	Deferred taxes	54,377	25,548
2.02.03.01	Deferred income and social contribution taxes	54,377	25,548
2.02.04	Provisions	64,807	66,582
2.02.04.01	Provisions for tax, social security, labor and civil contingencies	64,807	66,582
2.02.04.01.01	Provisions for tax contingencies	39,055	40,590
2.02.04.01.02	Provisions for social security and labor contingencies	25,625	25,865
2.02.04.01.03	Provisions for employee benefits	-	-
2.02.04.01.04	Provisions for civil contingencies	127	127
2.02.04.02	Other provisions	-	-
2.02.04.02.01	Provisions for guarantees	-	-
2.02.04.02.02	Provisions for restructuring	-	-
2.02.04.02.03	Provisions for environmental and decommissioning liabilities	-	-
2.02.04.02.04	Post-employment liabilities	-	-
2.02.05	Liabilities for noncurrent assets for sale and discontinued operations	-	-
2.02.05.01	Liabilities for noncurrent assets for sale	-	-
2.02.05.02	Liabilities for assets from discontinued operations	-	-
2.02.06	Unallocated profit and revenue	-	-
2.02.06.01	Unallocated profit	-	-
2.02.06.02	Unallocated revenue	-	-
2.02.06.03	Unallocated investment grants	-	-
2.03	Consolidated equity	2,924,490	2,810,859
2.03.01	Paid-in capital	2,528,146	2,528,146
2.03.02	Capital reserves	236,517	244,926
2.03.02.01	Share issue premium	-	-
2.03.02.02	Special reserve for goodwill on merger	88,874	88,874
2.03.02.03	Sale of subscription warrants	-	-
2.03.02.04	Stock options granted	34,141	29,112
2.03.02.05	Treasury stock	(14,572)	(1,134)
2.03.02.06	Future capital contribution	-	-
2.03.02.07	Special reserve Law No. 8200/91	5,973	5,973
2.03.02.08	Share issue reserve	139,327	139,327
2.03.02.09	Share issue expenses	(17,226)	(17,226)
2.03.03	Revaluation reserve	-	-
2.03.04	Income reserves	88,060	88,060
2.03.04.01	Legal reserve	5,518	5,518
2.03.04.02	Statutory reserve	-	-
2.03.04.03	Reserve for contingencies	-	-
2.03.04.04	Unrealized profits reserve	-	-
2.03.04.05	Retained profits reserve	82,542	82,542
2.03.04.06	Special reserve for unpaid dividends	-	-
2.03.04.07	Tax incentive reserve	-	-
2.03.04.08	Proposed additional dividends	-	-
2.03.04.09	Treasury stock	-	-
2.03.05	Retained earnings (accumulated losses)	25,088	-
2.03.06	Equity adjustments	-	-
2.03.07	Cumulative translation adjustments	18,704	(71,948)
2.03.08	Other comprehensive income	10,515	3,072
2.03.09	Noncontrolling interest	17,460	18,603

Consolidated financial statements / Income statements

(In thousands of reais)

Account code	Account description	Current quarter 07/01/2013 to 09/30/2013	YTD 01/01/2013 to 09/30/2013	Same prior-year quarter 07/01/2012 to 09/30/2012	Prior YTD 01/01/2012 to 09/30/2012
3.01	Revenue from sales	638,214	1,898,856	599,667	1.828.913
3.02	Cost of sales	(438,261)	(1,275,141)	(415,565)	(1.264.244)
3.03	Gross profit	199,953	623,715	184,102	564.669
3.04	Operating income (expenses)	(155,726)	(398,588)	(127,712)	(368.276)
3.04.01	Selling expenses	(86,074)	(236,819)	(68,829)	(202.664)
3.04.02	General and administrative expenses	(66,034)	(180,898)	(56,023)	(151.824)
3.04.03	Losses on impairment of assets	-	-	-	-
3.04.04	Other operating income	7,990	53,161	6,208	16.319
3.04.05	Other operating expenses	(12,371)	(34,679)	(9,460)	(31.467)
3.04.06	Equity pickup	763	647	392	1.360
3.05	Income before financial income (expenses) and taxes	44,227	225,127	56,390	196.393
3.06	Financial income (expenses)	(53,270)	(146,619)	(33,453)	(73.512)
3.06.01	Financial income	95,561	93,380	22,314	85.878
3.06.01.01	Monetary/foreign exchange variation gains	94,949	80,799	11,918	50.670
3.06.01.02	Interest income	940	9,478	9,759	33.530
3.06.01.03	Other income	(328)	3,103	637	1.678
3.06.02	Financial expenses	(148,831)	(239,999)	(55,767)	(159.390)
3.06.02.01	Monetary/foreign exchange variation losses	(67,318)	(74,179)	(13,059)	(25.866)
3.06.02.02	Interest on loans	(40,516)	(119,300)	(39,026)	(123.119)
3.06.02.03	Other	(40,997)	(46,520)	(3,682)	(10.405)
3.07	Income before income taxes	(9,043)	78,508	22,937	122.881
3.08	Income and social contribution taxes	(12,663)	(50,347)	(12,221)	(47.108)
3.08.01	Current	(10,178)	(29,281)	(7,331)	(26.184)
3.08.02	Deferred	(2,485)	(21,066)	(4,890)	(20.924)
3.09	Net income (loss) from continuing operations	(21,706)	28,161	10,716	75.773
3.10	Net income (loss) from discontinued operations	-	-	-	-
3.10.01	Net income/loss from discontinued operations	-	-	-	-
3.10.02	Net gains/losses on assets from discontinued operations	-	-	-	-
3.11	Consolidated income/loss for the period	(21,706)	28,161	10,716	75.773
3.11.01	Attributed to shareholders of parent company	(21,974)	25,088	9,698	73.548
3.11.02	Attributed to noncontrolling shareholders	268	3,073	1,018	2.225
3.99	Earnings per share (reais/share)	-	-	-	-
3.99.01	Basic earnings per share	-	-	-	-
3.99.01.01	Registered common shares	-0.08	0.09	0.03321	0.25189
3.99.02	Diluted earnings per share	-	-	-	-
3.99.02.01	Registered common shares	-0.08	0.09	0.03199	0.24259

Consolidated financial statements / Statements of comprehensive income

(In thousands of reais)

Account code	Account description	Current quarter 07/01/2013 to 09/30/2013	YTD 01/01/2013 to 09/30/2013	Same prior-year quarter 07/01/2012 to 09/30/2012	Prior YTD 01/01/2012 to 09/30/2012
4.01	Consolidated net income for the period	(21,706)	28,161	10,716	75.773
4.02	Other comprehensive income	43,557	93,879	74,574	133.762
4.02.01	Exchange variation of subsidiaries located abroad	34,195	86,436	38,613	97.801
4.02.02	Actuarial valuation gains	9,362	13,443	35,961	35.961
4.02.03	Net fair value gains	-	(6,000)	-	-
4.03	Consolidated comprehensive income for the period	21,851	122,040	85,290	209.535
4.03.01	Attributed to shareholders of parent company	27,797	123,183	83,171	205.443
4.03.02	Attributed to noncontrolling shareholders	(5,946)	(1,143)	2,119	4.092

Consolidated financial statements / Cash flow statements – Indirect method

(In thousands of reais)

Account code	Account description	YTD 01/01/2013 to 09/30/2011	Prior YTD 01/01/2012 to 09/30/2012
6.01	Net cash from operating activities	115,431	244,643
6.01.01	Cash from operations	321,601	332,080
6.01.01.01	Net income for the year	28,161	75,773
6.01.01.02	Net monetary/exchange variation charges	174,121	147,791
6.01.01.03	Depreciation and depletion	86,171	75,583
6.01.01.04	Amortization of intangible assets	4,627	5,089
6.01.01.05	Deferred income and social contribution taxes	21,066	20,924
6.01.01.06	Stock options	5,029	4,695
6.01.01.07	Noncontrolling interest	3,073	2,225
6.01.01.08	Equity pickup	(647)	-
6.01.02	Changes in assets and liabilities	(206,170)	(87,437)
6.01.02.01	Trade accounts receivable	(41,980)	(14,261)
6.01.02.02	Inventories	(132,752)	(9,687)
6.01.02.03	Taxes recoverable	(73,043)	(8,853)
6.01.02.07	Trade accounts payable	4,655	(25,377)
6.01.02.08	Taxes payable	9,769	(6,530)
6.01.02.09	Derivative financial instruments – fair value swap	-	5,622
6.01.02.10	Dividends payable	(15,303)	(9,311)
6.01.02.11	Other	42,484	(19,040)
6.01.03	Other	-	-
6.02	Net cash from investing activities	(172,978)	(173,001)
6.02.01	Disposal/write-off of PP&E, investments and intangible assets	29,310	2,635
6.02.02	Additions to PP&E and intangible assets	(154,482)	(179,858)
6.02.03	Marketable securities	11,259	4,222
6.02.04	Additions to PP&E – acquisition of subsidiary	(59,065)	-
6.03	Net cash from financing activities	(319,049)	(86,593)
6.03.01	Loans and financing	544	541,908
6.03.02	Repayment of loans and financing	(174,815)	(507,353)
6.03.03	Interest on loans and financing	(131,340)	(120,752)
6.03.04	Treasury stock	(13,438)	-
6.03.05	Share issue expenses	-	(396)
6.03.06	Capital Increase	-	-
6.04	Foreign exchange variation on cash and cash equivalents	24,381	12,091
6.05	Increase/(decrease) in cash and cash equivalents	(352,215)	(2,860)
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	444,524	767,606

Consolidated financial statements / Statements of changes in equity – 01/01/2013 to 09/30/2013

(In thousands of reais)

Account code	Account description	Paid-in capital	Capital reserves, options granted and treasury stock	Income reserves	Retained earnings/ 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
5.02	Prior-year adjustments	-	-	-	-	-	-	-	-
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	-	(8,409)	-	-	-	(8,409)	-	(8,409)
5.04.01	Capital increases	-	-	-	-	-	-	-	-
5.04.02	Share issue expenses	-	-	-	-	-	-	-	-
5.04.03	Stock options granted and recognized	-	5,029	-	-	-	5,029	-	5,029
5.04.04	Treasury stock purchased	-	(13,438)	-	-	-	(13,438)	-	(13,438)
5.04.05	Treasury stock disposed of	-	-	-	-	-	-	-	-
5.04.06	Dividends	-	-	-	-	-	-	-	-
5.04.07	Interest on equity	-	-	-	-	-	-	-	-
5.04.08	Share issue reserve	-	-	-	-	-	-	-	-
5.05	Total comprehensive income	-	-	-	25,088	98,095	123,183	(1,143)	122,040
5.05.01	Net income (loss) for the period	-	-	-	25,088	-	25,088	3,073	28,161
5.05.02	Other comprehensive income	-	-	-	-	98,095	98,095	(4,216)	93,879
5.05.02.01	Financial instrument adjustments	-	-	-	-	-	-	-	-
5.05.02.02	Taxes on financial instrument adjustments	-	-	-	-	-	-	-	-
5.05.02.03	Equity pickup on comprehensive income – affiliates	-	-	-	-	-	-	-	-
5.05.02.04	Translation adjustments in the period	-	-	-	-	-	-	-	-
5.05.02.05	Taxes on translation adjustments in the period	-	-	-	-	-	-	-	-
5.05.02.06	Foreign exchange variation - investments abroad	-	-	-	-	90,652	90,652	(4,216)	86,436
5.05.02.07	Fair value adjustment of investment properties	-	-	-	-	(6,000)	(6,000)	-	(6,000)
5.05.02.08	Actuarial valuation adjustments	-	-	-	-	13,443	13,443	-	13,443
5.05.03	Reclassifications to P&L	-	-	-	-	-	-	-	-
5.05.03.01	Financial instrument adjustments	-	-	-	-	-	-	-	-
5.06	Internal changes in equity	-	-	-	-	-	-	-	-
5.06.01	Set up of reserves	-	-	-	-	-	-	-	-
5.06.02	Revaluation reserve released to retained earnings	-	-	-	-	-	-	-	-
5.06.03	Taxes on revaluation reserve released to retained earnings	-	-	-	-	-	-	-	-
5.07	Closing balances	2,528,146	236,517	88,060	25,088	29,219	2,907,030	17,460	2,924,490

Consolidated financial statements / Statements of changes in equity – 01/01/2012 to 09/30/2012

(In thousands of reais)

Account code	Account description	Paid-in capital	Capital reserves, options granted and treasury stock	Income reserves	Retained earnings/ 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
5.02	Prior-year adjustments	-	-	-	-	-	-	-	-
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	-	4,299	-	-	-	4,299	-	4,299
5.04.01	Capital increases	-	-	-	-	-	-	-	-
5.04.02	Share issue expenses	-	(396)	-	-	-	(396)	-	(396)
5.04.03	Stock options granted and recognized	-	4,695	-	-	-	4,695	-	4,695
5.04.04	Treasury stock purchased	-	-	-	-	-	-	-	-
5.04.05	Treasury stock disposed of	-	-	-	-	-	-	-	-
5.04.06	Dividends	-	-	-	-	-	-	-	-
5.04.07	Interest on equity	-	-	-	-	-	-	-	-
5.04.08	Share issue reserve	-	-	-	-	-	-	-	-
5.05	Total comprehensive income	-	-	-	73,548	131,895	205,443	4,092	209,535
5.05.01	Net income (loss) for the period	-	-	-	73,548	-	73,548	2,225	75,773
5.05.02	Other comprehensive income	-	-	-	-	131,895	131,895	1,867	133,762
5.05.02.01	Financial instrument adjustments	-	-	-	-	-	-	-	-
5.05.02.02	Taxes on financial instrument adjustments	-	-	-	-	-	-	-	-
5.05.02.03	Equity pickup on comprehensive income – affiliates	-	-	-	-	-	-	-	-
5.05.02.04	Translation adjustments in the period	-	-	-	-	-	-	-	-
5.05.02.05	Taxes on translation adjustments in the period	-	-	-	-	-	-	-	-
5.05.02.06	Foreign exchange variation - investments abroad	-	-	-	-	95,934	95,934	1,867	97,801
5.05.02.07	Fair value adjustment of investment properties	-	-	-	-	35,961	35,961	-	35,961
5.05.03	Reclassifications to P&L	-	-	-	-	-	-	-	-
5.05.03.01	Financial instrument adjustments	-	-	-	-	-	-	-	-
5.06	Internal changes in equity	-	-	-	-	-	-	-	-
5.06.01	Set up of reserves	-	-	-	-	-	-	-	-
5.06.02	Revaluation reserve released to retained earnings	-	-	-	-	-	-	-	-
5.06.03	Taxes on revaluation reserve released to retained earnings	-	-	-	-	-	-	-	-
5.07	Closing balances	2,528,146	238,625	34,130	73,548	(26,376)	2,848,073	18,922	2,866,995

