

Quarterly Financial Information

Magnesita Refratários S.A.

September 30, 2015
with Independent Auditor's Report

Magnesita Refratários S.A.

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

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

To
the Board of Directors, Shareholders and Officers
Magnesita Refratários S.A.
Belo Horizonte - MG

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Magnesita Refratários S.A. (the "Company"), contained in the Quarterly Information Form - ITR, for the quarter ended September 30, 2015, which comprises the balance sheets as at September 30, 2015 and the related statements of operations and of comprehensive income (loss) for the three- and nine-month periods then ended, and the statements of changes in equity and cash flow statements for the nine-month period then ended, including the explanatory information.

Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with CPC 21 (R1) and International Standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as the presentation of this information in accordance with the rules issued by the Brazilian Securities and Exchange Commission (CVM), applicable to the preparation of Quarterly Financial Information (ITR). Our responsibility is to express an opinion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 and *ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity*). 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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated quarterly 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), and consistently with the rules issued by the CVM.

Other matters

Statements of value added

We have also reviewed the individual and consolidated statements of value added (SVA) for the nine-month period ended September 30, 2015, prepared under the responsibility of 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 (ITR), and as supplementary information under the IFRS, which do not require SVA presentation. These statements have been subject to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that they are not prepared, in all material respects, consistently with the overall individual and consolidated interim financial information.

Belo Horizonte, November 12, 2015.

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

Tomás Menezes
Accountant CRC-1MG090648/O-0

Luciana Ferreira Barbosa
Accountant CRC-1MG-068775/O-9

Company Information/Capital Breakdown

Number of shares (Units)	Current quarter 09/30/2015
Paid-in capital	
Common shares	283,270,134
Preferred shares	0
Total	283,270,134
Treasury shares	
Common shares	15,508,800
Preferred shares	0
Total	15,508,800

Individual financial statements/Balance sheets - Assets

(In thousands of reais)

Account code	Account description	Current quarter 09/30/2015	Prior year 12/31/2014
1	Total assets	4,635,748	4,833,790
1.01	Current assets	1,060,042	1,011,008
1.01.01	Cash and cash equivalents	207,577	102,766
1.01.02	Short-term investments	7,972	26,100
1.01.02.01	Short-term investments at fair value	7,972	26,100
1.01.02.01.01	Trading securities	7,972	26,100
1.01.03	Receivables	424,125	485,198
1.01.03.01	Customers	422,982	482,511
1.01.03.01.01	Domestic trade accounts receivable	127,094	128,493
1.01.03.01.02	Foreign trade accounts receivable	306,235	360,987
1.01.03.01.03	Allowance for doubtful accounts	(26,357)	(19,692)
1.01.03.01.04	Unbilled measurements	16,010	12,723
1.01.03.02	Other accounts receivable	1,143	2,687
1.01.03.02.01	Receivables for sale of property	1,143	2,687
1.01.04	Inventories	351,228	318,461
1.01.06	Taxes recoverable	41,733	54,606
1.01.06.01	Current taxes recoverable	41,733	54,606
1.01.06.01.01	Income taxes recoverable	18,813	4,216
1.01.06.01.02	Other taxes recoverable	22,920	50,390
1.01.07	Prepaid expenses	4,364	0
1.01.08	Other current assets	23,043	23,877
1.01.08.03	Other	23,043	23,877
1.02	Noncurrent assets	3,575,706	3,822,782
1.02.01	Long-term receivables	155,343	129,232
1.02.01.03	Receivables	6,572	6,410
1.02.01.03.02	Other accounts receivable	6,572	6,410
1.02.01.06	Deferred taxes	0	485
1.02.01.08	Receivables from related parties	79,808	58,052
1.02.01.08.02	Receivables from subsidiaries	79,808	58,052
1.02.01.09	Other noncurrent assets	68,963	64,285
1.02.01.09.04	Judicial deposits	17,061	15,007
1.02.01.09.05	Other	51,902	49,278
1.02.02	Investments	1,616,019	1,894,130
1.02.02.01	Equity interests	1,579,552	1,833,297
1.02.02.01.02	Investments in subsidiaries	1,579,197	1,832,935
1.02.02.01.04	Other equity interests	355	362
1.02.02.02	Investment properties	36,467	60,833
1.02.03	Property, plant and equipment	719,998	714,613
1.02.03.01	Property, plant and equipment in use	570,014	519,699
1.02.03.03	Construction in progress	149,984	194,914
1.02.04	Intangible assets	1,084,346	1,084,807
1.02.04.01	Intangible assets	1,084,346	1,084,807
1.02.04.01.02	Software and other items	40,692	41,153
1.02.04.01.03	Goodwill	1,043,654	1,043,654

Individual financial statements/Balance sheets - Liabilities

(In thousands of reais)

Account code	Account description	Current quarter 09/30/2015	Prior year 12/31/2014
2	Total liabilities	4,635,748	4,833,790
2.01	Current liabilities	609,004	563,391
2.01.01	Labor and social charges	78,464	58,227
2.01.01.01	Social charges	47,513	33,031
2.01.01.02	Labor charges	30,951	25,196
2.01.02	Trade accounts payable	199,994	167,983
2.01.02.01	Domestic trade accounts payable	190,076	98,502
2.01.02.02	Foreign trade accounts payable	9,918	69,481
2.01.03	Tax liabilities	20,120	18,793
2.01.03.01	Federal tax liabilities	9,757	9,397
2.01.03.01.02	Other federal tax liabilities	9,757	9,397
2.01.03.02	State tax liabilities	9,683	8,825
2.01.03.03	Local tax liabilities	680	571
2.01.04	Loans and financing	142,341	205,238
2.01.04.01	Loans and financing	142,341	205,238
2.01.04.01.01	In local currency	120,732	197,027
2.01.04.01.02	In foreign currency	21,609	8,211
2.01.05	Other liabilities	168,085	113,150
2.01.05.02	Other	168,085	113,150
2.01.05.02.01	Dividends and interest on equity (IOE) payable	249	353
2.01.05.02.05	Accounts payable for investment acquisition	20,122	23,140
2.01.05.02.06	Accounts payable - forfeiting transactions	106,210	58,171
2.01.05.02.07	Other liabilities	41,504	31,486
2.02	Noncurrent liabilities	1,909,076	1,394,031
2.02.01	Loans and financing	1,527,165	1,266,849
2.02.01.01	Loans and financing	1,527,165	1,266,849
2.02.01.01.01	In local currency	533,940	602,799
2.02.01.01.02	In foreign currency	993,225	664,050
2.02.02	Other liabilities	109,289	88,640
2.02.02.02	Other	109,289	88,640
2.02.02.02.03	Post-employment obligations	94,789	88,640
2.02.02.02.04	Other liabilities	14,500	0
2.02.03	Deferred taxes	228,884	0
2.02.03.01	Deferred income and social contribution taxes	228,884	0
2.02.04	Provisions	43,738	38,542
2.02.04.01	Provisions for tax, social security, labor and civil contingencies	43,738	38,542
2.02.04.01.01	Provisions for tax contingencies	13,504	12,149
2.02.04.01.02	Provisions for social security and labor contingencies	29,189	26,266
2.02.04.01.04	Provisions for civil contingencies	1,045	127
2.03	Equity	2,117,668	2,876,368
2.03.01	Paid-in capital	2,528,146	2,528,146
2.03.02	Capital reserves	173,553	213,649
2.03.02.02	Special goodwill reserve from merger	88,874	88,874
2.03.02.04	Stock options granted	46,860	43,855
2.03.02.05	Treasury shares	(43,101)	0
2.03.02.07	Special reserve - Law No. 8200/91	5,973	5,973

Individual financial statements/Balance sheets - Liabilities

(In thousands of reais)

Account code	Account description	Current quarter 09/30/2015	Prior year 12/31/2014
2.03.02.08	Share issue reserve	92,173	92,173
2.03.02.09	Share issue cost	(17,226)	(17,226)
2.03.04	Income reserves	23,302	23,199
2.03.04.01	Legal reserve	8,290	8,290
2.03.04.05	Retained earnings reserve	15,012	14,909
2.03.05	Retained earnings/(Accumulated losses)	(918,599)	0
2.03.08	Other comprehensive income (loss)	311,266	111,374