Consolidated financial statements / Statements of value added

(In thousands of reais)

Account code	Account description	YTD 01/01/2013 to 09/30/2013	Prior YTD 01/01/2012 to 09/30/2012
7.01	Revenue	2,271,606	2,265,022
7.01.01	Sales of goods, products and services	2,155,947	2,110,478
7.01.02	Other revenue	26,114	3,220
7.01.03	Revenue from construction of own assets	89,545	153,248
7.01.04	Set up/reversal of allowance for doubtful accounts	-	(1,924)
7.02	Inputs purchased from third parties	(1,495,155)	(1,576,316)
7.02.01	Cost of sales	(1,002,282)	(1,080,570)
7.02.02	Materials, electricity, outsourced services and other	(492,873)	(495,746)
7.02.03	Loss/recovery of receivables	-	-
7.02.04	Other	-	-
7.03	Gross value added	776,451	688,706
7.04	Retentions	(90,736)	(80,672)
7.04.01	Depreciation, amortization and depletion	(90,736)	(80,672)
7.04.02	Other	-	-
7.05	Net value added produced	685,715	608,034
7.06	Value added received in transfer	94,027	85,819
7.06.01	Equity pickup	647	-
7.06.02	Financial income	93,380	85,819
7.06.03	Other	-	-
7.07	Total value added to be distributed	779,742	693,853
7.08	Distribution of value added	779,742	693,853
7.08.01	Personnel	385,537	397,197
7.08.01.01	Direct compensation	-	-
7.08.01.02	Benefits	-	-
7.08.01.03	Unemployment Compensation Fund (FGTS)	-	-
7.08.01.04	Other	-	-
7.08.02	Taxes, charges and contributions	115,056	46,567
7.08.02.01	Federal	-	-
7.08.02.02	State	-	-
7.08.02.03	Local	-	-
7.08.03	Debt remuneration	250,988	174,316
7.08.03.01	Interest	119,300	123,119
7.08.03.02	Rent	10,989	14,926
7.08.03.03	Other	120,699	36,271
7.08.04	Equity remuneration	28,161	75,773
7.08.04.01	Interest on equity	-	-
7.08.04.02	Dividends	-	-
7.08.04.03	Retained profits/loss for the period	25,088	73,548
7.08.04.04	Noncontrolling interest in retained profits	3,073	2,225
7.08.05	Other	-	-

MAGNESITA ANNOUNCES 3Q13 RESULTS

Contagem, Brazil - November 7, 2013 – MAGNESITA REFRATÁRIOS S.A. (BM&FBOVESPA, Novo Mercado: MAGG3 | OTC: MFRSY) today announces the results of the third quarter of 2013 (3Q13). Except where indicated otherwise, the consolidated operating and financial information of the Company is reported in thousands of Brazilian Reais, pursuant to Brazilian corporate law.

KEY INDICATORS

In R$ million	Quarter			*Var. %*		Year		Var.%
	3Q13 (a)	2Q13 (b)	3Q12 (c)	(a/b)	(a/c)	9M13 (d)	9M12 (e)	(d/e)
Net Revenues	638.2	642.7	599.7	-0.7%	6.4%	1,898.9	1,828.9	3.8%
Gross Profit	200.0	216.5	184.1	-7.7%	8.6%	623.7	564.7	10.5%
Gross Margin (%)	31.3%	33.7%	30.7%	-240 bp	60 bp	32.8%	30.9%	200 bp
EBIT	44.2	93.8	56.4	-52.8%	-21.6%	225.1	196.4	14.6%
EBITDA	76.5	123.2	84.2	-37.9%	-9.1%	315.9	277.0	14.1%
EBITDA Margin (%)	12.0%	19.2%	14.0%	-720 bp	-210 bp	16.6%	15.1%	150 bp
Net Income	-21.7	23.6	10.7	N/A	N/A	28.2	75.8	-62.8%
Net Margin (%)	-3.4%	3.7%	1.8%	-710 bp	-520 bp	1.5%	4.1%	-270 bp
CAPEX	61.6	36.0	61.7	71.1%	-0.1%	121.1	179.8	-32.6%
Operating Cash Flow	18.8	79.4	71.4	-76.4%	-73.7%	115.4	244.6	-52.8%
Net Debt	1,369.3	1,205.1	1,074.4	13.6%	27.4%	1,369.3	1,074.4	27.4%
Net Debt/EBITDA	3.6x	3.0x	3.0x			3.6x	3.0x	

Leverage ratio excludes non-recurring effects from EBITDA

3Q13 Results Conference Call

Friday, November 8, 2013

In English with simultaneous translation into Portuguese:
11:00 a.m. (Brasília)
8:00 a.m. (New York)
1:00 p.m. (London)

Phones: +55 11 2188-0155 (Brazil)*
+1 646 843 6054 (United States)
+44 203 051 6929 (Other countries)
Access code: Magnesita
*If you are in Brazil and wish to hear the original call in English, call the operator at +55 11 2188 0155.

Webcast: http://webcall.riweb.com.br/magnesita/2013/3T/english/index.asp

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Message from the CEO

"This was a challenging quarter for Magnesita, as our results fell short of both our 2013 goals and the company's potential. Though revenues remained stable during the period, in line with the performance of the markets in which we operate, our production costs in Brazil increased sharply due to operational problems at Brumado and Contagem. A few operational initiatives led to inefficiencies, resulting in lower sinter production, higher reprocessing costs and an increase in production loss rates. We took steps to correct these problems and reassigned key personnel in our global operations. We are addressing the problems vigorously and expect to resolve all the inefficiencies so that Magnesita's results are not affected in 2014.

As of August 2013, the global operations and commercial areas are reporting to Otto Levy, who was the Global Vice-President of Sales & Marketing and is now the Chief Operating Officer, with broader responsibilities.

Apart from the operational problems, the quarter was also affected by the seasonal effect on sales to the industrial segment, given that the third quarter is normally the weakest of the year, and the below-par performance of the steel industry in Europe, also due to seasonality. Finally, our plant in Chizhou (China) underwent a scheduled shutdown for maintenance of the tunnel kiln, which reduced its productivity and resulted in lower dilution of fixed costs.

On the other hand, this year we have achieved important milestones on the commercial front, including our first sales to integrated steel mills in the United States, our first sales to the steel market in Vietnam, over 30% growth in sales to steel clients in Mexico, our first sales to the non-ferrous industry in Europe, our first sales to the copper and nickel industry in the United States, and a significant jump in sales to the cement industry in the Middle East and Africa. These achievements, though incipient, would not have been possible without the investments we made in the commercial and administrative structure.

Overall, we are satisfied with our commercial performance this year. Despite the disappointing performance of the steel industry in our key markets, our refractory sales volume remained practically unchanged throughout the year, while revenues grew 6.2%. We continue to diversify our business even further - sales outside South America accounted for 58.2% of our refractory revenue in the first nine months of 2013, up 2.5 p.p. from 2012, while sales to the industrial sector increased to 18% of refractories revenues, from 17.3% in 2012 and 13.9% in 2011.

With regard to our balance sheet, quarter-end leverage was much higher than we would like it to be. Note that we are still adversely impacted by the weakening of the Brazilian real, and have captured only a part of this impact in our EBITDA, yet the entire effect in our debt. The lower EBITDA in the quarter, due to the challenges mentioned above, also contributed to the increased leverage. Nevertheless, our liquidity remains *very comfortable - we ended the quarter with cash balance of R$456 million, which is higher than our debt amortization requirements for the next six years. Moreover, 30% of our total debt corresponds to perpetual bonds and the balance 70% has maturity of nearly 7 years.*

It is worth highlighting that we concluded our plan to reduce the foreign exchange exposure of our debt. Today our net debt has the same currency exposure as our operating cash flow.

With respect to the minerals business, this quarter we defined the expansion project of our talc business that will be operational in 2014. In the first phase, we will invest up to R$20 million to increase production capacity from the current 44,000 tons/year to 60,000 tons/year in 2015. We remain committed to doubling our talc business in the next three to five years.

In the quarter, we concluded the first phase of the drilling campaign, reaching 8,500 meters of drilling in Almenara, Minas Gerais, where we are implementing the first phase of our Graphite Project, aiming for a mine with annual capacity of 40,000 tons. The results of this first phase and the technical tests relating to ore composition and concentration are in line with our expectations. This year, we will also start the final phase of geological surveys to certify that there are sufficient reserves for the first phase of the project during the first quarter of 2014.

To conclude, I wish to reiterate my disappointment with the results of this quarter. 2013 had been until now very positive for Magnesita, marked by new commercial achievements and increased margins despite the adverse macro scenario and the drop in steel production in our core markets. Overcoming these challenges and recovering our profitability have become our priority. We made important changes to the team, the processes and the structure and have several action plans in progress. Despite the challenges we faced in 3Q13, we remain confident and focused on our strategy. We remain motivated and continue to work hard to increase the value of our business.

Thank you."

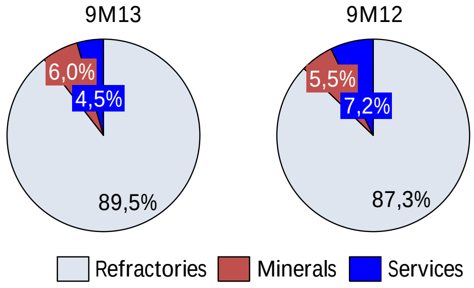
Octavio Pereira Lopes

CONSOLIDATED OPERATING AND FINANCIAL PERFORMANCE

REVENUE AND VOLUME

Segment	Quarter			Var. %		Year		Var. %
	3Q13 (a)	2Q13 (b)	3Q12 (c)	(a/b)	(a/c)	9M13 (d)	9M12 (e)	(d/e)
Refractory Solution								
Volume ('000 ton)	245.7	270.9	250.5	-9.3%	-1.9%	781.3	797.0	-2.0%
Revenues (R$ million)	570.9	572.1	515.2	-0.2%	10.8%	1,698.4	1,596.6	6.4%
Industrial Minerals								
Volume ('000 ton)	195.7	244.7	171.7	-20.0%	14.0%	682.6	624.9	9.2%
Revenues (R$ million)	37.6	42.4	34.6	-11.2%	8.9%	114.3	101.3	12.8%
Services								
Revenues (R$ million)	29.7	28.3	49.9	5.2%	-40.4%	86.1	131.0	-34.2%
TOTAL								
Revenues (R$ million)	638.2	642.7	599.7	-0.7%	6.4%	1,898.9	1,828.9	3.8%

Consolidated Revenue Breakdown by Segment

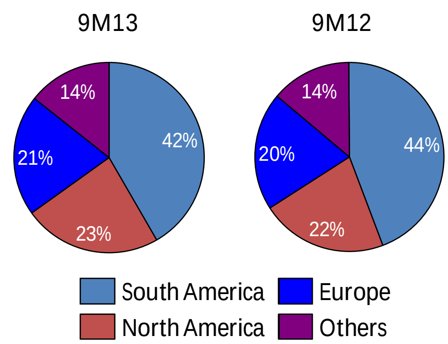


Analysis of Results by Segment

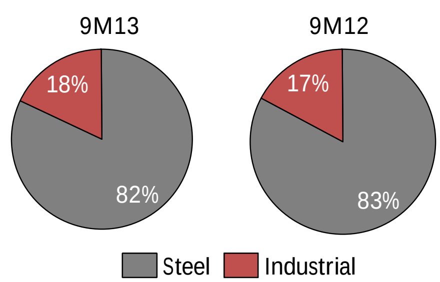
Refractory solutions

Refractory Solution	Quarter			Var. %		Year		Var. %
	3Q13 (a)	2Q13 (b)	3Q12 (c)	(a/b)	(a/c)	9M13 (d)	9M12 (e)	(d/e)
Volume ('000 ton)	245.7	270.9	250.5	-9.3%	-1.9%	781.3	797.0	-2.0%
Revenues (R$ million)	570.9	572.1	515.2	-0.2%	10.8%	1,698.4	1,596.6	6.4%

% of Revenue (R$) from Refractories by Region



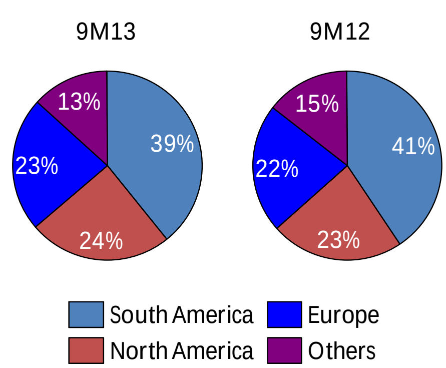
% of Sales (R$) of Refractories for Steel and Industrial Sectors



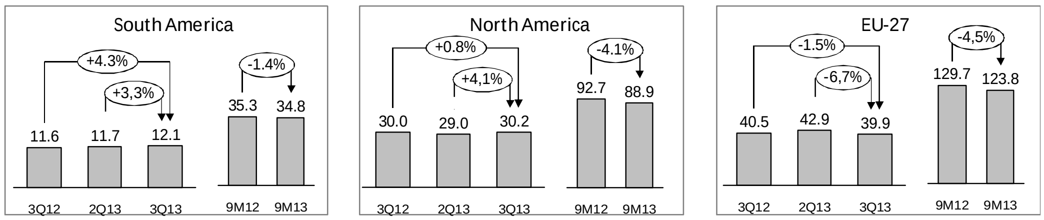
Refractory Solutions – Steel Sector

Refractory Solution - Steel	Quarter			Var. %		Year		Var. %
	3Q13 (a)	2Q13 (b)	3Q12 (c)	(a/b)	(a/c)	9M13 (d)	9M12 (e)	(d/e)
Volume ('000 ton)	210.2	230.6	217.5	-8.9%	-3.4%	656.4	679.0	-3.3%
Revenues (R$ million)	481.8	473.1	438.5	1.8%	9.9%	1,392.1	1,320.6	5.4%

Sales by Region (R$)



Steel Production (in million tons)



Refractory sales to the steel sector totaled R$481.8 million in 3Q13, 1.8% higher than 2Q13. Though sales volume declined 8.9%, the appreciation of over 10% of the Dollar and the Euro (average exchange rate) against the Real more than compensated for this drop in volume, which mainly reflects the termination of the LTR joint venture in China (as explained later in the report) and seasonality effects on sales to steel clients in Europe. Excluding the effect of the termination of LTR, the decline in volume would be 4.2%.

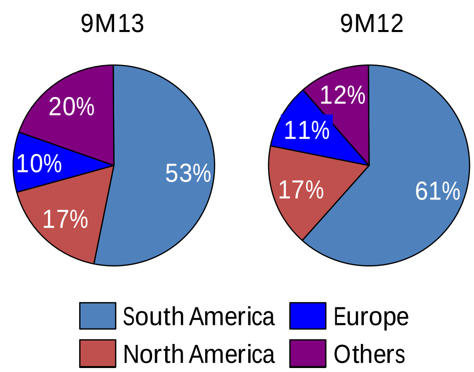
Compared with 3Q12, sales grew 9.9%, also impacted positively by the Real's depreciation against both the Dollar and Euro. The 3.4% drop in sales volume also is explained by the termination of LTR. Excluding this effect, sales volume would have increased 1.6%. This increase reflects the sales growth in South America, which outpaced growth in steel production, as well as market share gains in new markets such as Asia and the Middle East.

Year-to-date sales to the steel sector totaled R$1,392.1 million, up 5.4% over 2012, with the foreign exchange variation offsetting the drop in sales volume. Sales volume totaled 656,400 tons, down 3.3% from 2012. Excluding the effect of LTR, the drop in volume would be 1.7%, which is less than the decrease in steel production in Magnesita's core markets. Magnesita's sales increased 1.1% in South America, despite the 1.1% drop in steel production. In North America, sales declined 1.7%, while steel production declined 3.6%. Finally, sales in Western Europe declined 1.5%, while steel production dropped 4.1%. These numbers reflect the market share gains in the key markets of Magnesita, where the core strategy is to ensure the Company´s leadership.

Refractory Solutions – Industrial

Refractory Solution - Industrial	Quarter			Var. %		Year		Var. %
	3Q13 (a)	2Q13 (b)	3Q12 (c)	(a/b)	(a/c)	9M13 (d)	9M12 (e)	(d/e)
Volume ('000 ton)	35.5	40.2	33.0	-11.7%	7.6%	124.9	118.0	5.9%
Revenues (R$ million)	89.1	98.9	76.7	-10.0%	16.1%	306.3	276.0	11.0%

Sales by Region (R$)

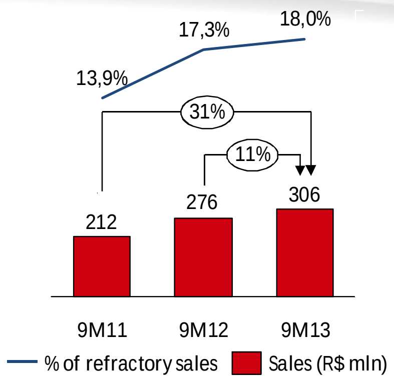


Sales to the industrial sector reached R$89.1 million in the quarter, down 10.0% from the previous quarter. This decline is a direct result of the 11.7% decrease in sales volume, caused by seasonality effects, since the third quarter is traditionally the weakest of the year.

Compared with 3Q12, sales increased 16.1%, with a 7.6% expansion in sales volume, in addition to the positive foreign exchange effect from the conversion of sales in foreign currencies. The increase from 3Q12 was mainly driven by new markets such as Asia, Africa and the Middle East, where the Company achieved good performance in sales to the cement industry.

Year-to-date sales totaled R$306.3 million, up 11.0% on the same period the previous year. This growth resulted from the 5.9% increase in sales volume and the foreign exchange effect, as explained earlier. It is worth highlighting the significant sales growth in Asia ex-China, South America ex-Brazil, Africa and the Middle East.

Magnesita has continuously pursued greater diversification, both in terms of geography and customer segments. The chart below depicts the growth in sales to the industrial segment in the past three years and the corresponding share in total revenue from refractories:



Industrial minerals

Industrial Minerals	Quarter			Var. %		Year		Var. %
	3Q13 (a)	2Q13 (b)	3Q12 (c)	(a/b)	(a/c)	9M13 (d)	9M12 (e)	(d/e)
Volume ('000 ton)	195.7	244.7	171.7	-20.0%	14.0%	682.6	624.9	9.2%
Revenues (R$ million)	37.6	42.4	34.6	-11.2%	8.9%	114.3	101.3	12.8%

Revenue from industrial mineral sales totaled R$37.6 million in the quarter, down 11.2% from 2Q13, due to the 20.0% decrease in sales volume. The lower volume reflects the decline in the sales of lower value-added minerals in China and North America.

Talc sales decreased 5.4% in the quarter, mainly due to the decline in vehicle production, since talc is an important component of the plastic parts in vehicles.

Compared with 3Q12, revenue increased 8.9%, mainly due to the increased sales of lower value-added minerals in Brazil and Talc sales, which increased 6.7% from 3Q12. In the first nine months, talc sales totaled R$114.3 million, up 12.8% from the same period in 2012.

Services

Services	Quarter			Var. %		Year		Var. %
	3Q13 (a)	2Q13 (b)	3Q12 (c)	(a/b)	(a/c)	9M13 (d)	9M12 (e)	(d/e)
Revenues (R$ million)	29.7	28.3	49.9	5.2%	-40.4%	86.1	131.0	-34.2%

Service revenues totaled R$29.7 million in the quarter, up 5.2% from 2Q13. The increase was mainly due to the full impact of the consolidation of Reframec (consolidated as of June 1, 2013 and hence impacted only one month in 2Q13). The decline from both 3Q12 and 9M12 still reflects Magnesita's strategic repositioning, as announced earlier, by which the Company gradually discontinued lower value-added service contracts and focused on services directly linked to the installation and maintenance of refractories.

GROSS PROFIT AND GROSS MARGIN

Consolidated

Consolidated	Quarter			Var. %		Year		Var. %
	3Q13 (a)	2Q13 (b)	3Q12 (c)	(a/b)	(a/c)	9M13 (d)	9M12 (e)	(d/e)
Revenues (R$ million)	638.2	642.7	599.7	-0.7%	6.4%	1,898.9	1,828.9	3.8%
Gross Profit (R$ million)	200.0	216.5	184.1	-7.7%	8.6%	623.7	564.7	10.5%
Gross Margin (%)	31.3%	33.7%	30.7%	-240 bp	60 bp	32.8%	30.9%	200 bp

By segment

Refractory solutions

Refractory Solution	Quarter			Var. %		Year		Var. %
	3Q13 (a)	2Q13 (b)	3Q12 (c)	(a/b)	(a/c)	9M13 (d)	9M12 (e)	(d/e)
Volume ('000 ton)	245.7	270.9	250.5	-9.3%	-1.9%	781.3	797.0	-2.0%
Revenues (R$ million)	570.9	572.1	515.2	-0.2%	10.8%	1,698.4	1,596.6	6.4%
Gross Profit (R$ million)	180.2	191.1	162.0	-5.7%	11.2%	562.2	509.2	10.4%
Gross Margin (%)	31.6%	33.4%	31.4%	-180 bp	10 bp	33.1%	31.9%	120 bp

Gross margin from refractory solutions ended the quarter at 31.6%, down 180 bps from 2Q13, mainly due to the operational challenges at Brumado and Contagem, which drove up production costs in these units. The decline in margin also reflects the lower sales volume during the period due to seasonality effects, in case of the steel industry in Europe and in the industrial sector across all regions. Finally, the decline in margin was also caused by a scheduled maintenance shutdown at the production unit in Chizhou, China, which also resulted in lower dilution of fixed costs in the period.

In comparison with 3Q12, gross margin remained stable, with operational challenges and the decline in volume being offset by increased vertical integration in raw materials in 2013 after the conclusion of expansion at Brumado, as well as other smaller projects to improve productivity across all business units.

Gross margin in 9M13 was 120 bps higher than in the same period the previous year, despite the challenges in 3Q13.

Industrial minerals

Industrial Minerals	Quarter			Var. %		Year		Var. %
	3Q13 (a)	2Q13 (b)	3Q12 (c)	(a/b)	(a/c)	9M13 (d)	9M12 (e)	(d/e)
Volume ('000 ton)	195.7	244.7	171.7	-20.0%	14.0%	682.6	624.9	9.2%
Revenues (R$ million)	37.6	42.4	34.6	-11.2%	8.9%	114.3	101.3	12.8%
Gross Profit (R$ million)	15.6	20.8	15.6	-24.8%	0.3%	49.0	42.6	15.0%
Gross Margin (%)	41.6%	49.0%	45.1%	-750 bp	-350 bp	42.9%	42.1%	80 bp

Gross margin for the minerals segment ended the quarter at 41.6%, compared with 49.0% in 2Q13. This increase was due to changes in the sales mix, with a reduction in the volume of lower value-added materials in the quarter. Year-to-date margin was in line with previous year.

Services

Services	Quarter			Var. %		Year		Var. %
	3Q13 (a)	2Q13 (b)	3Q12 (c)	(a/b)	(a/c)	9M13 (d)	9M12 (e)	(d/e)
Revenues (R$ million)	29.7	28.3	49.9	5.2%	-40.4%	86.1	131.0	-34.2%
Gross Profit (R$ million)	4.2	4.7	6.6	-11.1%	-36.5%	12.5	12.8	-3.0%
Gross Margin (%)	14.0%	16.6%	13.2%	-260 bp	90 bp	14.5%	9.8%	470 bp

Gross margin from services was 14.0% in 3Q13, slightly lower than in 2Q13 and in line with the margin in 3Q12.

Gross margin in 9M13 remained 470 bps higher than in 2012, due to the shift in the strategic focus of the service segment from the second half of 2012, as already announced by the Company.

SELLING, GENERAL AND ADMINISTRATIVE (SG&A) EXPENSES

Consolidated	Quarter			Var. %		Year		Var. %
	3Q13 (a)	2Q13 (b)	3Q12 (c)	(a/b)	(a/c)	9M13 (d)	9M12 (e)	(d/e)
Revenues (R$ million)	638.2	642.7	599.7	-0.7%	6.4%	1,898.9	1,828.9	3.8%
Selling expenses	-86.1	-81.8	-68.8	5.2%	25.1%	-236.8	-202.7	16.9%
% of Selling expenses on revenues	13.5%	12.7%	11.5%	76 bp	201 bp	12.5%	11.1%	140 bp
G&A	-66.0	-61.5	-56.0	7.3%	17.9%	-180.9	-151.8	19.1%
% of G&A on revenues	10.3%	9.6%	9.3%	80 bp	100 bp	9.5%	8.3%	120 bp

General and administrative (G&A) expenses totaled R$66.0 million in 3Q13, up 7.3% from 2Q13 and 17.9% from 3Q12. The increase in relation to 2Q13 is mainly due to investments in the Company's new structure, needed to sustain the long-term strategy. The impact of the new structure was partly reflected in 2Q13 and fully reflected in 3Q13. Moreover, G&A expenses incurred in currencies other than the Real were also impacted by the appreciation of these exchange rates.

Selling expenses totaled R$86.1 million in the quarter, up 5.2% from 2Q13 and 25.1% from 3Q12.

In line with previous announcements, since January 1, 2013, Magnesita reorganized its commercial strategy, moving from four sales regions to eight sales regions: Brazil, South America ex-Brazil, North America, Western Europe, Eastern Europe, Africa and the Middle East, China and Asia ex-China. This structure is further divided into steel and industrial segments since clients, processes and products are different.

In 9M13, selling expenses totaled R$ 236.8 million, up 17% from 2012. About half of this growth is due to the expansion of the commercial structure, while the other half is mainly due to the foreign exchange effect.

EBITDA

EBITDA Conciliation (R$ million)	Quarter			Var. %		Year		Var. %
	3Q13 (a)	2Q13 (b)	3Q12 (c)	(a/b)	(a/c)	9M13 (d)	9M12 (e)	(d/e)
Operational Profit (EBIT)	44.2	93.8	56.4	-52.8%	-21.6%	225.1	196.4	14.6%
Depreciation/Amortization	32.3	29.5	27.8	9.7%	16.0%	90.8	80.6	12.7%
EBITDA	76.5	123.2	84.2	-37.9%	-9.1%	315.9	277.0	14.1%
EBITDA Margin	12.0%	19.2%	14.0%	-720 bp	-210 bp	16.6%	15.1%	150 bp

EBITDA in the quarter was R$76.5 million, with margin of 12.0%, compared to R$123.2 million in 2Q13, with margin of 19.2%, and R$84.2 million in 3Q12, with margin of 14.0%. Note that 2Q13 was positively affected by the sale of a non-core asset (as announced in 2Q13), excluding that impact, 2Q13 EBITDA would have been R$101.0 million, with a 15.7%.margin

The decline in EBITDA in 3Q13 mainly reflects the operational challenges, which resulted in a sharp increase in production costs of MgO sinter at Brumado and in a few product lines at Contagem. As mentioned above, various measures were taken to address these inefficiencies, which included important changes in the operational structure and team. The Company believes that the problems will be solved in a timely manner, so that they do not affect the results in 2014. The increase in SG&A expenses also contributed to the decline in EBITDA, as explained earlier.

EBITDA for the 9M13 totaled R$315.9 million, with margin of 16.6%. Excluding the sale of the non-core asset in 2Q13, EBITDA in 9M13 would be R$293.7 million, with margin of 15.5%, compared to R$277.0 million in 9M12, with 15.1% margin.

FINANCIAL INCOME/EXPENSES

Consolidated	Quarter			Var. %		Year		Var. %
	3Q13 (a)	2Q13 (b)	3Q12 (c)	(a/b)	(a/c)	9M13 (d)	9M12 (e)	(d/e)
Financial Income + Forex variation	95.6	-3.6	22.3	N/A	N/A	93.4	85.8	8.8%
Financial Expenses + Forex variation	-148.8	-52.1	-55.8	185.8%	166.9%	-240.0	-159.4	50.6%
Net Financial Result	-53.3	-55.6	-33.5	-4.3%	59.2%	-146.6	-73.5	99.4%

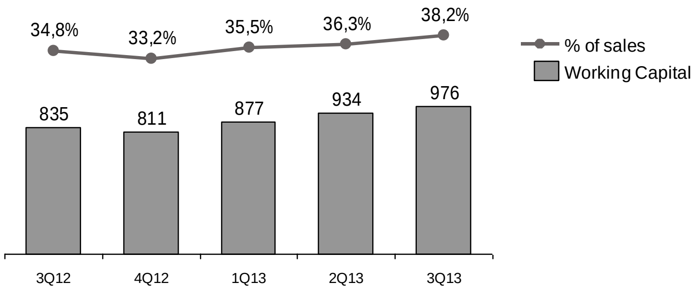
The net financial result in 3Q13 was an expense of R$53.3 million, in line with the result in the previous quarter. The financial expenses in the quarter include a R$14.2 million loss with LTR, which was booked as an investment.