Individual financial statements/Statements of operations

Account code	Account description	Current quarter 07/01/2015 to 09/30/2015	YTD - Current year 01/01/2015 to 09/30/2015	Same quarter of YTD	
				Prior year 07/01/2014 to 09/30/2014	Prior year 01/01/2014 to 09/30/2014
3.01	Sales and service revenue	415,150	1,147,640	372,643	1,049,733
3.02	Cost of sales	(265,594)	(763,077)	(255,646)	(729,301)
3.03	Gross profit	149,556	384,563	116,997	320,432
3.04	Operating income/(expenses)	(632,622)	(805,875)	(98,282)	(251,001)
3.04.01	Selling expenses	(43,525)	(125,912)	(46,738)	(141,038)
3.04.02	General and administrative expenses	(35,343)	(104,632)	(35,899)	(102,000)
3.04.04	Other operating income	2,423	16,389	2,316	9,367
3.04.05	Other operating expenses	(107,150)	(122,548)	(3,475)	(18,206)
3.04.06	Equity pickup	(449,027)	(469,172)	(14,486)	876
3.05	Income before financial income/(expenses) and taxes	(483,066)	(421,312)	18,715	69,431
3.06	Financial income (expenses)	(196,446)	(267,918)	(34,730)	(96,310)
3.06.01	Financial income	103,465	238,942	67,130	43,678
3.06.01.01	Monetary and exchange gains	94,568	221,598	63,897	27,942
3.06.01.02	Gains from short-term investments	4,020	12,479	2,502	14,058
3.06.01.03	Other income	4,877	4,865	731	1,678
3.06.02	Financial expenses	(299,911)	(506,860)	(101,860)	(139,988)
3.06.02.01	Monetary and exchange losses	(247,146)	(371,661)	(61,893)	(36,633)
3.06.02.02	Interest on loans	(45,034)	(123,911)	(38,340)	(99,034)
3.06.02.03	Other	(7,731)	(11,288)	(1,627)	(4,321)
3.07	Income before income taxes	(679,512)	(689,230)	(16,015)	(26,879)
3.08	Income and social contribution taxes	(223,633)	(229,369)	(1,859)	5,872
3.08.02	Deferred	(223,633)	(229,369)	(1,859)	5,872
3.09	Net income/(loss) from continuing operations	(903,145)	(918,599)	(17,874)	(21,007)
3.11	Income/loss for the period	(903,145)	(918,599)	(17,874)	(21,007)
3.99	Earnings per share (Reais / share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common (ON)	(3.26000)	(3.32000)	(0.06000)	(0.07000)
3.99.02	Diluted earnings per share				

Individual financial statements/Statements of operations

Account code	Account description	Current quarter 07/01/2015 to 09/30/2015	YTD - Current year 01/01/2015 to 09/30/2015	Same quarter of Prior year 07/01/2014 to 09/30/2014	YTD - Prior year 01/01/2014 to 09/30/2014
3.99.02.01	Common (ON)	(3.26000)	(3.32000)	(0.06000)	(0.07000)

Individual financial statements/Statements of comprehensive income (loss)**(In thousands of reais)**

Account code	Account description	Current quarter 07/01/2015 to 09/30/2015	YTD - Current year 01/01/2015 to 09/30/2015	Same quarter of YTD	
				Prior year 07/01/2014 to 09/30/2014	prior year 01/01/2014 to 09/30/2014
4.01	Net income/(loss) for the period	(903,145)	(918,599)	(17,874)	(21,007)
	Other comprehensive income				
4.02	(loss)	137,672	199,892	17,196	(75,972)
4.02.01	Exchange gains/(losses) of subsidiaries located abroad	137,672	199,892	17,196	(75,972)
4.03	Comprehensive income (loss) for the period	(765,473)	(718,707)	(678)	(96,979)

Individual Financial Statements/Cash flow statements - Indirect method

(In thousands of reais)

Account code	Account description	YTD - Current year 01/01/2015 to 09/30/2015	YTD - Prior year 01/01/2014 to 09/30/2014
6.01	Net cash from operating activities	476,134	76,572
6.01.01	Cash from operations	213,541	128,653
6.01.01.01	Net income/(loss) for the year	(918,599)	(21,007)
6.01.01.02	Net monetary/exchange variation charges	150,065	8,691
6.01.01.03	Interest charges	123,911	99,034
6.01.01.04	Depreciation and depletion	50,447	39,812
6.01.01.05	Amortization of intangible assets	5,483	4,775
6.01.01.06	Equity pickup	469,172	(876)
6.01.01.07	Deferred income and social contribution taxes	229,369	(5,872)
6.01.01.08	Stock options	3,005	4,096
6.01.01.09	Derivative instruments - swap fair value	4,937	0
6.01.01.10	Provision for obsolete inventories	(1,322)	0
6.01.01.11	Allowance for doubtful accounts	6,665	0
6.01.01.12	Provision for losses of PP&E	66,043	0
6.01.01.13	Market value adjustment	24,365	0
6.01.02	Changes in assets and liabilities	262,593	(52,081)
6.01.02.01	Trade accounts receivable	161,902	(47,072)
6.01.02.02	Inventories	(31,445)	(9,386)
6.01.02.03	Taxes recoverable	12,872	21,485
6.01.02.04	Trade accounts payable	(8,124)	(3,707)
6.01.02.05	Taxes payable	1,327	3,800
6.01.02.06	Dividends paid	0	(13,050)
6.01.02.07	Obligations arising from purchases of raw materials	48,039	0
6.01.02.08	Other	78,022	(4,151)
6.02	Net cash from investing activities	(68,818)	(268,784)
6.02.01	Disposal/write offs, investments and intangible assets	157	67
6.02.02	Additions to PP&E and intangible assets	(101,122)	(68,615)
6.02.03	Capital contribution in subsidiary	(8,217)	(187,772)
6.02.04	Capital reduction in subsidiary	19,000	0
6.02.05	Marketable securities	18,128	(14,105)
6.02.06	Dividends received	3,024	0
6.02.07	Receivables for sale of property, plant and equipment	1,382	1,641
6.02.08	Capitalized interest on loans	(1,170)	0
6.03	Net cash from financing activities	(302,505)	(111,924)
6.03.01	Loans and financing raised	10,430	12,186
6.03.02	Repayment of loans and financing	(171,537)	(7,554)
6.03.03	Interest paid - loans and financing	(98,297)	(89,294)
6.03.04	Treasury shares	(43,101)	(27,262)
6.05	Increase (decrease) in cash and cash equivalents	104,811	(304,136)
6.05.01	Cash and cash equivalents - opening balance	102,766	719,976
6.05.02	Cash and cash equivalents - closing balance	207,577	415,840

Individual financial statements/Statements of changes in equity (SCE) - 01/01/2015 to 09/30/2015

(In thousands of reais)

Account code	Account description	Capital paid in	Capital reserves, Stock options granted and treasury shares	Income reserves	Retained earnings/ accumulated losses	Other comprehensive income (loss)	Equity
5.01	Initial balances	2,528,146	213,649	23,199	0	111,374	2,876,368
5.03	Adjusted opening balances	2,528,146	213,649	23,199	0	111,374	2,876,368
5.04	Capital transactions with shareholders	0	(40,096)	103	0	0	(39,993)
5.04.03	Stock options granted and recognized	0	3,005	0	0	0	3,005
5.04.04	Treasury shares purchased	0	(43,101)	0	0	0	(43,101)
5.04.06	Dividends	0	0	103	0	0	103
5.05	Total comprehensive income/(loss)	0	0	0	(918,599)	199,892	(718,707)
5.05.01	Net income/(loss) for the period	0	0	0	(918,599)	0	(918,599)
5.05.02	Other comprehensive income (loss)	0	0	0	0	199,892	199,892
5.05.02.06	Exchange gains from (losses on) foreign investments	0	0	0	0	199,892	199,892
5.07	Closing balances	2,528,146	173,553	23,302	(918,599)	311,266	2,117,668

Individual financial statements/Statements of changes in equity (SCE) - 01/01/2014 to 09/30/2014