NET RESULT

The net result in 3Q13 was a R$21.7 million loss, compared with net income of R$23.6 million in 2Q13 and R$10.7 million in 3Q12. The net result in the quarter was impacted negatively by the operating result, as explained earlier.

The net result for 9M13 was an income of R$28.2 million, compared to R$75.8 million in 9M12. This decline also reflects lower interest income as we converted the majority of our cash holdings from Reais into US dollars, as well as the impact of the Real depreciation, which more than compensated the increase in the EBIT year-to-date.

WORKING CAPITAL



[1]calculation considers annualized sales in the quarter.

Despite the improvement in the payments and receivables cycle in the quarter, working capital increased due to higher raw material inventories during the period.

Moreover, the depreciation of the Real, especially against the Euro, also impacted working capital in the period.

DEBT

Magnesita ended the quarter with gross debt of R$1,825.2 million, virtually stable in comparison to R$1,837.9 million at the end of 2Q13. Short-term debt corresponded to 4.1% of total debt at end of the quarter.

The Company ended the quarter with cash and financial investments of R$456.0 million, compared to R$632.8 million in 2Q13. The key factors for the reduction in the cash balance were: the discontinued operation in China (LTR); payment for the plant in Dalian, China; working capital consumption in the quarter, mainly due to the buildup of raw materials; and payment of debt. The decrease in cash generation in the quarter due to the operational challenges also impacted the cash balance in the period.

Leverage, measured by 12-month net debt/EBITDA, was 3.6x at the end of 3Q13, versus 3.0x in 2Q13. The increase is due to the reduction in cash, as explained above, and the decline in EBITDA in the quarter.

Despite the high leverage, the Company's liquidity position remains very comfortable. The cash balance of R$456.0 million at the end of 3Q13 is higher than the debt amortization requirements for the next six years. The Company also has a perpetual bond of US$ 250 million (balance of R$550.4 million at the close of 3Q13), which corresponded to 30.2% of gross debt and 40.2% of net debt. Excluding the perpetual bond from debt, net leverage would be 2.1x. The remaining 70% of gross debt matures in almost 7 years.

This quarter, the Company concluded its plan to reduce the foreign exchange exposure of its net debt. At the end of this quarter, net debt per currency was proportional to the operational cash flow. Between 4Q12 and 3Q13, net debt in foreign currency was reduced from 117% to 78%.

CAPEX

Capex in 3Q13 totaled R$61.6 million, compared to R$36.0 million in 2Q13 and R$61.7 million in 3Q12. Capex in 9M13 totaled R$121.1 million, versus R$179.8 million in the same period in 2012, down 32.6%. The reduction is due to the conclusion of the expansion project at Brumado in 2012. Of the total capex in 9M13, R$86.3 million went to refurbishments, maintenance, system upgrades, environment, IT projects and investments in clients, R$13.4 million was invested in projects to improve productivity, and R$21.4 million in the implementation of mining projects.

OTHER HIGHLIGHTS

Organizational Changes

In August 2013, Otto Levy, who was the Global Vice-President of Sales & Marketing, assumed the role of Chief Operating Officer, with broader responsibilities.

In October 2013, Pedro Gutemberg became the Vice-President of Minerals, on an interim basis. Pedro, who was already a member of Magnesita's Global Advisory Board, has over 10 years of experience in the mining industry, having held top management positions at Vale, Rio Tinto, B&A Mineração and Samarco.

Peter Estermann, the previous COO, and Vinicius Santos Silva, the previous Vice-President of Minerals, left the Company in pursuit of new professional challenges.

Termination of Shanxi LWB Taigang Refractories Company Ltd (LTR) – China

As of July 1st, Magnesita ceased to consolidate the results of the Shanxi LWB Taigang Refractories Company Ltd. (LTR) joint venture, in which TAIYUAN IRON&STEEL (GROUP) COMPANY LTD. (TISCO) holds 49% and Magnesita 51%, following a decision by the local government to relocate the plant and suspend its activities.

Since this relocation would require investments that are not justified considering the expected future profitability of the operation, Magnesita has decided to discontinue LTR as of the third quarter.

The financial impact of this decision is not material, since revenues from LTR in the first six months of 2013 were R$41.1 million (around 3% of the consolidated revenue of Magnesita), with EBITDA of R$4.3 million (less than 2% of consolidated EBITDA), and the loss related to the write-off of this investment was R$ 14.2 million, which was booked as part of the financial expenses in the quarter. The decision to discontinue LTR will not have any additional financial impact on Magnesita.

Magnesita remains committed to its China operations through the refractory plant and dolomite mine in Chizhou and the recently acquired refractory plant in Dalian, both of which are 100% owned by Magnesita.

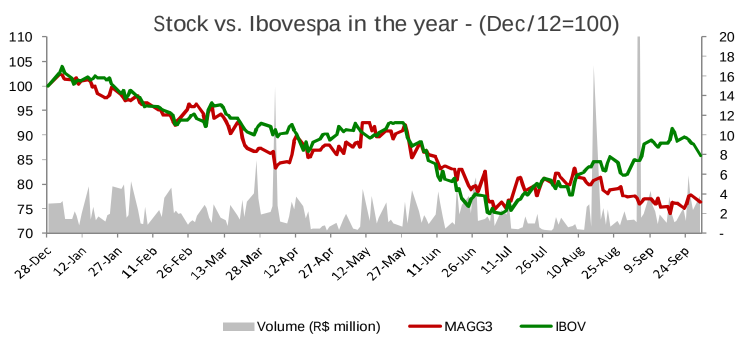
Share Buyback Program

By the end of 3Q13, the Company invested R$5.8 million acquiring 914,400 shares as part of the 2nd Share Buyback Program approved on August 8th, 2013. During 2013, and including the 1st Share Buyback Program concluded in August, the Company acquired 2.01 million shares by investing a total of R$13.7 million.

CAPITAL MARKETS

Magnesita's common shares (Novo Mercado: MAGG3 | OTC: MFRSY) closed the quarter at R$6.30, down 23.6% in the year. During the period, the Bovespa Index (Ibovespa) lost 14.1% to close at 52,338 points. Average daily financial trading volume in the year was R$2.3 million, with an average of 324,000 shares traded a day.

Magnesita's market value at the end of the quarter was R$1.8 billion.



Disclaimer

Statements contained in this report concerning the business prospects, projections of operating and financial results, and those relating to the Company's growth potential are merely forecasts and were based on the expectations and estimates of Management about the future performance of Magnesita. 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 market behavior, Brazil's political and economic situation, current and future regulations in the industry and international markets and, consequently, are subject to changes beyond the control of Magnesita and its Management. The Company does not publish updates or revisions of the expectations, estimates and forecasts contained herein arising from future events or information. All statements related to minerals reserves and recovery estimates are projections based on available geological information and statistical geological models. Actual future production of minerals may differ substantially from those estimates.

IFRS 11 – Joint arrangements

Starting from fiscal year 2013, the Company has applied IFRS 11 - "Joint Arrangements" issued in May 2011 and included as an amendment to the text of CPC 19 (R2) - "Joint Venture". As a result, since the method of proportionate consolidation is no longer permitted, the Company ceased to consolidate the joint subsidiary Krosaki Magnesite Refractories LLC (United States). Moreover, as of January 1, 2013, interest in Krosaki Magnesite Refractories LLC (40%) is being booked using the equity method. For comparison purposes, the balances on December 31, 2012 and September 30, 2012 were adjusted in the Quarterly Information ("ITR") form to reflect said change in accounting practices. This quarter, the Company also decided to incorporate said adjustments in its Earnings Release, as well as in the numbers with historical effect to 1Q12 for the purpose of comparison with the numbers in 2013.

Other changes in the information by segment

In line with the new strategic plan, the Company revised a few accounting processes and systems. As a result, a few adjustments were made this quarter in the segmentation of a few clients. Consequently, there were marginal changes in the historical data per segment.

About Magnesita Refratários S.A.

Magnesita Refratários S.A. is a publicly-held company, with shares traded on the Novo Mercado segment of BM&FBovespa in Brazil and through Level 1 ADRs in the U.S., which is engaged in mining, producing and marketing an extensive line of refractory materials and industrial minerals. 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, and one each in Belgium, Taiwan and Argentina, with annual refractory production capacity of over 1.4 million tons. It 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 diverse 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, environment and community*

APPENDIX I – CONSOLIDATED BALANCE SHEET

As per Brazilian Corporate Law (R$ million)	9/30/13	6/30/13	9/30/12
ASSETS			
Current	2,012.4	2,106.6	2,139.4
Cash ans cash equivalents	456.0	632.8	807.2
Accounts receivable	557.9	565.2	520.7
Inventories	771.2	714.9	632.6
Recoverable taxes	184.7	133.6	121.3
Others	42.6	60.2	57.6
Long term	3,756.5	3,670.1	3,541.5
Deffered income and social contribution taxes	11.0	25.2	48.3
Others	47.3	44.3	92.1
Investments	73.1	72.8	68.7
Property, plant and equipment	1,184.7	1,125.5	1,029.0
Intangibles	2,440.4	2,402.2	2,303.3
Total Assets	5,768.9	5,776.7	5,680.8
LIABILITIES			
Current	700.3	690.4	660.5
Suppliers	352.6	346.4	318.6
Loans	74.3	113.1	125.7
Salaries and social charges	107.2	84.1	96.4
Taxes and contributions	59.1	75.3	51.7
Others	107.2	71.5	68.1
Long term liabilities	2,144.0	2,178.0	2,153.3
Loans	1,751.0	1,724.8	1,716.3
Deferred tax and contributions	54.4	49.6	122.2
Severance payment	254.8	308.2	231.1
Provision for contigencies	64.8	64.3	66.5
Others	19.1	31.0	17.2
Shareholder's equity	2,924.5	2,908.3	2,867.0
Capital	2,528.1	2,528.1	2,528.1
Capital and revenue reserves	251.1	249.4	238.6
Profit reserves	88.1	88.1	34.1
Retained earnings (losses)	25.1	47.1	73.5
Other comprehensive income	29.2	-20.6	-26.4
Shares buyback	-14.6	-7.2	0.0
Non- controlling interests	17.5	23.4	18.9
Total liabilities and Shareholder's equity	5,768.9	5,776.7	5,680.8
Total number of shares outstanding ('000)	289.8	291.0	292.0
Book Value Per Share[1]	10.09	10.00	9.82

[1]BVS = Shareholder's equity/(number of shares outstanding – treasury shares)

APPENDIX II – CONSOLIDATED INCOME STATEMENT

As per Brazilian Corporate Law (R$ million)	Quarter			Var. %		Year		Var. %
	3Q13 (a)	2Q13 (b)	3Q12 (c)	a/b	a/c	9M13 (d)	9M12 (e)	d/e
Net operating revenues	638.2	642.7	599.7	-0.7%	6.4%	1,898.9	1,828.9	3.8%
Cost of goods sold	-438.3	-426.2	-415.6	2.8%	5.5%	-1,275.1	-1,264.2	0.9%
Gross Profit	200.0	216.5	184.1	-7.7%	8.6%	623.7	564.7	10.5%
Gross margin (%)	31.3%	33.7%	30.7%	-240bp	60bp	32.8%	30.9%	200bp
Selling expenses	-86.1	-81.8	-68.8	5.2%	25.1%	-236.8	-202.7	16.9%
General and administrative expenses	-66.0	-61.5	-56.0	7.3%	17.9%	-180.9	-151.8	19.1%
Other operating income (expenses)	-3.6	20.6	-2.9	-117.6%	N/A	19.1	-13.8	-238.7%
Operating profit (EBIT)	44.2	93.8	56.4	-52.8%	-21.6%	225.1	196.4	14.6%
Operating margin (%)	6.9%	14.6%	9.4%	-770bp	-250bp	11.9%	10.7%	110bp
Financial income (expenses)	-80.9	-41.3	-32.3	95.8%	150.4%	-153.2	-98.3	55.9%
Currency variation, net	27.6	-14.3	-1.1	-293.1%	N/A	6.6	24.8	-73.3%
Income before income tax and social contrib.	-9.0	38.1	22.9	-123.7%	-139.4%	78.5	122.9	-36.1%
Income tax and social contribution	-12.7	-14.6	-12.2	-13.2%	3.6%	-50.3	-47.1	6.9%
Net income (losses)	-21.7	23.6	10.7	N/A	N/A	28.2	75.8	-62.8%
Net margin (%)	-3.4%	3.7%	1.8%	-710bp	-520bp	1.5%	4.1%	-270bp
Earning per share (R$)	-0.08	0.07	0.03	N/A	N/A	0.09	0.25	-65.9%
Depreciation/amortization	32.3	29.5	27.8	9.7%	16.0%	90.8	80.7	12.6%
EBITDA	76.5	123.2	84.2	-37.9%	-9.1%	315.9	277.0	14.1%
EBITDA Margin (%)	12.0%	19.2%	14.0%	-720bp	-210bp	16.6%	15.1%	150bp

APPENDIX III – CONSOLIDATED CASH FLOW

As per Brazilian Corporate Law (R$'000)	3Q13	2Q13	3Q12	9M13	9M12
Cash flows from operating activities:					
Net income (losses)	-21.7	23.6	10.7	28.2	75.8
Adjustments					
Charges and monetary/exchange variations, net	64.3	87.7	16.4	174.1	147.8
Depreciation and amortization	30.8	28.0	26.1	86.2	75.6
Intangible amortization	1.5	1.5	1.7	4.6	5.1
Deferred income tax and social contribution	2.5	7.7	4.9	21.1	20.9
Derivativos - fair value swap	-4.8	15.5	9.5	0.0	5.6
Stock Option	1.7	1.6	3.1	5.0	4.7
Minority interests	0.3	3.7	1.0	3.1	2.2
Results on equity investees	-0.6	0.0	0.0	-0.6	0.0
Provision for losses on inventory and accounts receivable	-1.6	1.6	0.0	0.0	0.0
	72.4	170.6	73.5	321.6	337.7
Change in assets and liabilities					
Accounts receivable	5.1	-20.5	3.1	-42.0	-14.3
Inventories	-51.7	-63.7	-31.4	-132.8	-9.7
Taxes recoverable	-51.1	-14.0	6.7	-73.0	-8.9
Suppliers	6.2	34.7	16.5	4.7	-25.4
Accrued taxes	-16.2	6.9	-14.0	9.8	-6.5
Dividends/Interests on equity payable	1.0	-16.3	0.0	-15.3	-9.3
Others	53.1	-18.3	17.1	42.5	-19.0
	-53.6	-91.3	-2.1	-206.2	-93.1
Net cash provided from used in operating activities	18.8	79.4	71.4	115.4	244.6
Cash flows from investing activities:					
Securities and other investments	15.8	8.7	18.4	11.3	4.2
Disposal of property, plant and equipment	25.2	0.5	0.4	29.3	2.6
Additions of fixed, investments and intangible assets	-71.8	-59.3	-61.7	-154.5	-179.9
Goodwill on acquisition of investments	-59.1	0.0	0.0	-59.1	0.0
Net cash provided from (used in) investing activities	-89.9	-50.1	-43.0	-173.0	-173.0
Cash flows from financing activities					
New loans and financing	-0.1	0.4	5.1	0.5	541.9
Payment of loans and financing	-29.1	-40.7	-61.1	-174.8	-507.4
Payment of loans and financing - interest	-58.1	-47.1	-22.7	-131.3	-120.8
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	-7.4	-4.8	0.0	-13.4	0.0
Net cash provided from (used in) financing activities	-94.7	-92.1	-78.7	-319.0	-86.6
Increase (decrease) in cash and cash equivalents	-165.9	-62.9	-50.2	-376.6	-15.0
Forex variations – opening balance	4.8	26.6	5.3	24.4	12.1
Opening balance of cash and cash equivalents	605.6	641.8	812.5	796.7	770.5
Closing balance - cash and equivalents	444.5	605.6	767.6	444.5	767.6