(In thousands of reais)

Account code	Account description	Capital paid in	Capital reserves, Stock options granted and treasury shares	Income reserves	Retained earnings/ accumulated losses	Other comprehensive income (loss)	Equity
5.01	Initial balances	2,528,146	234,794	119,008	0	122,492	3,004,440
5.03	Adjusted opening balances	2,528,146	234,794	119,008	0	122,492	3,004,440
5.04	Capital transactions with shareholders	0	(23,166)	0	0	0	(23,166)
5.04.03	Stock options granted and recognized	0	4,096	0	0	0	4,096
5.04.08	Treasury shares cancelled	0	(27,262)	0	0	0	(27,262)
5.05	Total comprehensive income/(loss)	0	0	0	(21,007)	(75,972)	(96,979)
5.05.01	Net income/(loss) for the period	0	0	0	(21,007)	0	(21,007)
5.05.02	Other comprehensive income (loss)	0	0	0	0	(75,972)	(75,972)
5.05.02.06	Exchange gains from (losses on) foreign investments	0	0	0	0	(75,972)	(75,972)
5.07	Closing balances	2,528,146	211,628	119,008	(21,007)	46,520	2,884,295

Individual financial statements/Statements of value added**(In thousands of reais)**

Account code	Account description	YTD - Current year 01/01/2015 to 09/30/2015	YTD - Prior year 01/01/2014 to 09/30/2014
7.01	Revenues	1,520,839	1,382,817
7.01.01	Goods and products sold and services rendered	1,410,572	1,310,017
7.01.02	Other income	16,389	2,009
7.01.03	Revenues from construction of own assets	100,543	70,791
7.01.04	Provision for/reversal of credits Doubtful accounts	(6,665)	0
7.02	Bought-in inputs	(1,114,172)	(972,737)
7.02.01	Cost of sales and services	(693,918)	(676,845)
7.02.02	Materials, energy, third-party services and other expenses	(420,254)	(295,892)
7.03	Gross value added	406,667	410,080
7.04	Withholdings	(55,929)	(44,587)
7.04.01	Depreciation, amortization and depletion	(55,929)	(44,587)
7.05	Net value added produced by Company	350,738	365,493
7.06	Value added received in transfer	(230,230)	44,554
7.06.01	Equity pickup	(469,172)	876
7.06.02	Financial income	238,942	43,678
7.07	Total value added payable	120,508	410,047
7.08	Payment of value added	120,508	410,047
7.08.01	Personnel	254,447	261,758
7.08.02	Taxes, charges and contributions	264,824	17,402
7.08.03	Debt remuneration	519,836	151,894
7.08.03.01	Interest	123,911	99,034
7.08.03.02	Rent	12,976	11,906
7.08.03.03	Other	382,949	40,954
7.08.04	Equity remuneration	(918,599)	(21,007)
7.08.04.03	Retained profit / (Loss for the period)	(918,599)	(21,007)

Consolidated financial statements - Balance sheets - Assets

(In thousands of reais)

Account code	Account description	Current quarter 09/30/2015	Prior year 12/31/2014
1	Total assets	6,550,943	6,608,145
1.01	Current assets	2,534,334	2,556,562
1.01.01	Cash and cash equivalents	514,811	887,374
1.01.02	Short-term investments	7,972	26,100
1.01.02.01	Short-term investments at fair value	7,972	26,100
1.01.02.01.01	Trading securities	7,972	26,100
1.01.03	Receivables	664,032	518,241
1.01.03.01	Customers	662,889	515,554
1.01.03.01.01	Domestic trade accounts receivable	142,322	144,192
1.01.03.01.02	Foreign trade accounts receivable	508,811	382,490
1.01.03.01.03	Allowance for doubtful accounts	(39,585)	(23,851)
1.01.03.01.04	Unbilled measurements	51,341	12,723
1.01.03.02	Other accounts receivable	1,143	2,687
1.01.03.02.01	Receivables for sale of property	1,143	2,687
1.01.04	Inventories	1,158,709	948,377
1.01.06	Taxes recoverable	142,341	131,118
1.01.06.01	Current taxes recoverable	142,341	131,118
1.01.06.01.01	Income taxes recoverable	56,395	34,876
1.01.06.01.02	Other taxes recoverable	85,946	96,242
1.01.07	Prepaid expenses	16,576	6,868
1.01.08	Other current assets	29,893	38,484
1.01.08.03	Other	29,893	38,484
1.02	Noncurrent assets	4,016,609	4,051,583
1.02.01	Long-term receivables	108,008	104,627
1.02.01.03	Receivables	6,572	6,410
1.02.01.03.02	Other accounts receivable	6,572	6,410
1.02.01.06	Deferred taxes	26,779	32,795
1.02.01.06.01	Deferred income and social contribution taxes	26,779	32,795
1.02.01.09	Other noncurrent assets	74,657	65,422
1.02.01.09.04	Judicial deposits	18,133	16,126
1.02.01.09.05	Other	56,524	49,296
1.02.02	Investments	47,472	68,053
1.02.02.01	Equity interests	11,005	7,220
1.02.02.01.04	Other equity interests	11,005	7,220
1.02.02.02	Investment properties	36,467	60,833
1.02.03	Property, plant and equipment	1,468,830	1,310,611
1.02.03.01	Property, plant and equipment in use	1,259,305	1,087,137
1.02.03.03	Construction in progress	209,525	223,474
1.02.04	Intangible assets	2,392,299	2,568,292
1.02.04.01	Intangible assets	75,983	59,403
1.02.04.02	Goodwill	2,316,316	2,508,889

Consolidated financial statements/Balance sheets - Liabilities

(In thousands of reais)

Account code	Account description	Current quarter 09/30/2015	Prior year 12/31/2014
2	Total liabilities	6,550,943	6,608,145
2.01	Current liabilities	1,616,473	1,146,659
2.01.01	Labor and social charges	163,346	103,571
2.01.01.01	Social charges	45,516	40,438
2.01.01.02	Labor charges	117,830	63,133
2.01.02	Trade accounts payable	467,295	419,216
2.01.02.01	Domestic trade accounts payable	191,511	102,472
2.01.02.02	Foreign trade accounts payable	275,784	316,744
2.01.03	Tax liabilities	79,017	57,501
2.01.03.01	Federal tax liabilities	50,106	33,430
2.01.03.01.01	Income and social contribution taxes payable	23,651	12,650
2.01.03.01.02	Other federal tax liabilities	26,455	20,780
2.01.03.02	State tax liabilities	28,911	23,500
2.01.03.03	Local tax liabilities	0	571
2.01.04	Loans and financing	573,134	305,220
2.01.04.01	Loans and financing	573,134	305,220
2.01.04.01.01	In local currency	120,732	197,061
2.01.04.01.02	In foreign currency	452,402	108,159
2.01.05	Other liabilities	333,681	261,151
2.01.05.02	Other	333,681	261,151
2.01.05.02.01	Dividends and interest on equity (IOE) payable	1,394	642
2.01.05.02.05	Accounts payable for investment acquisition	20,122	23,140
2.01.05.02.06	Accounts payable - forfeiting transactions	206,378	166,519
2.01.05.02.07	Other liabilities	105,787	70,850
2.02	Noncurrent liabilities	2,790,401	2,568,609
2.02.01	Loans and financing	2,084,887	2,203,939
2.02.01.01	Loans and financing	2,084,887	2,203,939
2.02.01.01.01	In local currency	533,940	602,799
2.02.01.01.02	In foreign currency	1,550,947	1,601,140
2.02.02	Other liabilities	421,890	317,005
2.02.02.02	Other	421,890	317,005
2.02.02.02.04	Post-employment obligations	384,735	300,169
2.02.02.02.05	Other liabilities	37,155	16,836
2.02.03	Deferred taxes	237,465	8,339
2.02.03.01	Deferred income and social contribution taxes	237,465	8,339
2.02.04	Provisions	46,159	39,326
2.02.04.01	Provisions for tax, social security, labor and civil contingencies	46,159	39,326
2.02.04.01.01	Provisions for tax contingencies	13,516	12,933
2.02.04.01.02	Provisions for social security and labor contingencies	29,345	26,266
2.02.04.01.04	Provisions for civil contingencies	3,298	127
2.03	Consolidated equity	2,144,069	2,892,877
2.03.01	Paid-in capital	2,528,146	2,528,146
2.03.02	Capital reserves	173,553	213,649
2.03.02.02	Special goodwill reserve from merger	88,874	88,874
2.03.02.04	Stock options granted	46,860	43,855
2.03.02.05	Treasury shares	(43,101)	0