APPENDIX IV – DEBT (R$ million)

Type	Short term			Long term			Total		
	12/31/2012	6/30/2013	9/30/2013	12/31/2012	6/30/2013	9/30/2013	12/31/2012	6/30/2013	9/30/2013
Bonds (Reg. 144A)	0.0	0.0	0.0	799.5	868.4	874.0	799.5	868.4	874.0
Export credit notes	44.9	17.6	16.4	787.4	751.2	754.6	832.3	768.8	771.1
Advance	47.4	50.7	33.1	86.5	41.0	41.3	133.9	91.7	74.4
Fixed assets financing	0.8	0.9	0.8	47.4	47.5	47.4	48.2	48.4	48.2
Import financing	4.4	3.1	0.0	0.0	0.0	0.0	4.4	3.1	0.0
Others	30.9	40.8	23.9	29.0	16.7	33.7	59.8	57.5	57.6
Total	128.4	113.1	74.3	1,749.7	1,724.8	1,751.0	1,878.1	1,837.9	1,825.2
Share %	6.8%	6.2%	4.1%	93.2%	93.8%	95.9%	100.0%	100.0%	100.0%
Cash+investments							819.9	632.8	456.0
Net Debt							1,058.2	1,205.1	1,369.3

APPENDIX V – SHAREHOLDING STRUCTURE – 09/30/2013

Shareholders	ON	%
Controlling group		
Alumina Holdings LLC (GP Investments)	88,654,796	30.5%
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 Group	120,350,670	41.4%
Others	170,327,164	58.6%
Total	290,677,834	100.0%

APPENDIX VI – GROSS PROFIT BY SEGMENT

Changes to Historical Numbers

The Company decided to adjust its historical numbers due to the IFRS11 changes to the consolidation of KMR (as discussed above) with retroactive effect to 1Q12 for the purpose of comparison with the numbers in 2013.

Other changes in the information by segment

In line with the new strategic plan, the Company revised a few accounting processes and systems. As a result, a few adjustments were made this quarter in the segmentation of a few clients. Consequently, there were marginal changes in the historical data per segment.

Refractory Solution - Total	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13
Volume (t)	275.3	271.2	250.5	246.0	264.7	270.9	245.7
Revenues (R$ '000)	532.3	549.0	515.2	524.0	555.5	572.1	570.9
Gross Profit (R$ '000)	165.8	181.4	162.0	158.6	191.0	191.1	180.2
Gross Margin (%)	31.2%	33.0%	31.4%	30.3%	34.4%	33.4%	31.6%

Refractory Solution - Steel	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13
Volume (t)	229.5	232.1	217.5	210.9	215.6	230.6	210.2
Revenues (R$ '000)	429.7	452.4	438.5	439.8	437.2	473.1	481.8

Refractory Solution - Industrial	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13
Volume (t)	45.8	39.1	33.0	35.1	49.1	40.2	35.5
Revenues (R$ '000)	102.7	96.6	76.7	84.2	118.3	98.9	89.1

Minerals	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13
Volume (t)	235.7	217.5	171.7	225.7	242.2	244.7	195.7
Revenues (R$ '000)	30.3	36.5	34.6	41.5	34.3	42.4	37.6
Gross Profit (R$ '000)	12.8	14.2	15.6	16.5	12.6	20.8	15.6
Gross Margin (%)	42.2%	39.0%	45.1%	39.8%	36.7%	49.0%	41.6%

Services	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13
Revenues (R$ '000)	36.8	44.3	49.9	37.9	28.1	28.3	29.7
Gross Profit (R$ '000)	1.6	4.7	6.6	3.9	3.6	4.7	4.2
Gross Margin (%)	4.2%	10.6%	13.2%	10.3%	12.8%	16.6%	14.0%

CONSOLIDATED	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13
Volume (t)	511.0	488.7	422.2	471.7	506.9	515.6	441.4
Revenues (R$ '000)	599.4	629.8	599.7	603.4	617.9	642.7	638.2
Gross Profit (R$ '000)	180.2	200.4	184.1	179.0	207.2	216.5	200.0
Gross Margin (%)	30.1%	31.8%	30.7%	29.7%	33.5%	33.7%	31.3%

Notes to quarterly information

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 sinter of 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
- Refractarios 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
- Sinterco S.A. – Belgium
- Krosaki Magnesita Refractories LLC – United States
- Magnesita Envoy Asia Ltd. - Taiwan
- Dalian Mayerton Refractories Co. Limited - China

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).

On August 5, 2013, the Company concluded the acquisition of Dalian Mayerton Refractories Co. Limited (“DMR”), a refractory production unit located in the city of Dalian (Province of Liaoning, Popular Republic of China), to manufacture carbon magnesia refractory bricks (see Note 15).

The property where the dolomite refractory plant of Shanxi LWB Taigang Refractories Company Ltd. (“Shanxi”) was taken by eminent domain by the Shanxi province government in 3Q13, due to construction a highway. Consequently, Shanxi activities will be transferred to a new area, resulting in significant investments and high costs in the future. As such, the Magnesita Group decided not to invest funds in this new operation, considering that return on investments would not justify such expenses.

Based on CPC 36(R3) – Consolidated Financial Statements, the Company analyzed the relationship between control and return on investment and concluded that it no longer has control over Shanxi. As such, in 3Q13, consolidation and recognition of equity pickup ceased. The investment’s fair value, assessed as zero on the measurement date, was reclassified to the group of financial instruments intended for sale, while impairment was recognized in financial income (expenses) for the period. In the Magnesita Group organization chart, Shanxi is controlled by Magnesita Finance Ltd., and, as such, this reclassification impacted the consolidated financial statements only.

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”).

Notes to quarterly information

2. Approval of quarterly information

This quarterly information was approved by the Company's Board of Directors on November 7, 2013.

3. Summary of significant accounting practices

The Company's quarterly financial information for the nine-month period ended September 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 of 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.

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 September 30, 2013 was prepared in accordance with the subsidiaries presented at December 31, 2012, except for the acquisition of Reframec and Dalian.

Notes to quarterly information

3.2. Standards, amendments and interpretations

In the nine-month period ended September 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 September 30, 2012 have been adjusted observing the change of accounting practice.

Investments in subsidiaries

The effects of adoption of the mentioned standards 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)
Interest on 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	**09/30/2012**
Decrease in net operating income	(23,714)
Decrease in cost of sales	19,531
Decrease in gross profit	**(4,183)**
Decrease in selling expenses	2,635
Decrease in administrative expenses	116
Decrease in other operating expenses	13
Equity pickup	1,360
Decrease in P&L before financial income (expenses) and taxes	**(59)**
Decrease in financial income (expenses), net	59
Impact on net income	-

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

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 combinations

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.

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. Significant 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 September 30, 2013, no evidence of impairment was identified that would require the Company to redo the impairment test.

Notes to quarterly information

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 September 30, 2013, Magnesita Group held R$309,719 (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.

Notes to quarterly information

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 - 09/30/2013				In R$ thousand - 12/31/2012			
	USD	€	Other currencies	Total	USD	€	Other currencies	Total
Assets and liabilities in foreign currency								
Cash and cash equivalents	**283,697**	**60,216**	**57,715**	**401,628**	84,635	190,915	57,093	332,643
Marketable securities	**11,451**	**-**	**-**	**11,451**	-	-		
Accounts receivable, net of credit risk provision	**148,570**	**154,098**	**54,967**	**357,635**	124,242	162,916	50,297	337,455
Trade accounts payable	**(116,516)**	**(3,645)**	**(164,788)**	**(284,949)**	(90,379)	(97,849)	(21,375)	(209,603)
Loans and financing	**(119,578)**	**(21,596)**	**-**	**(141,174)**	(648,991)	(34,455)	-	(683,446)
Issue of bonds	**(1,434,743)**	**-**	**-**	**(1,434,743)**	(799,491)	-	-	(799,491)
Notional of derivatives, net	**515,152**	**(397,478)**	**-**	**117,674**	306,525	(316,956)		(10,431)
Other net monetary assets (liabilities) - abroad	**391**	**852**	**(2,540)**	**(1,297)**	(59,001)	(139,664)	(23,800)	(222,465)
Net foreign exchange exposure	**(711,576)**	**(207,553)**	**(54,646)**	**(973,775)**	(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.

Notes to quarterly information

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 September 30, 2013.

This analysis leads to the following:

Description	Probable scenario	Scenario I	Scenario II
Currency risk exposure (U.S. dollar appreciation)	(711,576)	(711,576)	(711,576)
Dollar rate at 09/30/2013	2.23	2.23	2.23
Currency risk exposure (translation into U.S. dollar)	(319,092)	(319,092)	(319,092)
Foreign exchange rate estimated based on stress scenario	2.2300	2.7875	3.3450
Differences between rates	-	0.5575	1.1150
Effect on financial expense (USD)	-	(177,894)	(355,788)
Effect on financial expense (reais)	-	(396,704)	(793,407)
Currency risk exposure (Euro appreciation)	(207,553)	(207,553)	(207,553)
Euro rate at 09/30/2013	3.0181	3.0181	3.0181
Currency risk exposure (translation into Euro)	(68,769)	(68,769)	(68,769)
Foreign exchange rate estimated based on stress scenario	3.0181	3.7726	4.5272
Differences between rates	-	0.7545	1.5091
Effect on financial expense (Euro)	-	(51,888)	(103,777)
Effect on financial expense (reais)	-	(156,604)	(313,208)

(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 reais 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			
	09/30/2013	**%**	**12/31/2012**	**%**
Loans and financing				
Brazilian long-term interest rate (TJLP)	**11**	**0.0**	239	0.0
LIBOR	**47,072**	**2.6**	107,530	5.7
Interbank Deposit Certificates (CDI)	**228,750**	**12.5**	340,175	18.1
	275,833	**15.1**	447,944	23.8
Other loans not subject to interest rate risk				
Fixed-rate loans	**653,120**	**36.0**	585,796	31.6
Long-term bonds with fixed rates (Interest)	**-**	**-**	27,113	1.4
Long-term bonds with fixed rates (Principal)	**874,021**	**47.7**	799,491	42.6
Derivative financial instruments	**22,271**	**1.2**	10,431	0.6
	1,549,412	**84.9**	1,422,831	76.2
	1,825,245	**100.0**	1,870,775	100.0

Notes to quarterly information

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

	Consolidated			
	09/30/2013	**%**	**12/31/2012**	**%**
Cash equivalents (i)	**53,405**	**82**	434,147	95
Marketable securities	**11,451**	**18**	22,710	5
	64,856	**100**	456,857	100

(i) Of total cash equivalents, the amount of R$244,863 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.

The Company does not have derivative financial instruments for 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 - 09/30/2013			
	CDI	**TJLP**	**LIBOR**	**Total**
Cash equivalents	**64,856**	**-**	**-**	**64,856**
Export credit notes	**(199,817)**	**-**	**-**	**(199,817)**
Advances on export invoices	**(27,281)**	**-**	**(47,072)**	**(74,353)**
PP&E financing	**-**	**(11)**	**-**	**(11)**
Total liability exposure	**(227,098)**	**(11)**	**(47,072)**	**(274,181)**
Net exposure	**(162,242)**	**(11)**	**(47,072)**	**(209,325)**

The following table demonstrates the incremental loss that would have been recognized in the profit or loss for the period ended September 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 September 30, 2013. This analysis leads to the following:

Description	**Probable scenario**	**Scenario I**	**Scenario II**
CDI risk exposure (increase of rates)	(162,242)	(162,242)	(162,242)
CDI rate accumulated at 09/30/2013	5.59%	5.59%	5.59%
Interest rate estimated based on stress scenario	10.35%	12.94%	15.53%
Differences between rates	4.76%	7.35%	9.94%
Effect on financial expense	(7,723)	(11,925)	(16,127)
LIBOR risk exposure (increase of rates)	(47,072)	(47,072)	(47,072)
LIBOR at 09/30/2013	0.63%	0.63%	0.63%
Interest rate estimated based on stress scenario	0.61%	0.77%	0.92%
Differences between rates	-0.02%	0.14%	0.29%
Effect on financial expense	9	(66)	(137)

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.

Notes to quarterly information

5.2. Capital management

Debt indices on equity are described below:

	Consolidated		Company	
	09/30/2013	12/31/2012	09/30/2013	12/31/2012
Total loans and financing, long-term bond and derivative financial instruments	**1,825,245**	1,870,775	**893,638**	1,013,018
Less: Cash and cash equivalents and marketable securities	**(455,975)**	(819,449)	**(317,467)**	(565,293)
Total (A)	**1,369,270**	1,051,326	**576,171**	447,725
Total equity	**2,924,490**	2,810,859	**2,907,030**	2,792,256
Total (B)	**4,293,760**	3,862,185	**3,483,201**	3,239,981
(A) / (B)	**32%**	27%	**17%**	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.

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.