Consolidated financial statements/Balance sheets - Liabilities

(In thousands of reais)

Account code	Account description	Current quarter 09/30/2015	Prior year 12/31/2014
2.03.02.07	Special reserve Law 8200/91	5,973	5,973
2.03.02.08	Share issue reserve	92,173	92,173
2.03.02.09	Share issue cost	(17,226)	(17,226)
2.03.04	Income reserves	23,302	23,199
2.03.04.01	Legal reserve	8,290	8,290
2.03.04.05	Retained earnings reserve	15,012	14,909
2.03.05	Retained earnings/(Accumulated losses)	(918,599)	0
2.03.08	Other comprehensive income (loss)	311,266	111,374
2.03.09	Non-controlling interests	26,401	16,509

Consolidated Financial Statements/Statements of Operations

Account code	Account description	Current quarter	YTD -	Same quarter of YTD	
		07/01/2015 to 09/30/2015	Current year 01/01/2015 to 09/30/2015	Prior year 07/01/2014 to 09/30/2014	Prior year 01/01/2014 to 09/30/2014
3.01	Sales and service revenue	886,051	2,482,961	714,684	2,154,196
3.02	Cost of sales	(602,031)	(1,685,044)	(484,655)	(1,472,944)
3.03	Gross profit	284,020	797,917	230,029	681,252
3.04	Operating income/(expenses)	(693,514)	(1,054,858)	(164,845)	(491,425)
3.04.01	Selling expenses	(116,849)	(335,391)	(100,554)	(306,466)
3.04.02	General and administrative expenses	(73,278)	(204,326)	(60,032)	(174,267)
3.04.04	Other operating income	6,091	23,989	4,391	17,921
3.04.05	Other operating expenses	(509,886)	(539,714)	(9,137)	(29,318)
3.04.06	Equity pickup	408	584	487	705
	Income before financial income/(expenses)				
3.05	and taxes	(409,494)	(256,941)	65,184	189,827
3.06	Financial income (expenses)	(240,089)	(373,279)	(69,163)	(187,321)
3.06.01	Financial income	109,038	279,197	108,811	89,866
3.06.01.01	Monetary and exchange gains	94,224	238,632	100,181	61,311
3.06.01.02	Interest income	6,601	16,132	3,351	16,478
3.06.01.03	Other income	8,213	24,433	5,279	12,077
3.06.02	Financial expenses	(349,127)	(652,476)	(177,974)	(277,187)
3.06.02.01	Monetary and exchange losses	(257,903)	(420,284)	(113,964)	(106,328)
3.06.02.02	Interest on loans	(64,817)	(185,075)	(58,481)	(155,948)
3.06.02.03	Other	(26,407)	(47,117)	(5,529)	(14,911)
3.07	Income before income taxes	(649,583)	(630,220)	(3,979)	2,506
3.08	Income and social contribution taxes	(252,966)	(287,181)	(14,335)	(23,088)
3.08.01	Current	(6,589)	(35,339)	(21,037)	(49,517)
3.08.02	Deferred	(246,377)	(251,842)	6,702	26,429
3.09	Net income/(loss) from continuing operations	(902,549)	(917,401)	(18,314)	(20,582)
3.11	Consolidated income/(loss) for the period	(902,549)	(917,401)	(18,314)	(20,582)
3.11.01	Attributable to controlling shareholders	(903,145)	(918,599)	(17,874)	(21,007)
3.11.02	Attributable to noncontrolling shareholders	596	1,198	(440)	425
3.99	Earnings per share (Reais / share)				

Consolidated Financial Statements/Statements of Operations

Account code	Account description	Current quarter 07/01/2015 to 09/30/2015	YTD - Current year 01/01/2015 to 09/30/2015	Same quarter of Prior year 07/01/2014 to 09/30/2014	YTD - Prior year 01/01/2014 to 09/30/2014
3.99.01	Basic earnings per share				
3.99.01.01	Common (ON)	(3.26000)	(3.32000)	(0.06000)	(0.07000)
3.99.02	Diluted earnings per share				
3.99.02.01	Common (ON)	(3.26000)	(3.32000)	(0.06000)	(0.07000)

Consolidated Financial Statements/Statements of comprehensive income (loss)

Account code	Account description	Current quarter 07/01/2015 to 09/30/2015	YTD -		Same quarter of YTD	
			Current year 01/01/2015 to 09/30/2015	Prior year 07/01/2014 to 09/30/2014	Prior year 01/01/2014 to 09/30/2014	
4.01	Consolidated net income for the period	(902,549)	(917,401)	(18,314)	(20,582)	
4.02	Other comprehensive income (loss)	145,149	208,586	17,626	(78,499)	
	Exchange gains/(losses) of subsidiaries					
4.02.01	located abroad	145,149	208,586	17,626	(78,499)	
	Consolidated comprehensive income/(loss)					
4.03	for the period	(757,400)	(708,815)	(688)	(99,081)	
4.03.01	Attributable to controlling shareholders	(765,473)	(718,707)	(678)	(96,979)	
4.03.02	Attributable to noncontrolling shareholders	8,073	9,892	(10)	(2,102)	

Consolidated Financial Statements/Cash Flow Statements - Indirect Method

(In thousands of reais)

Account code	Account description	YTD - Current year 01/01/2015 to 09/30/2015	YTD - Prior year 01/01/2014 to 09/30/2014
6.01	Net cash from operating activities	265,059	239,345
6.01.01	Cash from operations	320,590	230,362
6.01.01.01	Net income/(loss) for the year	(917,401)	(20,582)
6.01.01.02	Net monetary/exchange variation charges	181,652	45,017
6.01.01.03	Interest charges	175,481	155,948
6.01.01.04	Depreciation and depletion	122,017	99,514
6.01.01.05	Amortization of intangible assets	6,216	5,025
6.01.01.06	Deferred income and social contribution taxes	251,842	(26,429)
6.01.01.07	Stock options	3,005	4,096
6.01.01.08	Noncontrolling interest	(1,198)	(425)
6.01.01.09	Equity pickup	(584)	(705)
6.01.01.10	Derivative instruments - swap fair value	4,937	(31,097)
6.01.01.11	Provision for obsolete inventories	43,449	0
6.01.01.12	Provision for losses of PP&E	411,075	0
6.01.01.13	Allowance for doubtful accounts	15,734	0
6.01.01.14	Market value adjustment	24,365	0
6.01.02	Changes in assets and liabilities	(55,531)	8,983
6.01.02.01	Trade accounts receivable	(86,936)	32,257
6.01.02.02	Inventories	(253,781)	(140,797)
6.01.02.03	Taxes recoverable	(18,451)	10,124
6.01.02.04	Trade accounts payable	17,414	67,786
6.01.02.05	Taxes payable	21,515	41,760
6.01.02.06	Dividends paid	752	(13,403)
6.01.02.07	Obligations arising from purchases of raw materials	39,859	0
6.01.02.08	Other	224,097	11,256
6.02	Net cash from investing activities	(141,688)	(112,413)
6.02.01	Disposal/write offs of PP&E, investments and intangible assets	1,923	3,850
6.02.02	Additions to PP&E and intangible assets	(161,951)	(102,158)
6.02.03	Marketable securities	18,128	(14,105)
6.02.04	Receivables for sale of property, plant and equipment	1,382	0
6.02.05	Capitalized interest on loans	(1,170)	0
6.03	Net cash from financing activities	(807,814)	(218,140)
6.03.01	Loans and financing raised	561,002	35,956
6.03.02	Repayment of loans and financing	(1,150,614)	(55,553)
6.03.03	Interest paid - loans and financing	(175,101)	(171,281)
6.03.04	Treasury shares	(43,101)	(27,262)
6.04	Exchange gain/(loss) on cash and cash equivalents	311,880	1,423
6.05	Increase (decrease) in cash and cash equivalents	(372,563)	(89,785)
6.05.01	Cash and cash equivalents - opening balance	887,374	949,097
6.05.02	Cash and cash equivalents - closing balance	514,811	859,312

Consolidated financial statements/Statements of changes in equity (SCE) - 01/01/2015 to 09/30/2015

Account code	Account description	Capital paid in	Capital reserves, Stock options granted and Treasury shares	Income reserves	Retained earnings/ accumulated losses	Other comprehensive income (loss)	Equity	Non-controlling interest	Consolidated equity
5.01	Initial balances	2,528,146	213,649	23,199	0	111,374	2,876,368	16,509	2,892,877
5.03	Adjusted opening balances	2,528,146	213,649	23,199	0	111,374	2,876,368	16,509	2,892,877
5.04	Capital transactions with shareholders	0	(40,096)	103	0	0	(39,993)	0	(39,993)
	Stock options granted and recognized	0	3,005	0	0	0	3,005	0	3,005
5.04.03		0	3,005	0	0	0	3,005	0	3,005
5.04.04	Treasury shares purchased	0	(43,101)	0	0	0	(43,101)	0	(43,101)
5.04.06	Dividends	0	0	103	0	0	103	0	103
5.05	Total comprehensive income/(loss)	0	0	0	(918,599)	199,892	(718,707)	9,892	(708,815)
5.05.01	Net income/(loss) for the period	0	0	0	(918,599)	0	(918,599)	1,198	(917,401)
5.05.02	Other comprehensive income (loss)	0	0	0	0	199,892	199,892	8,694	208,586
	Exchange rate fluctuation - investments	0	0	0	0	199,892	199,892	8,694	208,586
5.05.02.06	abroad	0	0	0	0	199,892	199,892	8,694	208,586
5.07	Closing balances	2,528,146	173,553	23,302	(918,599)	311,266	2,117,668	26,401	2,144,069

Consolidated financial statements / Statements of changes in equity (SCE) - 01/01/2014 to 09/30/2014

Account code	Account description	Capital paid in	Capital reserves, Stock options granted and Treasury shares	Income reserves	Retained earnings/ accumulated losses	Other comprehensive income (loss)	Consolidated	Non-controlling interest	Consolidated equity
5.01	Initial balances	2.528.146	234.794	119.008	0	122.492	3.004.440	19.486	3.023.926
5.03	Adjusted opening balances	2.528.146	234.794	119.008	0	122.492	3.004.440	19.486	3.023.926
	Capital transactions with								
5.04	shareholders	0	(23.166)	0	0	0	(23.166)	0	(23.166)
5.04.03	Stock options granted and recognized	0	4.096	0	0	0	4.096	0	4.096
5.04.08	Treasury shares cancelled	0	(27.262)	0	0	0	(27.262)	0	(27.262)
5.05	Total comprehensive income/(loss)	0	0	0	(21.007)	(75.972)	(96.979)	(2.102)	(99.081)
5.05.01	Net income/(loss) for the period	0	0	0	(21.007)	0	(21.007)	425	(20.582)
5.05.02	Other comprehensive income (loss)	0	0	0	0	(75.972)	(75.972)	(2.527)	(78.499)
	Exchange rate fluctuation -								
5.05.02.06	investments abroad	0	0	0	0	(75.972)	(75.972)	(2.527)	(78.499)
5.07	Closing balances	2.528.146	211.628	119.008	(21.007)	46.520	2.884.295	17.384	2.901.679

Consolidated financial statements / Statements of value added

(In thousands of reais)

Account code	Account description	YTD - Current year 01/01/2015 to 09/30/2015	YTD - Prior year 01/01/2014 to 09/30/2014
7.01	Revenues	2,857,094	2,502,051
7.01.01	Goods and products sold and services rendered	2,748,296	2,429,251
7.01.02	Other income	23,989	2,009
7.01.03	Revenues from construction of own assets	100,543	70,791
7.01.04	Provision for/reversal of credits Doubtful accounts	(15,734)	0
7.02	Bought-in inputs	(2,359,796)	(1,665,407)
7.02.01	Cost of sales and services and services	(1,222,679)	(1,130,122)
7.02.02	Materials, energy, third-party services and other expenses	(1,137,117)	(535,285)
7.03	Gross value added	497,298	836,644
7.04	Withholdings	(128,233)	(104,538)
7.04.01	Depreciation, amortization and depletion	(128,233)	(104,538)
7.05	Net value added produced by Company	369,065	732,106
7.06	Value added received in transfer	279,781	90,571
7.06.01	Equity pickup	584	705
7.06.02	Financial income	279,197	89,866
7.07	Total value added payable	648,846	822,677
7.08	Payment of value added	648,846	822,677
7.08.01	Personnel	549,639	463,345
7.08.02	Taxes, charges and contributions	350,747	89,960
7.08.03	Debt remuneration	665,861	289,954
7.08.03.01	Interest	185,075	155,948
7.08.03.02	Rent	13,385	12,767
7.08.03.03	Other	467,401	121,239
7.08.04	Equity remuneration	(917,401)	(20,582)
7.08.04.03	Retained profit / (Loss for the period)	(918,599)	(21,007)
7.08.04.04	Non-controlling interest in retained profits	1,198	425

Notes**1. Operations**

Magnesita Refratários S.A. (the “Company” or “Magnesita”), a publicly-held entity controlled by GP Investments Ltd. and Rhône Group, is listed in the “Novo Mercado” (New Market) of BM&F BOVESPA. Together with its subsidiaries, Magnesita is primarily engaged in the manufacture of refractory products, which are essential for high temperature processes. The Company’s products are made of magnesite, dolomite or alumina and are available in a wide range of forms, such as: bricks, masses, mortars and concrete. Leveraging its synergy with customers, the Company also provides refractory maintenance and assembly services. In addition, the Company operates with processing and sale of industrial minerals such as talc, caustic magnesia and magnesite sinter.

In addition to the plant located in Contagem, MG, Brazil (Company’s headquarters), the Company has subsidiaries and jointly-controlled entities, both direct and indirect, holdings, and production, commercial, mining or non-operating plants, which comprise the consolidated quarterly financial information (“Magnesita Group” or the “Group”). These companies are described in Note 12.

2. Approval of quarterly financial information

This quarterly financial information was approved for disclosure by the Company’s Board of Directors on November 12, 2015.

3. Summary of significant accounting practices

The individual and consolidated quarterly financial information, presented herein as Company and Consolidated, respectively, was prepared and is presented in accordance with CPC 21 (R1) and International Standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, and in accordance with the rules issued by the Brazilian Securities and Exchange Commission (CVM), applicable to the preparation of Quarterly Financial Information (ITR).

The accounting practices adopted in the accompanying quarterly financial information are consistent with those described in Note 3 to the Company’s financial statements for the year ended December 31, 2014, as filed with the CVM.

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

3.1. Basis of preparation and presentation of quarterly information

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

Notes

The quarterly information was prepared based on certain critical accounting estimates and use of professional judgment by Company management in the process of applying the accounting practices. The areas which require a higher degree of judgment and are more complex, as well as the areas in which assumptions and estimates are significant for Company, are disclosed in Note 4 to the consolidated financial statements as at December 31, 2014 and remain unchanged in relation to the period ended September 30, 2015. For the period ended September 30, 2015, there was no indication of impairment that would require the Company to redo the impairment test in the business units of China and Europe. See more details in Note 15.

Considering that there were no significant changes in the breakdown and nature of the balances reported in the financial statements as at December 31, 2014, the following Notes are presented on a condensed basis for the quarter ended September 30, 2015:

- 17 - Provision for contingencies;
- 18 - Post-employment obligations; and
- 21 - Stock option plan.

For the period ended September 30, 2015, no new standards, amendments and interpretations of standards were issued, in addition to those disclosed in Note 3.21 to the Company's financial statements for the year ended December 31, 2014. Also, no changes in relation to expected and disclosed impacts were observed in these financial statements that could affect the quarterly financial information for such period.