		Consolidated - 09/30/2013	
			(In thousands)
Description	Maturity - month / year	Nominal amount	Fair value R$
Protection of foreign exchange rate:			
Swap (Germany)	03/30/2015		
Long position		**US$150,000**	
Short position		**Euro 118,110**	**20,417**
NDF (Brazil)	11/01/2013		
Long position		**US$50,000**	
Short position		**R$113,725**	**1,854**

Notes to quarterly information

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						
September 30, 2013						
Cash and cash equivalents						
- Cash and banks	**146,256**	**-**	**146,256**	**19,420**	**-**	**19,420**
- Cash equivalents	**298,268**	**-**	**298,268**	**286,596**	**-**	**286,596**
Marketable securities	**11,451**	**-**	**11,451**	**11,451**	**-**	**11,451**
Trade accounts receivable	**-**	**557,877**	**557,877**	**-**	**360,160**	**360,160**
Other accounts receivable (less prepayments)	**-**	**13,147**	**13,147**	**-**	**13,147**	**13,147**
Judicial deposits	**-**	**17,648**	**17,648**	**-**	**16,497**	**16,497**
	455,975	**588,672**	**1,044,647**	**317,467**	**389,804**	**707,271**
Assets						
December 31, 2012						
Cash and cash equivalents						
- 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

Notes to quarterly information

	Consolidated			Company
	Liabilities measured at fair value through profit or loss	Financial liabilities measured at amortized cost	Total	Financial liabilities measured at amortized cost
Liabilities				
September 30, 2013				
Loans and financing and bonds	**-**	**1,802,974**	**1,802,974**	**893,638**
Suppliers, general contractors and freights	**-**	**352,596**	**352,596**	**186,927**
Derivative financial instruments	**22,271**	**-**	**22,271**	**-**
	22,271	**2,155,570**	**2,177,841**	**1,080,565**

	Consolidated			Company
	Liabilities measured at fair value through profit or loss	Financial liabilities measured at amortized cost	Total	Financial liabilities measured at amortized cost
Liabilities				
December 31, 2012				
Loans and financing and bonds	-	1,860,344	1,860,344	1,013,018
Suppliers, general contractors and freights	-	347,941	347,941	164,084
Derivative financial instruments	10,431	-	10,431	-
	10,431	2,208,285	2,218,716	1,177,102

7.1. Fair value

	Consolidated - 09/30/2013	
	Book value	Fair value
Cash and banks	146,256	146,256
Cash and cash equivalents	298,268	298,268
Marketable securities	11,451	11,451
Trade accounts receivable	557,877	557,877
Other accounts receivable (less prepayments)	13,147	13,147
Judicial deposits	17,648	17,648
	1,044,647	1,044,647
Loans and financing and bonds	1,802,974	1,802,837
Suppliers, general contractors and freights	352,596	352,596
Derivative financial instruments	22,271	22,271
	2,177,841	2,177,704

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.

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.

Notes to quarterly information

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	
	09/30/2013	12/31/2012	09/30/2013	12/31/2012
Trade accounts receivable				
Counterparties without external credit rating				
Group 1	**379,177**	330,666	**320,719**	286,307
Group 2	**93,944**	81,685	**19,505**	19,722
Group 3	**93,227**	109,810	**19,936**	40,711
Provision for impairment losses	**(8,471)**	(11,465)	**-**	-
Total trade accounts receivable	**557,877**	510,696	**360,160**	346,740
Checking account and short-term bank deposits				
AAA	**146,256**	337,457	**19,420**	126,984
Marketable securities				
AAA	**307,719**	421,792	**298,047**	378,109
BBB	**2,000**	60,200	**-**	60,200
Cash and cash equivalents and marketable securities	**455,975**	819,449	**317,467**	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.

9. Cash and cash equivalents

Balance breakdown is as follows:

	Consolidated		Company	
	09/30/2013	12/31/2012	09/30/2013	12/31/2012
Cash and banks	**146,256**	337,457	**19,420**	126,984
Marketable securities	**298,268**	459,282	**286,596**	415,599
	444,524	796,739	**306,016**	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$401,628 in foreign currency (R$332,643 at December 31, 2012).

Notes to quarterly information

10. Trade accounts receivable

	Consolidated		Company	
	09/30/2013	12/31/2012	09/30/2013	12/31/2012
Trade accounts receivable – in reais	**170,908**	158,014	**161,269**	152,759
Trade accounts receivable – in other currencies	**366,106**	343,369	**46,789**	63,056
Other receivables from subsidiaries	**-**	-	**122,768**	110,147
Provision for impairment losses	**(8,471)**	(11,465)	**-**	-
Trade notes receivable, net	**528,543**	489,918	**330,826**	325,962
Unbilled measurements	**29,334**	20,778	**29,334**	20,778
Trade accounts receivable	**557,877**	510,696	**360,160**	346,740

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

The aging list of trade notes receivable is as under:

	Consolidated		Company	
	09/30/2013	12/31/2012	09/30/2013	12/31/2012
Trade notes falling due:				
Up to 90 days – Third parties	**369,517**	317,388	**124,209**	123,041
Up to 90 days - Intercompany	**-**	-	**62,179**	42,160
Over 90 days – Third parties	**66,897**	53,418	**47,945**	51,074
Over 90 days - Intercompany	**-**	-	**12,262**	7,848
Trade notes overdue:				
Up to 30 days – Third parties	**44,541**	50,105	**13,866**	19,087
Up to 30 days - Intercompany	**-**	-	**3,995**	14,229
Over 30 days – Third parties	**56,059**	80,472	**22,038**	21,531
Over 30 days - Intercompany	**-**	-	**44,332**	46,992
(-) Provision for impairment losses	**(8,471)**	(11,465)	**-**	-
	528,543	489,918	**330,826**	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	(1,962)
Write-offs	5,201
Foreign exchange variation	(245)
At September 30, 2013	**(8,471)**

11. Inventories

	Consolidated		Company	
	09/30/2013	12/31/2012	09/30/2013	12/31/2012
Finished products	**359,371**	306,282	**91,175**	79,832
Work in process	**41,245**	39,079	**27,202**	26,577
Raw materials	**320,043**	252,167	**169,231**	117,784
Storeroom (replacement material and other)	**70,903**	59,491	**42,863**	36,866
(-) Valuation allowance	**(20,380)**	(18,589)	**-**	-
	771,182	638,430	**330,471**	261,059

Notes to quarterly information

Below follows the changes recorded under valuation allowance:

	Consolidated
Balance at 12/31/2012	(18,589)
Additions	(815)
Write-offs	1,166
Foreign exchange variation	(2,142)
Balance at 09/30/2013	(20,380)

12. Other taxes recoverable

	Consolidated			
	09/30/2013		12/31/2012	
	Current	Noncurrent	Current	Noncurrent
Indirect taxes	**150,117**	**17,331**	52,457	16,284
Taxes on shipment of goods on consignment	**5,752**	**-**	6,612	-
Other	**5,807**	**-**	5,530	-
	161,676	**17,331**	64,599	16,284

	Company			
	09/30/2013		12/31/2012	
	Current	Noncurrent	Current	Noncurrent
Indirect taxes	**109,189**	**17,331**	38,530	16,284
Taxes on shipment of goods on consignment	**5,731**	**-**	6,501	-
Other	**103**	**-**	114	-
	115,023	**17,331**	45,145	16,284

13. Income and social contribution taxes

(a) Tax credits

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:

Notes to quarterly information

	Consolidated		Company	
	09/30/2013	**12/31/2012**	**09/30/2013**	**12/31/2012**
Tax credits on temporary differences				
Provision for permanent asset losses	**193**	193	**193**	193
Provision for contingencies	**17,184**	16,760	**17,184**	16,760
Post-employment obligations	**65,878**	71,068	**27,841**	35,140
Provision for bonuses	**8,407**	8,530	**8,407**	8,530
Accelerated depreciation	**1,020**	3,402	**-**	-
Unrealized exchange losses on long-term bonds - Non-hedged position	**-**	9,154	**-**	-
Other	**19,385**	7,884	**2,564**	2,862
	112,067	116,991	**56,189**	63,485
Tax credits on IRPJ and CSLL losses	**318,392**	311,732	**312,104**	304,860
Tax credit due to incorporation of shareholder	**45,684**	53,324	**45,684**	53,324
Total tax credit	**476,143**	482,047	**413,977**	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.

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	22,993	21,930	21,865	20,824
2 years	26,381	24,002	25,020	22,694
3 years	94,466	83,113	75,228	64,984
4 years	29,987	24,815	28,554	23,491
5 years onwards	302,316	137,629	263,310	120,659
Balance at 09/30/2013	**476,143**	**291,489**	**413,977**	**252,652**

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$314.826), 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.

Notes to quarterly information

The Group has R$112,967 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 tax assets. Should the Group recognize all amounts net of the deferred tax assets the total thereof would come to R$24,127.

The noncurrent liabilities break down as under:

	Consolidated		Company	
	09/30/2013	12/31/2012	09/30/2013	12/31/2012
Deferred taxes on tax amortization of goodwill (i)	427,595	408,310	414,050	396,904
Deferred taxes on accelerated tax depreciation	66,816	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
	519,483	489,599	439,122	421,976

(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	
	09/30/2013	09/30/2012	09/30/2013	09/30/2012
Income (loss) before income and social contribution taxes	**78,508**	122,881	**43,000**	101,295
Combined statutory rate - %	**34%**	34%	**34%**	34%
Tax benefit at statutory rate	**(26,693)**	(41,780)	**(14,620)**	(34,440)
Income and social contribution taxes on				
equity pickup	**-**	-	**(1,518)**	5,983
Effect of different rates used by the subsidiaries located in other jurisdictions	**(7,152)**	(6,326)	**-**	-
Effect of the limited liability deductibility rule in Germany	**(6,218)**	(2,768)	**-**	-
Effect of adjustment to the tax base in Europe	**(4,291)**	-	**-**	-
Other	**(5,993)**	3,766	**(1,774)**	710
Income and social contribution tax expenses	**(50,347)**	(47,108)	**(17,912)**	(27,747)
Current	**(29,281)**	(26,184)	**-**	-
Deferred	**(21,066)**	(20,924)	**(17,912)**	(27,747)

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

	Consolidated		Company	
	09/30/2013	12/31/2012	09/30/2013	12/31/2012
Deferred tax assets	**476,143**	482,047	**413,977**	421,669
Deferred tax liabilities	**(519,483)**	(489,599)	**(439,122)**	(421,976)
Deferred tax assets (liabilities), net	**(43,340)**	(7,552)	**(25,145)**	(307)
Reflected in the balance sheet				
Assets	**11,037**	17,996	**-**	-
Liabilities	**(54,377)**	(25,548)	**(25,145)**	(307)
Net balance	**(43,340)**	(7,552)	**(25,145)**	(307)

Notes to quarterly information

(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	(21,066)	(17,912)
Tax (expense) recognized in equity	(4,527)	(6,926)
Foreign exchange variation	(10,195)	-
Balance at September 30, 2013 – Assets (liabilities)	(43,340)	(25,145)

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	
	09/30/2013	12/31/2012
Group 1	**788**	2,512
Group 2	**12,359**	15,836
	13,147	18,348
Current	**5,869**	17,025
Noncurrent	**7,278**	1,323

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

Notes to quarterly information

15. Investments in subsidiaries and joint arrangements

(a) Information on investments

Book value – Company

	Equity interest %	Adjusted equity	Adjusted net income (loss)	Interest: Total assets	Liabilities	Net revenue	Income before IR/CS
Iliama II Trading (sole proprietorship company) Lda							
Capital of 3 thousand EUROS and 3,010 units of interest	100	-	(120)	15,773	15,773	-	(123)
Magnesita Finance Ltd. (*)							
Capital of 285,429 thousand EUROS and 1,286 units of interest	100	775,134	(10,543)	1,516,383	565,562	-	(317)
Magnesita Grundstucks 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$382 and 381,703 units of interest	50	2,179	779	4,849	1,063	10,189	3,986
Magnesita Insider Refratários Ltda.							
Capital of R$ 1,590 and 1,590,000 units of interest	100	63,324	4,925	75,897	12,573	22,721	7,481
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	4,441	(5,020)	103,380	103,000	67,550	(6,013)
Refractários Magnesita Colômbia S.A							
Capital of COP 11,673,200 thousand and 1,167,320,000 units of interest	100	28,021	4,087	46,454	18,433	42,782	4,087
Refractários Magnesita Peru S.A.C.							
Capital of PEN 6,890 thousand and 1,000 units of interest	100	9,207	993	9,736	529	8,464	993
Refractários Magnesita Uruguay S.A.							
Capital of UYU 450 thousand and 450,000 units of interest	100	576	223	1,700	1,123	1,488	291
MMD Araçuaí Holding Ltda.							
Capital of R$ 7,611 and 7,611,183 units of interest	90	7,611	-	9,702	192	-	-
Reframec - Manutenção e Montagem de Refratários S.A.							
Capital of R$ 1,786 and 1,786,000 units of interest	100	4,513	212	7,242	2,194	5,683	95
Dalian Mayerton Refractories Co. Limited							
Capital of US$13.550 thousand and 1 unit of interest	100	11,078	(1,488)	57,963	49,175	899	(1,488)
Total in 2013		**906,744**	**(5,952)**				
Total in 2012		868,131	19,964				

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

Notes to quarterly information

Goodwill

	Goodwill generated on acquisition
Subsidiary Magnesita Finance Ltd.	374,101
Subsidiary Metal Data S.A. - Mineração e Metalurgia	10,579
Subsidiary Reframec - Manutenção e Montagem de Refratários S.A.	21,368
Subsidiary Dalian Mayerton Refractories Co. Limited	2,044
Total in 2013	**408,092**
Total in 2012	348,265

(b) Changes in investments in subsidiaries

The changes recorded in investment accounts for the years ended September 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 subsidiary (ii)	**-**	18,849
Equity pickup	**(4,464)**	19,964
Foreign exchange variation on investments (iii)	**54,239**	56,849
Exchange rate fluctuation on goodwill (iv)	**36,413**	29,474
Paid-in capital in subsidiary (v)	**-**	46,660
Acquisition of subsidiary (vi)	**39,053**	-
Dividends received	**(1,250)**	-
Capital decrease at subsidiary (vii)	**(29,937)**	-
Other	**4,138**	(36)
Balance at end of year	**1,315,208**	1,217,016

(i) Refers to acquisition of MMD Araçuaí Holding Ltda.

(ii) Refers to capital increase in subsidiaries Magnesita Refractários Colômbia S.A in the amount of R$13,224, Magnesita Refractários Peru S.A.C. R$ 436 and Magnesita Finance Ltd. R$5,189.

(iii) Exchange rate fluctuation on investments matched against equity (Note 22 (d)).

(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) Lda.

(vi) Refers to acquisition of Reframec- Manutenção e Montagem de Refratários S.A. and Dalian Mayerton Refractories Co Limited.

(vii) Refers to Magnesita Insider Refratários Ltda.