4. Financial risk management

4.1. Financial risk factors

a) Liquidity risk

The excess cash held by operational entities, in addition to the balance required for managing working capital, is managed by the Treasury department. The treasury invests the excess cash in checking accounts bearing interests, time deposits, short-term deposits and marketable securities, by choosing instruments with adequate maturity or sufficient liquidity to provide enough margin as determined by the above-mentioned estimates. As at September 30, 2015, Magnesita Group had R\$ 522.783 (R\$ 913.474 as at December 31, 2014) in cash and cash equivalents and marketable securities, which are expected to generate immediate cash inflows to manage liquidity risk.

b) Market risk

i) *Currency risk*

Magnesita Group operates in the foreign market and is exposed to currency risk arising from exposure to certain currencies, in particular the US dollar, euro and yuan. The currency risk arises from recognized assets and liabilities and net investments in foreign operations.

Notes

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

	Consolidated							
	In thousands of reais - 09/30/2015				In thousands of reais - 12/31/2014			
	USD	€	Other currencies	Total	USD	€	Other currencies	Total
Assets and liabilities in foreign currency								
Cash and cash equivalents	167,261	90,494	52,303	310,058	596,495	154,536	38,354	789,385
Trade accounts receivable, net of allowance for doubtful accounts	227,362	174,124	67,740	469,226	208,031	73,942	40,719	322,692
Trade accounts payable, obligations arising from purchases of raw materials	(286,594)	(122,018)	(73,550)	(482,162)	(173,412)	(70,504)	(18,715)	(262,631)
Loans and financing	(1,924,871)	(12,944)	(63,709)	(2,001,524)	(1,649,767)	(10,816)	(56,571)	(1,717,154)
Derivative financial instruments	710,053	(709,584)	-	469	399,658	(395,733)	-	3,925
Other monetary assets (liabilities), net - abroad	(35,783)	4	(47,908)	(83,687)	(7,080)	(5,223)	(26,858)	(39,161)
Net exposure	(1,142,572)	(579,924)	(65,124)	(1,787,620)	(626,075)	(253,798)	(23,071)	(902,944)

The Company management seeks to mitigate currency risk exposure related to loans through transactions carried out in the United States and Europe.

In the sensitivity analysis of currency risk, the management considered probable the scenario expected with exchange rate effective at September 30, 2015. Scenarios I and II were calculated with deterioration rates of 25% and 50%, respectively, on the probable scenario, considering these hypothesis for September 30, 2015.

This analysis leads to the following:

Description	Probable scenario	Scenario I	Scenario II
Currency risk exposure (increase in USD)	(1,142,572)	(1,142,572)	(1,142,572)
USD rate at 09/30/2015	3,9729	3,9729	3,9729
Currency risk exposure (translation into USD)	(287,591)	(287,591)	(287,591)
Estimated FX rate based on probable scenario	3,9729	4,9661	5,9594
Rate difference	-	0,9932	1,9865
Effect on financial expenses (in Reais)	-	(285,635)	(571,300)
Currency risk exposure (increase in Euro)	(579,924)	(579,924)	(579,924)
Euro rate at 09/30/2015	4,4349	4,4349	4,4349
Currency risk exposure (translation into Euro)	(130,764)	(130,764)	(130,764)
Estimated FX rate based on probable scenario	4,4349	5,5436	6,6524
Rate difference	-	1,1087	2,2175
Effect on financial expenses (in Reais)	-	(144,978)	(289,969)

ii) Cash flow or fair value interest rate risk

The interest rate risk of Magnesita Group arises from short-term investments and loans and financing. Borrowings at fixed rates expose Magnesita Group to the fair value risk associated with the interest rate.

The financial policy of Magnesita Group provides for that the purpose of derivative transactions is to mitigate the risk by replacing floating interest rates with fixed interest rates or replacing fixed interest rates.

Notes

In 2014 and 2015, Magnesita Group had floating rate loans in reais and US dollars.

Interest rates agreed upon for loans and financing and long-term debt bonds in current and noncurrent liabilities are as follows:

	Consolidated				Subsidiary			
	09/30/2015	%	12/31/2014	%	09/30/2015	%	12/31/2014	%
Loans and financing								
CDI	564,907	21.3	633,422	25.2	564,907	33.8	633,422	43.0
Libor	598,527	22.5	-	-	-	-	-	-
	1,163,434	43.8	633,422	25.2	564,907	33.8	633,422	43.0
Other loans not subject to interest rate risk								
Loans at fixed rates	1,234,724	46.4	907,843	36.2	1,104,599	66.2	838,665	57.0
Long-term fixed debt bonds	259,863	9.8	967,894	38.6	-	-	-	-
	1,494,587	56.2	1,875,737	74.8	1,104,599	66.2	838,665	57.0
	2,658,021	100	2,509,159	100	1,669,506	100	1,472,087	100

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

	Consolidated				Subsidiary			
	09/30/2015	%	12/31/2014	%	09/30/2015	%	12/31/2014	%
CDI								
CDB and fixed income transactions	248,725	96.9	89,697	77.5	206,287	96.3	72,490	73.5
Marketable securities	7,972	3.1	26,100	22.5	7,972	3.7	26,100	26.5
	256,697	100	115,797	100	214,259	100	98,590	100

The Company has no derivative financial instruments for the purpose of managing the risk to which the Company is exposed in connection with short-term investments subject to rate variation.

Interest risk to which the Company's operations are exposed is as follows:

	Consolidated 09/30/2015
	CDI
Cash equivalents and marketable securities	256,697
Export credit notes	(136,319)
Debentures	(414,234)
Bank credit bill	(14,354)
Total liability exposure	(564,907)
Net exposure	(308,210)

Notes

The following table demonstrates the incremental loss that would have been recognized in the profit or loss for the period ended September 30, 2015. In the sensitivity analysis of interest rate risk, management considered probable the scenario with exchange rate effective at September 30, 2015. Scenarios I and II were calculated with deterioration rates of 25% and 50%, respectively, on the probable scenario, considering these hypothesis for September 30, 2015. This analysis leads to the following:

Description	Probable scenario	Scenario I	Scenario II
CDI risk exposure (rate increase)	(308,210)	(308,210)	(308,210)
Cumulative CDI rate at 09/30/2015	12,53%	12,53%	12,53%
Interest rate based on probable scenario	12,53%	15,66%	18,80%
Rate difference	-	3,13%	6,27%
Effect on financial expenses	-	(9,647)	(19,325)

4.2. Capital management

Magnesita Group's objectives in managing their capital are to safeguard its ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders as well as to maintain an optimal target capital structure to reduce the cost of capital.

In order to maintain or adjust its capital structure, the Company may revise the policy for payment of dividends, return capital to shareholders, issue new shares, or sell assets to reduce its indebtedness, for example.

Magnesita Group monitors capital based on the financial leverage ratio. Net debt, in turn, corresponds to total loans, financing and long-term debt bonds, less cash and cash equivalents. Total capital is determined by adding equity, as disclosed in the balance sheet, to net debt.

Debt equity ratio is as under:

	Consolidated		Subsidiary	
	09/30/2015	12/31/2014	09/30/2015	12/31/2014
Total loans and financing	2,658,021	2,509,159	1,669,506	1,472,087
Less: Cash and cash equivalents and marketable securities	(522,783)	(913,474)	(215,549)	(128,866)
Total	2,135,238	1,595,685	1,453,957	1,343,221
Total equity	2,144,069	2,892,877	2,117,668	2,876,368
Total capital	4,279,307	4,488,562	3,571,625	4,219,589
Financial leverage ratio	50%	36%	41%	32%

4.3. Fair value estimate

The balances of trade accounts receivable less allowance for doubtful accounts and of trade accounts payable approximate fair value, given their short-term maturity.

Notes

For derivative transactions, the long and short positions are calculated by the Company independently, using the marked-to-market methodology, according to the rates applied and verified in disclosures on the website of BM&F, Broadcast and Bloomberg. If there is no negotiation for the term of the Company's portfolio, the interpolation methodology is used to find the rates relating to the specific terms. In both cases, the present value of flows is calculated. The difference between payables and receivables is the fair value of transactions.

a) Financial instruments measured at fair value in the balance sheet

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 into level 2 of the fair value hierarchy.

5. Derivative financial instruments

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

Description	Maturity month / year	Notional value	Consolidated	
			09/30/2015	12/31/2014
			Fair value R\$	Fair value R\$
Exchange rate hedging:				
Swap	03/30/2015			
Long position		US\$ 150,000	-	3,925
Short position		Euro 118,110		
Futures position				
Long position	-	US\$ 178,724	-	-
Short position		Euro 160,000		

The effect of R\$ 47,683 was recognized in the nine-month period of 2015 profit or loss, under financial income (R\$ 31,097 for nine-month period of 2014).

Notes

6. Financial instruments by category

	Consolidated			Subsidiary		
	Assets measured at fair value through profit or loss	Loans and receivables	Total	Assets measured at fair value through profit or loss	Loans and receivables	Total
Assets						
September 30, 2015						
Cash and cash equivalents and marketable securities						
- Cash and banks	266,086	-	266,086	1,290	-	1,290
- CDB and fixed income transactions	248,725	-	248,725	206,287	-	206,287
Marketable securities	7,972	-	7,972	7,972	-	7,972
Trade accounts receivable	-	662,889	662,889	-	422,982	422,982
Other accounts receivable (except prepayments)	-	31,036	31,036	-	24,185	24,185
Judicial deposits	-	18,133	18,133	-	17,061	17,061
	522,783	712,058	1,234,841	215,549	464,228	679,777

	Consolidated			Subsidiary		
	Assets measured at fair value through profit or loss	Loans and receivables	Total	Assets measured at fair value through profit or loss	Loans and receivables	Total
Assets						
December 31, 2014						
Cash and cash equivalents and marketable securities						
- Cash and banks	797,677	-	797,677	30,276	-	30,276
- CDB and fixed income transactions	89,697	-	89,697	72,490	-	72,490
Marketable securities	26,100	-	26,100	26,100	-	26,100
Trade accounts receivable	-	515,554	515,554	-	482,511	482,511
Other accounts receivable (except prepayments)	-	9,097	9,097	-	9,097	9,097
Judicial deposits	-	16,126	16,126	-	15,007	15,007
Derivative financial instruments	3,925	-	3,925	3,925	-	3,925
	917,399	540,777	1,458,176	132,791	506,615	639,406

	Consolidated	Subsidiary
	Financial liabilities not for trading	Financial liabilities not for trading
Liabilities		
September 30, 2015		
Loans and financing and debt bonds	2,658,021	1,669,506
Trade accounts payable, obligations arising from purchases of raw materials, contractors and freight	673,673	306,204
	3,331,694	1,975,710

Notes

	Consolidated	Subsidiary
	Financial liabilities	Financial liabilities
	not for trading	not for trading
Liabilities		
December 31, 2014		
Loans and financing and debt bonds	2,509,159	1,472,087
Trade accounts payable, obligations arising from purchases of raw materials, contractors and freight	585,735	226,154
	3,094,894	1,698,241

6.1. Fair value

	Consolidated 09/30/2015	
	Book value	Fair value
Cash and banks	266,086	266,086
CDB and fixed income transactions	248,725	248,725
Marketable securities	7,972	7,972
Trade accounts receivable	662,889	662,889
Other accounts receivable (except prepayments)	31,036	31,036
Judicial deposits	18,133	18,133
	1,234,841	1,234,841
Loans and financing and debt bonds	2,658,021	2,658,590
Trade accounts payable, obligations arising from purchases of raw materials, contractors and freight	673,673	673,673
	3,331,694	3,332,263

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

The fair value of negotiable instruments is based on price quotes as at the reporting date. The fair value of nonnegotiable instruments, bank loans and other financial liabilities is estimated based on discounted future cash flows at rates currently available for similar or remaining debts or terms.

7. Cash and cash equivalents

	Consolidated		Subsidiary	
	09/30/2015	12/31/2014	09/30/2015	12/31/2014
Cash and banks	266,086	797,677	1,290	30,276
CDB and fixed income transactions	248,725	89,697	206,287	72,490
	514,811	887,374	207,577	102,766

At September 30, 2015, in Consolidated, a portion of cash and cash equivalents amounts to R\$ 310,058 in foreign currency (December 31, 2014 - R\$789,385).

Notes**8. Trade accounts receivable**

	Consolidated		Subsidiary	
	09/30/2015	12/31/2014	09/30/2015	12/31/2014
Trade accounts receivable - in reais	142,322	159,774	127,094	141,075
Trade accounts receivable - in other currencies	508,811	346,543	128,910	51,169
Receivables from subsidiaries	-	-	177,325	297,236
(-) Provision for losses	(39,585)	(23,851)	(26,357)	(19,692)
Notes receivable, net	611,548	482,466	406,972	469,788
Unbilled measurements	51,341	33,088	16,010	12,723
Trade accounts receivable	662,889	515,554	422,982	482,511

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

The aging list of notes receivable is as follows:

	Consolidated		Subsidiary	
	09/30/2015	12/31/2014	09/30/2015	12/31/2014
Falling due:				
Within 90 days - Third parties	459,192	339,065	112,978	93,122
Within 90 days - Intercompany	-	-	28,651	69,777
Above 90 days - Third parties	100,743	65,801	84,615	55,088
Above 90 days - Intercompany	-	-	2,146	16,157
Overdue:				
Within 30 days - Third parties	86,796	62,107	34,218	18,113
Within 30 days - Intercompany	-	-	13,088	30,714
Above 30 days - Third parties	55,743	72,432	40,203	38,644
Above 30 days - Intercompany	-	-	133,440	180,588
(-) Provision for losses	(39,585)	(23,851)	(26,357)	(19,692)
	662,889	515,554	422,982	482,511

Changes in the provision for impairment losses were as follows:

	Consolidated	Subsidiary
At December 31, 2014	(23,851)	(19,692)
Additions	(17,932)	(7,070)
Write-offs	9,583	5,678
Exchange gains/(losses)	(7,385)	(5,273)
September 30, 2015	(39,585)	(26,357)

9. Inventories

	Consolidated		Subsidiary	
	09/30/2015	12/31/2014	09/30/2015	12/31/2014
Finished goods	656,107	472,525	92,952	106,570
Work in process	48,190	38,787	25,610	23,879
Raw materials	424,099	379,670	189,141	148,392
Materials and supplies (replacement materials and other)	102,871	86,504	46,986	44,403
(-) Provision for losses	(72,558)	(29,109)	(3,461)	(4,783)
	1,158,709	948,377	351,228	318,461

Notes

Changes in the provision for impairment losses were as follows:

	Consolidated	Subsidiary
Balance at December 31, 2014	(29,109)	(4,783)
Additions	(33,539)	-
Write-offs	2,335	1,322
Exchange gains/(losses)	(12,245)	-
Balance at September 30, 2015	(72,558)	(3,461)

10. Other taxes recoverable

	Consolidated			
	09/30/2015		12/31/2014	
	Current	Noncurrent	Current	Noncurrent
Indirect taxes	84,665	56,524	93,383	49,296
Taxes on goods shipped on consignment	1,177	-	2,757	-
Other	104	-	102	-
	85,946	56,524	96,242	49,296

	Subsidiary			
	09/30/2015		12/31/2014	
	Current	Noncurrent	Current	Noncurrent
Indirect taxes	21,639	51,902	47,545	49,278
Taxes on goods shipped on consignment	1,177	-	2,743	-
Other	104	-	102	-
	22,920	51,902	50,390	49,278

11. Income and social contribution taxesa) Tax credits

Tax credits by nature of temporary additions are as follows:

	Consolidated		Subsidiary	
	09/30/2015	12/31/2014	09/30/2015	12/31/2014
Tax credits on temporary additions				
Provision for contingencies	20,482	21,617	20,482	21,617
Post-employment obligations	88,751	70,210	32,228	30,138
Provision for bonuses	8,982	5,967	8,982	5,967
Accelerated depreciation	1,079	438	-	-
Other	12,009	38,447	15,235	9,592
	131,303	136,679	76,927	67,314
Tax credits on income and social contribution tax losses	153,508	385,591	129,078	352,516
Tax credit on shareholder merger	25,312	32,952	25,312	32,952
Total tax credits	310,123	555,222	231,317	452,782

Notes

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

Accordingly, the estimated realization of tax assets shall not be used as the only indication of Magnesita's future results. Taxable profit considers variables, such as: tax incentives, permanent and temporary differences, thus having no direct correlation with the Company's net income.