Notes to quarterly information

(c) Related parties (Company)

Balances and transactions

At September 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)	383	7,796	(611)	2,370	8,529
Metal Data S.A. - Mineração e Metalurgia	-	-	-	-	-
RASA - Refractarios Argentinos S.A. I. C. y M. (ii)	54,831	-	-	14,485	-
Iliama II Trading (sole proprietorship company) Lda	-	-	15,692	-	-
Refractários Magnesita Uruguay S.A. (iii)	132	-	-	158	-
Refractários Magnesita Colômbia S.A. (iii)	7,940	1,034	-	8,768	2,120
Refractários Magnesita Peru S.A.C. (iii)	1,039	-	-	4,245	-
Refractários Magnesita Chile (iii)	4,229	-	-	3,871	-
Dalian Mayerton Refractories Co. Limited	-	-	23,471		
LWB Companies (i)	54,214	984	7,920	150,964	-
Other	-	-	37	-	-
At September 30, 2013	**122,768**	**9,814**	**46,509**	**184,861**	**10,649**
At December 31, 2012	110,147	6,303	20,933		
At September 30, 2012				136,142	9,970

(i) Sale of raw materials by the Company for production of refractory materials by the subsidiary;

(ii) Sale of raw materials and refractory materials by the Company for production and sale of refractory products by the subsidiary;

(iii) Sale of refractory products for resale in the countries where the subsidiaries are located.

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. (LWB Companies).

(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.

Notes to quarterly information

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

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
	5,941
Liabilities	
Trade accounts payable	(263)
Salaries and payroll charges	(521)
Tax liabilities	(54)
Other accounts payable	(802)
	(1,640)
Total identifiable assets, net	4,301
Preliminary goodwill	21,368
Total payment	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 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 estimate is based on the following:

- Discount rate (WACC) estimated at 12%.

- 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 contributed with net revenue of R$ 1,306 and loss before taxes of R$ 131 to the Group. Had the business combination been conducted at the beginning of the year, Reframec's net revenue would have totaled R$ 10,521 and income would have been of R$ 1,328.

Acquisition payment	
Payment transferred	11,388
Contingent payment undertaken	14,281
Total payment	25,669

Notes to quarterly information

Contingent payment

As part of the purchase 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.

(e) Acquisition of Dalian

Dalian is a refractory production unit based in China and is considered a globally strategic location for production of carbon magnesia refractories, as it is only a short distance from the world's largest magnesium reserves and an important refractory consumer market.

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

Moreover, no intangible assets were identified in this transaction, because the objective was acquisition of the plant in China, as the acquiree is located in a strategic region as regards the Company's operational context. As such, this operation did not involve purchase of intangible assets of any nature, as the entire production capacity of this plant will be absorbed by the Company and distributed through its own client portfolio.

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

Assets	
Cash and cash equivalents	249
Trade accounts receivable	636
Inventories	2,548
Accounts receivable - related parties	2,892
Other noncurrent assets	2,902
Property, plant and equipment	46,282
Liabilities	
Trade accounts payable	12,107
Transactions with related parties	48
Government grant	34
Other accounts payable	6,417
Other noncurrent liabilities	1,388
Transactions with related parties - noncurrent	24,099
Total identifiable assets, net	11,418
Preliminary goodwill	2,044
Balance with former controlling shareholder transferred to the Company	24,099
Total payment	37,561

Notes to quarterly information

Assets acquired and liabilities undertaken

The Dalian transaction base value totaled R$50,373, estimated by means of the discounted cash flow projection method. Of this base value, the following items were deducted to determine the acquisition price:

(-) Debt assumed with former controlling shareholder: R$24,099
(-) Provision for contingencies between Dalian and the local construction company: R$3,278
(-) Investment to improve furnace: R$ 1,144
(-) Working capital deficit: R$ 8,639
(+) Cash: R$ 249
(=) Realized investment value: R$ 13,462

Considering the realized investment value of R$ 13,462 and excluding the net assets acquired of R$11,418, goodwill totals R$2,044, recognized in the investor Magnesita Refratários S.A.

Since the acquisition date, Dalian contributed with net revenue of R$899 and loss before taxes of R$1,488 to the Group. Had the business combination been conducted at the beginning of the year, Dalian's net revenue would have totaled R$17,060 and loss would have been of R$4,825.

Contingent payment

Payment transferred	18,916
Contingent payment undertaken	18,645
Total payment	37,561

As part of the purchase agreement entered into with Dalian's former owners, a contingent payment was agreed between the parties, payable to the former owners, in annual installments until 2016.

Notes to quarterly information

16. Property, plant and equipment

	Consolidated						
	09/30/2013			12/31/2012			
	Cost	**Accumulated depreciation**	**Net amount**	**Cost**	**Accumulated depreciation**	**Net amount**	**Annual average weighted depreciation rate %**
Land	**71,785**	**-**	**71,785**	65,829	-	65,829	
Mineral deposits	**39,898**	**(5,541)**	**34,357**	36,795	(4,455)	32,340	Based on volume
Buildings and improvements	**471,251**	**(214,163)**	**257,088**	504,154	(205,801)	298,353	4
Machinery, facilities and equipment, including IT equipment	**1,343,426**	**(901,439)**	**441,987**	1,224,118	(828,444)	395,674	7
Transport equipment	**15,463**	**(14,494)**	**969**	15,704	(14,711)	993	6
Furniture, fixtures and other	**60,834**	**(33,481)**	**27,353**	53,042	(29,118)	23,924	9
Construction in progress (iii)	**351,152**	**-**	**351,152**	265,382	-	265,382	
Total property, plant and equipment	**2, 353,809**	**(1,169,118)**	**1,184,691**	2,165,024	(1,082,529)	1,082,495	

	Company						
	09/30/2013			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**	**(2,915)**	**6,377**	9,292	(2,627)	6,665	Based on volume
Buildings and improvements (i) (ii)	**147,857**	**(93,685)**	**54,172**	154,114	(92,488)	61,626	4
Machinery, facilities and equipment, including IT equipment (i)	**763,809**	**(542,932)**	**220,877**	791,903	(530,184)	261,719	10
Transport equipment	**11,375**	**(11,340)**	**35**	11,997	(11,840)	157	20
Furniture, fixtures and other	**29,572**	**(14,723)**	**14,849**	27,908	(13,309)	14,599	10
Construction in progress (iii)	**311,980**	**-**	**311,980**	237,264	-	237,264	
Total property, plant and equipment	**1,286,012**	**(665,595)**	**620,417**	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$ 31,437 at 09/30/2013.

(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.

Notes to quarterly information

Changes in property, plant and equipment were as follows:

	Consolidated	Company
At December 31, 2012	1,082,495	594,157
Additions	130,357	87,876
Acquisition of subsidiaries (i)	59,065	-
Write-offs	(29,310)	(25,983)
Depreciation	(86,171)	(35,633)
Exchange rate fluctuation (assets abroad)	28,255	-
At September 30, 2013	**1,184,691**	**620,417**

(i) Refers to acquisition of Reframec- Manutenção e Montagem de Refratários S.A., MMD Araçuaí Holding Ltda. and Dalian Mayerton Refractories Co Limited.

Notes to quarterly information

17. Intangible assets

	Consolidated						
	09/30/2013			12/31/2012			
	Cost	Accumulated amortization	Net amount	Cost	Accumulated amortization	Net amount	Annual amortization rate %
Software and other (i)	**111,594**	**(77,654)**	**33,940**	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	**1,291,623**	**(2,602)**	**1,289,021**	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**	-	-	-	
Dalian Mayerton Refractories Co. Limited	**2,044**	**-**	**2,044**	-	-	-	
Total intangible assets	**2,794,253**	**(353,810)**	**2,440,443**	2,646,582	(319,167)	2,327,415	

	Company						
	09/30/2013			12/31/2012			
	Cost	Accumulated amortization	Net amount	Cost	Accumulated amortization	Net amount	Annual amortization rate %
Software and other (i)	**75,160**	**(44,797)**	**30,363**	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**	**(317,652)**	**1,074,017**	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 amortization rates currently used.

Notes to quarterly information

Changes in intangible assets were as follows:

	Consolidated	Company
At December 31, 2012	**2.327.415**	**1.078.492**
Additions (i)	23,538	-
Foreign exchange variation	94,117	-
Amortization	(4,627)	(4,475)
At September 30, 2013	**2,440,443**	**1,074,017**

(i) Refers to acquisition of Reframec - Manutenção e Montagem de Refratários S.A. and Dalian Mayerton Refractories Co Limited.

18. Loans and financing

	Consolidated			
	Currency	**Annual average interest rate**	**09/30/2013**	**12/31/2012**
Export credit notes	R$	CDI+1.10%	202,957	312,018
(-) Transaction costs to be amortized	-	-	(1,488)	(2,603)
Perpetual bonds	US$	8.625%	569,521	537,988
(-) Transaction costs to be amortized	-	-	(8,799)	(15,137)
Import financing	US$	1.75%+Libor 12m	-	4,386
PP&E financing				
In local currency	R$	7.50%	48,209	48,001
In local currency	R$	5.50%	11	239
(-) Transaction costs to be amortized	-	-	(361)	-
Advances on export invoices	US$	2.92%+Libor 6m	47,073	103,144
	US$	63.9% CDI	27,281	30,760
Swap (Germany)	US$ vs €	-	20,417	10,256
NDF (United Kingdom)	GBP vs €	-	-	175
NDF (Brazil)	US$ vs R$	-	1,854	-
Other	US$	7.25%	22,953	7,602
Other	€	5.31%	21,596	34,455
			951,224	1,071,284
		Current	74,281	121,037
		Noncurrent	876,943	950,247

Notes to quarterly information

	Company			
	Currency	Annual average interest rate	09/30/2013	12/31/2012
Export credit notes	R$	CDI+1.10%	202,957	312,018
	US$	8.80%	569,754	521,989
(-) Transaction costs to be amortized	-	-	(3,140)	(11,190)
Import financing	US$	1.75%+Libor 12m	-	4,386
PP&E financing				
In local currency	R$	7.50%	48,209	48,001
In local currency	R$	5.50%	11	239
(-) Transaction costs to be amortized	-	-	(361)	-
Advances on export invoices	US$	2.92%+Libor 6m	47,073	103,144
	US$	63.9% CDI	27,281	30,760
NDF (Brazil)	US$ vs R$	-	1,854	-
Other	US$	-	-	3,671
			893,638	1,013,018
		Current	50,372	85,088
		Noncurrent	843,266	927,930

(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 quarterly basis

Transaction costs to be amortized in the amount of R$ 8,799 correspond to expenses incurred for issuing these perpetual bonds, which will be amortized at the effective interest rate.

At September 30, 2013, long-term debts / perpetual bonds total R$ 550,353. 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$ 202,957
- Term: 7 years
- Grace period: 3 years
- Annual interest rate: CDI + 1.50% until 09/04/2012 and after the amendment CDI + 1.10%
- Covenants: Adjusted net debt / EBITDA (i) (4.75 until December 31, 2010; 4.00 until December 31, 2011; and 3.75 onwards).

(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 September 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) Maturities

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

	Consolidated	Company
Up to 180 days	33,305	32,072
From 180 to 360 days	40,976	18,300
2014	97,612	15,982
2015	182,629	100,625
2016	157,855	76,141
2017 onwards	438,847	650,518
	951,224	893,638

(e) Credit limits

The Company has the following credit lines:

	09/30/2013	12/31/2012
Variable rate		
- Maturity within one year	**146,450**	153,261
- Maturity over one year	**1,466,350**	1,164,824
Fixed rate		
- Maturity within one year	**8,970**	20,000
- Maturity over one year	**160,600**	158,779
	1,782,370	1,496,864

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	
	09/30/2013	12/31/2012	09/30/2013	12/31/2012
Indirect taxes	**29,779**	14,759	**11,675**	14,072
Direct taxes	**7,282**	12,713	**2,829**	3,704
	37,061	27,472	**14,504**	17,776

Notes to quarterly information

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	
	09/30/2013	12/31/2012	09/30/2013	12/31/2012
Tax - provision	**39,056**	40,590	**39,044**	40,578
Tax – judicial deposit	**(7,278)**	(5,102)	**(6,685)**	(5,102)
Labor - provision	**23,073**	23,451	**22,954**	23,451
Labor – judicial deposit	**(7,106)**	(8,340)	**(6,640)**	(4,119)
Civil - provision	**127**	127	**127**	127
Social security - provision	**2,551**	2,414	**2,551**	2,414
Social security – judicial deposit	**(3,172)**	(4,056)	**(3,172)**	(4,056)
Other – judicial deposit	**(92)**	(769)	**-**	-
	47,159	48,315	**48,179**	53,293
Noncurrent - provision	**64,807**	66,582	**64,676**	66,570
Noncurrent – judicial deposit	**(17,648)**	(18,267)	**(16,497)**	(13,277)
	47,159	48,315	**48,179**	53,293

Changes in provision for 2013 break down as under:

	Consolidated	Company
Balance at December 31, 2012	**66,582**	**66,570**
Additions	326	207
Write-offs	(3,252)	(3,252)
Monetary restatement	1,151	1,151
Balances at September 30, 2013	**64,807**	**64,676**

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.

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	
	09/30/2013	12/31/2012
Social Security Tax (INSS)	**2,551**	2,414
Federal VAT (IPI)	**8,608**	8,331
Financial Compensation for the Exploration of Mineral Resources	**2,006**	1,912
Income and social contribution taxes on profits earned abroad	**22,045**	21,524

Notes to quarterly information

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 September 30, 2013, are as follows:

	Region				
	Subsidiaries			Company	Consolidated
Description	**Europe**	**USA**	**China**	**South America**	
Defined benefit plan	133,296	34,096	-	81,886	249,278
Seniority bonus	5,506	-	-	-	5, 506
At September 30, 2013	**138,802**	**34,096**	**-**	**81,886**	**254,784**
At December 31, 2012	125,672	35,880	41,035	103,352	305,939

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 September 30, 2013, the CD plan had 7,161 active members (12/31/2012 – 7,020).

At September 30, 2013, the CD plan had 274 (12/31/2012 - 272) inactive members – retirees and pensioners and 1,236 (12/31/2012 – 1,249) members who will remain entitled to deferred benefits.

The liabilities corresponding to the members of the Defined Benefit Plan was recognized by the sponsoring entity in noncurrent 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 September 30, 2013	(221,181)	139,295	(81,886)

Notes to quarterly information

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.

The total cost of these Plans amounted to R$2,446 (R$1,832 in 2012), calculated at the rates defined in the respective rules. Out of this total, R$ 1,235 were posted to cost of sales, R$745 to selling expenses and R$ 466 to administrative expenses (2012: R$868, R$432, R$532, 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		USA	
	09/30/2013	12/31/2012	09/30/2013	12/31/2012
Present value of actuarial obligation	(133,296)	(121,645)	(333,159)	(276,815)
Fair value of assets	-	-	299,063	240,935
Actuarial liabilities	(133,296)	(121,645)	(34,096)	(35,880)
Active members	443	443	238	238
Assisted members	1,144	1,144	714	714
Terminated members, but eligible to the plan	325	325	398	398
Economic actuarial hypotheses:				
Discount rate	5% p.a.	5% p.a.	4% p.a.	4% p.a.
Return on investment	-	-	7.5% p.a.	7.25% p.a.
Salary increases	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$ 2,549 in the nine-month period of 2013 (R$2,260 in the nine-month period of 2012), where R$ 1,464 stemmed from expenses posted to cost of sales, R$ 734 to selling expenses R$ 351 to administrative expenses (nine-month period of 2012 - R$1,137, R$ 472 and R$ 651, respectively).

22. Equity

(a) Capital

At September 30, 2013, the Company's capital amounted to R$2,528,146 (12/31/2012 - R$ 2,528,146), divided into 290,677,834 common registered shares with no par value (12/31/2012 – 291,981,934).

Notes to quarterly information

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

At the meeting held on August 8, 2013, the Board of Directors approved cancellation of 1,304,100 (on million, three hundred and four thousand, one hundred) common shares issued by the Company and held in treasury, representing 0.4% of its capital and recorded for R$ 9,042, which were purchased under the Company's 1st Share Buyback Program, approved by the Board of Directors at the meeting held on August 15, 2012, with no changes in capital.

As a consequence of such cancellation, the Company capital of R$ 2,528,146 is now represented by 290,677,834 common registered book shares with no par value.

On this same date, the Board of Directors also approved the Company's 2nd Share Buyback Program to be held in treasury for future disposal or cancellation, with no reduction in capital, beginning August 16, 2013 and ending August 16, 2014. The Company's objective is to maximize shareholder value through efficient management of the capital structure. The number of shares to be purchased is limited to 8,516,358 (eight million, five hundred and sixteen thousand, three hundred and fifty-eight) common shares, corresponding to 5% (five percent) of shares outstanding in the market.

Purchases 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 CVM Ruling No. 476, of January 16, 2009, and in article 48 of CVM Ruling No. 400, of December 29, 2003. As a result of the Share Buyback Programs, the Company had purchased, until September 30, 2013, 914,400 shares for R$ 5,518, recognized as treasury shares in equity.

The table below presents information concerning purchases of Company shares by the Company:

2nd Share Buyback Program							
Period	**Type**	**Number of buyback shares**	**Buyback trading price (R$)**			**Closing market quotation[1] (R$)**	**Market value (R$ thousand)**
			Minimum	**Weighted average**	**Maximum**		
09/30/2013	**Common**	**914,400**	**6.20**	**6.31**	**6.49**	**6.30**	**5,509**

[1] Stock exchange closing price disclosed by BM&FBOVESPA - Bolsa de Valores, Mercadorias e Futuros S.A., referring to Magnesita common shares, traded under ticker symbol MAGG3, based on the last trading of September 2013.

At September 30, 2013, Magnesita had 914,000 common shares held in treasury, representing 0.3% of the Company's total shares, which were recorded for accounting purposes for R$ 5,518.

(b) Capital reserves

- 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 22 (a).
- Special Reserve - Law No. 8200/91: Refers to the special monetary restatement recorded in 1991, pursuant to Law No. 8200/91. This reserve may be used to increase capital or absorb accumulated losses.

- Special reserve – goodwill from merger: This corresponds to goodwill resulting from the merger of Mukden Participações Ltda., shareholder of Magnesita Refratários S.A., net of provision set up under CVM Ruling 349/01. Shares will be distributed to all shareholders upon 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 nine-month period of 2013, a capital reserve was set up as matching entry of expenses recognized in P&L for the year, in the amount of R$ 5,029 (nine-month period of 2012 - R$ 4,695).

(c) Income reserve

- Legal reserve: It is set up by allocating 5% income 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 capital, in accordance with article 193 of the Corporation Law.

- Reserve for investments: It is set up 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

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

	Company
Balance at 12/31/2012	(68,876)
Foreign exchange variation on investments abroad	54,239
Foreign exchange variation of goodwill abroad	36,413
Actuarial valuation gains	13,443
Net fair value gains	(6,000)
Balance at 09/30/2013	**29,219**

23. Segment information

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 underwent some structural changes. In October 2012, such changes led to a global management change and, consequently, to change in the Company's mission and vision, and how reports are analyzed. As from October 2012, 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: Refractories, Minerals and Services.

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

Notes to quarterly information

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

	Consolidated			
	Refractory	Minerals	Services	Total
Revenue from sales, net	1,698,417	114,291	86,148	1,898,856
Cost of sales	(1,136,173)	(65,271)	(73,697)	(1,275,141)
Gross profit	562,244	49,020	12,451	623,715

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

	Consolidated			
	Refractory	Minerals	Services	Total
Revenue from sales, net	1,596,560	101,348	131,005	1,828,913
Cost of sales	(1,087,353)	(58,723)	(118,168)	(1,264,244)
Gross profit	509,207	42,625	12,837	564,669

24. Stock option plan

In accordance with the Articles of Incorporation, the Company has a stock option plan approved by the Annual Shareholders' Meeting to integrate executives in the Company's development process 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 stock.

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.

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:

	09/30/2013		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%	
Number to be accounted for on an accrual basis	11,802	3.12	11,522	3.11

Notes to quarterly information

The amount to be accounted for on an accrual basis in relation to the five-year vesting period of options, adjusted by probability, totals R$ 42,714 for the full period, where R$ 5,029 was recorded in the nine-month period of 2013 (R$ 12,131 in 2012), totaling R$ 34,141 in specific equity account. Total expenses to be recognized is R$ 8,573.

The model and assumptions adopted in fair value measurement were:

	Original replaced 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 from 11.05.2008 to a 07.20.2012
Interest rate	8.15% per year	9.01% per year
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 share market value	1.2% on share market value

In accordance with paragraph B43 of CPC 10 (R1), Company 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	
	YTD	**Prior YTD**	**YTD**	**Prior YTD**
Depreciation and amortization	**90,798**	80,672	**40,108**	36,348
Employee benefits	**436,311**	380,925	**235,817**	245,073
Raw materials and supplies	**761,515**	849,902	**316,295**	335,710
Transport and commission expenses	**107,360**	102,878	**42,678**	54,561
Services provided by third parties	**122,392**	115,327	**86,860**	90,234
Other	**174,482**	111,310	**102,632**	52,603
	1,692,858	1,641,014	**824,390**	814,529
Classification				
Cost of sales	**1,275,141**	1,283,775	**609,804**	619,884
Selling expenses	**236,819**	205,299	**96,344**	95,387
General and administrative expenses	**180,898**	151,940	**118,242**	99,258
	1,692,858	1,641,014	**824,390**	814,529

Notes to quarterly information

	Consolidated		Company	
	3Q13	3Q12	3Q13	3Q12
Depreciation and amortization	**32,316**	27,848	**13,328**	12,171
Employee benefits	**156,288**	129,934	**82,497**	82,240
Raw materials and supplies	**244,906**	282,352	**113,761**	111,401
Transport and commission expenses	**35,852**	34,369	**13,844**	18,410
Services provided by third parties	**58,493**	44,988	**44,469**	36,681
Other	**62,514**	28,982	**19,922**	10,445
	590,369	548,473	**287,821**	271,348
Classification				
Cost of sales	**438,261**	422,612	**208,487**	201,748
Selling expenses	**86,074**	69,800	**36,111**	32,362
General and administrative expenses	**66,034**	56,061	**43,223**	37,238
	590,369	548,473	**287,821**	271,348

26. Employee benefits expenses

	Consolidated		Company	
	YTD	Prior YTD	YTD	Prior YTD
Salaries and fees	**302,471**	264,066	**147,465**	155,481
Payroll charges	**97,117**	97,059	**64,289**	74,241
Profit sharing	**25,575**	14,536	**19,000**	10,543
Retirement plan	**11,148**	5,264	**5,063**	4,808
	436,311	380,925	**235,817**	245,073

	Consolidated		Company	
	3Q13	3Q12	3Q13	3Q12
Salaries and fees	**110,280**	92,866	**51,249**	55,168
Payroll charges	**33,967**	33,021	**23,372**	24,593
Profit sharing	**8,245**	2,337	**6,107**	921
Retirement plan	**3,796**	1,710	**1,769**	1,558
	156,288	129,934	**82,497**	82,240

27. Other operating income (expenses), net

	Consolidated		Company	
	YTD	Prior YTD	YTD	Prior YTD
Labor claims	**(9,120)**	(7,361)	**(9,120)**	(7,361)
Reversal of tax provisions	**2,419**	-	**2,419**	-
Assignment of payroll processing rights	**1,067**	2,400	**1,067**	2,400
Restructuring costs	**(2,771)**	-	**(2,771)**	-
Net gains on disposal of property, plant and equipment	**22,628**	820	**22,628**	820
Employee benefits	**1,428**	(4,396)	**1,428**	(4,396)
Unusual losses on inventories	**-**	(4,015)	**-**	-
Other, net	**2,831**	(2,609)	**73**	(1,325)
	18,482	(15,161)	**15,724**	(9,862)

Notes to quarterly information

	Consolidated		Company	
	3Q13	3Q12	3Q13	3Q12
Labor claims	**(4,502)**	(3,035)	**(4,502)**	(3,035)
Assignment of payroll processing rights	**-**	800	**-**	800
Restructuring costs	**(804)**	-	**(804)**	-
Net gains on disposal of property, plant and equipment	**612**	582	**612**	582
Employee benefits	**-**	(1,465)	**-**	(1,465)
Other, net	**313**	(139)	**(103)**	669
	(4,381)	**(3,257)**	**(4,797)**	(2,449)

28. Earnings per share

(a) Basic

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

	Consolidated	
	Until Sept/13	Until Sept/12
Basic		
Basic numerator		
Net profit attributable to shareholders	25,088	73,548
Basic denominator		
Weighted average number of outstanding shares	291,153	291,982
Basic earnings per share (in R$)	0.09	0.25

(b) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential 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 that could have been purchased at fair value (determined as the annual average market price of Company shares), based on the monetary value of the subscription rights linked to the purchase options of shares outstanding. The number of shares calculated as above is compared with the number of shares issued, assuming the exercise of the stock options.

	Consolidated	
	YTD	Prior YTD
Diluted		
Diluted numerator		
Net profit attributable to shareholders	25,088	73,548
Diluted denominator		
Weighted average number of outstanding shares	291,153	291,982
Adjustments to stock option plan	11,802	8,438
Weighted average number of shares for diluted earnings	302,955	300,420
Diluted earnings per share (in R$)	0.08	0.24

Notes to quarterly information

29. Net revenue from sales

	Consolidated		Company	
	YTD	Prior YTD	YTD	Prior YTD
Gross revenue from sales				
In Reais	**967,095**	1,002,326	**928,704**	974,569
In other currencies	**1,188,852**	1,084,438	**239,190**	193,047
	2,155,947	2,086,764	**1,167,894**	1,167,616
Sales taxes	**(257,091)**	(257,851)	**(244,953)**	(247,576)
Net revenue from sales	**1,898,856**	1,828,913	**922,941**	920,040

	Consolidated		Company	
	3Q13	3Q12	3Q13	3Q12
Gross revenue from sales				
In Reais	**313,494**	319,822	**290,569**	310,539
In other currencies	**405,450**	361,475	**88,448**	71,306
	718,944	681,297	**379,017**	381,845
Sales taxes	**(80,730)**	(81,630)	**(76,342)**	(77,847)
Net revenue from sales	**638,214**	599,667	**302,675**	303,998

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 September 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 - 09/30/2013
Less than one year	24,240
From one to four years	67,140
More than 5 years	71,400
	162,780

Notes to quarterly information

30.2. Operating lease obligations

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

	Company - 09/30/2013
From one to five years	4,544
More than five years	53,287
	57,831

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:

	Consolidated		Company	
	09/30/2013	12/31/2012	09/30/2013	12/31/2012
Asset amount insured	**3,402,913**	3,113,515	**1,757,525**	1,761,760
Loss of profits	**981,059**	889,240	**92,937**	92,937
Civil liability	**328,550**	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.

32. Key management compensation

Key management compensation (Board of Directors and Executive Board members) in the nine-month period of 2013 totaled R$ 6,340 (nine-month period of 2012 - R$ 6,507) related to management fees. Additionally, the fair value of stock options granted is recorded in P&L in the amount of R$ 5,029 (nine-month period of 2012 - R$ 4,695).

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/N° 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.

Notes to quarterly information

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

(i) On 10/22/2013, BNDES released the amount of R$ 100,000 to the Company referring to disbursement of the BNDES Revitaliza credit line, with Banco Bradesco S.A. acting as the financial agent, over a total term of 24 months.

(ii) In October 2013, the Company contracted another swap transaction to hedge against currency risk exposure and avoid currency mismatching, as follows:

Description	Maturity - month / year	In thousands Nominal amount
NDF (Brazil)	02/03/2014	
Long position		**US$ 39,000**
Short position		**R$ 86,241**

A free translation from Portuguese into English of Independent Auditor's Review Report on individual interim financial information in accordance with accounting practices adopted in Brazil and on 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

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 September 30, 2013, which comprise the balance sheet at September 30, 2013 and the related income statement, statement of comprehensive income for the three- and nine-month periods then ended, the statement of changes in equity and cash flow statement for the nine-month period then ended, including the explanatory information.

Management is responsible for the preparation of the individual interim financial information in accordance with CPC 21 (R1) – Interim Financial Reporting, and of the consolidated interim financial information in accordance with CPC 21 (R1) and with IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of this information in conformity with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly 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 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 of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the individual interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual interim financial information included in the quarterly information referred to above is not fairly presented, in all material respects, in accordance with CPC 21 (R1) applicable to the preparation of quarterly information (ITR), consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

Conclusion on the consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated interim financial information included in the quarterly information referred to above is not fairly presented, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of quarterly information (ITR), consistently with the rules issued by the CVM.

Emphasis of a matter

Restatement of corresponding amounts

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 three- and nine-month periods ended September 30, 2012, and the statements of comprehensive income, of changes in equity, of cash flows and of value added (supplementary information) for the nine-month period ended September 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 nine-month period ended September 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, November 7, 2013

ERNST & YOUNG
Auditores Independentes S.S.
CRC 2SP015199/O-6

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