The income estimates available, combined with Company operations history, indicate that Company and subsidiaries will earn future taxable income in an amount sufficient to absorb referred to tax credits. Projections of future taxable income consider estimates relating, without limitation, to the Company's performance, market behavior, certain economic aspects. Actual amounts may differ from the estimates adopted.

Considering future projections of utilization of tax losses and tax credits on temporary provisions, the Company adjusted the balance of tax credit assets in the Parent Company of R\$265,744 and the European subsidiary of R\$25,070 under deferred income tax. These adjustments are already being reflected in the balances of September 30, 2015.

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

	Consolidated	Subsidiary
1 year	9,514	1,634
2 years	17,087	9,207
3 years	19,598	11,718
4 years	28,144	20,264
From 5 years onwards	235,780	188,494
Balance at September 30, 2015	310,123	231,317

Tax credit from income and social contribution tax losses is generated especially from amortization of goodwill on future pro Referred to goodwill will be amortizable by 2018 (R\$ 192.910), which provides a basis for management's expectation concerning the realization of these credits.

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

The Group has tax losses generated in subsidiary and in some Group's subsidiaries on which no deferred tax assets have been recognized in relation to these losses, since these may not be used to offset taxable income and were generated in deficient subsidiaries some time ago. If the Group could have recognized all deferred tax assets at September 30, 2015, these would have totaled R\$ 183,542.

Notes

Noncurrent liabilities break down as under:

	Consolidated		Subsidiary	
	09/30/2015	12/31/2014	09/30/2015	12/31/2014
Deferred taxes on tax amortization of goodwill	443,710	435,564	435,129	427,225
Deferred taxes on accelerated tax depreciation	52,028	70,130	-	-
Deferred taxes on net fair value gains	18,525	18,525	18,525	18,525
Other	6,547	6,547	6,547	6,547
	520,810	530,766	460,201	452,297

b) Reconciliation of income tax and social contribution tax expenses

	Consolidated		Subsidiary	
	09/30/2015	09/30/2014	09/30/2015	09/30/2014
Income (loss) before income and social contribution taxes	(630,220)	2,506	(689,230)	(26,879)
Combined statutory rate - %	34%	34%	34%	34%
Tax benefit at statutory rate	214,275	(852)	234,338	9,139
Income and social contribution taxes on				
Equity pickup	198	-	(159,518)	298
Effect of different rates used by the subsidiaries located in other jurisdictions	(2,962)	(6,286)	-	-
Effect of the limited interest deductibility rule - Germany	24	(10,077)	-	-
Tax effect of local adjustments to income tax of Germany, referring to Bond transfer	(14,908)	-	-	-
Review of deferred income tax asset (i)	(290,814)	-	(265,744)	-
Effect on deferred IR not recognized (ii)	(183,542)	(7,032)	(32,844)	-
Other permanent differences, net	(9,452)	1,159	(5,601)	(3,565)
Income and social contribution tax expenses	(287,181)	(23,088)	(229,369)	5,872
Current	(35,339)	(49,517)	-	-
Deferred	(251,842)	26,429	(229,369)	5,872

(i) Refers to the reversal of deferred income tax assets in the parent company and in Europe after the Company evaluated the recoverability of these assets based on utilization projections of tax losses and tax credits on temporary provisions.

(ii) This mainly refers to deferred IR not recognized in certain subsidiaries and on permanent differences in the parent company.

c) Reconciliation of deferred tax assets and liabilities, net

	Consolidated		Subsidiary	
	09/30/2015	12/31/2014	09/30/2015	12/31/2014
Deferred tax assets	310,123	555,222	231,317	452,782
Deferred tax (liabilities)	(520,810)	(530,766)	(460,201)	(452,297)
Deferred tax assets (liabilities)	(210,687)	24,456	(228,884)	485
Reflected on the balance sheet				
Assets	26,779	32,795	-	485
Liabilities	(237,465)	(8,339)	(228,884)	-
Net	(210,686)	24,456	(228,884)	485

d) Changes in deferred tax assets and liabilities, net

	Consolidated	Subsidiary
Balance at December 31, 2014 - Assets (liabilities)	24,456	485
Tax income / (expenses) recognized in the statement of operations (i)	(251,842)	(229,369)
Exchange gains/(losses)	16,700	-
Balance at September 30, 2015 - Assets (liabilities)	(210,686)	(228,884)

(i) Mainly refers to adjusted deferred IR in subsidiary (R\$265,744).

Notes

12. Investments in subsidiaries and jointly-controlled entities

a) Investment information

Book value - Company

	Equity interest %	Equity	Net income (loss)	Interest			Net income (loss) before IR/CS
				Total assets	Liabilities	Net revenue	
Iliama II Trading (Sociedade Unipessoal) Lda. Capital worth 3 thousand EUROS and 3,010 units of interest	100	-	(7,701)	18,626	18,626	-	(7,701)
Magnesita Finance Ltd. (*) Capital worth 489,077 thousand EUROS and 2,204 units of interest	100	921,212	(470,032)	2,436,365	1,515,153	1,030,635	50,249
Magnesita Grundstücks Beteiligungs GmbH Capital worth 25 thousand EUROS and 1 unit of interest	100	415	-	4,873	4,458	-	-
Magnesita Insider Refratários Ltda. Capital worth R\$ 64.490 thousand and 944.900 units of interest	100	41,338	2,971	56,272	14,934	24,095	3,994
MAG-Tec Ltda. Capital worth R\$ 200 thousand and 800.000 units of interest	100	245	-	285	40	-	-
RASA - Refractories Argentinos S.A. I. C. y M. Capital worth ARS 1.000 thousand and 1.000.000 shares	100	(10,581)	(3,436)	153,829	164,410	97,521	(3,436)
Refratários Magnesita Colômbia S.A							

Book value - Company

	Equity interest %	Equity	Net income (loss)	Total assets	Interest		Net income (loss) before IR/CS
					Liabilities	Net revenue	
Capital worth COP 11.673.200 thousand and 1.167.320.000 units of interest	100	45,179	12,565	66,309	21,130	57,810	16,418
Refratários Magnesita Peru S.A.C. Capital worth PEN 6.890 thousand and 1.000 units of interest	100	17,776	2,600	18,486	710	16,127	2,600
Refratários Magnesita Uruguay S.A. Capital worth UYU 450 thousand and 450.000 units of interest	100	1,623	570	2,891	1,268	874	619
Reframec Manutenção e Montagem de Refratários Ltda. Capital worth R\$ 1,786 and 1,786.000 units of interest	67	11,591	3,081	16,236	4,645	30,243	4,911
Dalian Magnesita Refractories Co. Limited Capital worth US\$ 13,550 and 1 unit of interest	100	(13,279)	(10,625)	128,854	142,133	78,014	(10,625)
Magdata Participações e Investimentos Capital of R\$ 9,680	77	8,333	835	9,324	991	-	1,527
Total in 2015		<u>1,023,852</u>	<u>(469,172)</u>				
Total in 2014		<u>1,413,893</u>	<u>(23,017)</u>				

(*) The Company indirectly has an investment in a jointly-controlled entity of 40%, in Krosaki Magnesita Refractories LLC (United States).

Notes**b) Investment information***Goodwill*

	Goodwill on acquisition
Of subsidiary Magnesita Finance Ltd.	533,976
Of subsidiary Reframec Manutenção e Montagem de Refratários Ltda.	21,369
Total in 09/30/2015	555,345
Total in 2014	419,042

c) Changes in equity interests

The changes in Company investments for the period ended September 30, 2015 were as follows:

	2015
Balance at beginning of year	1,833,297
Equity pickup	(469,172)
Exchange rate fluctuation - investments (i)	63,589
Exchange rate fluctuation - goodwill (ii)	136,303
Capital payment in subsidiary (iii)	8,217
Capital reduction in subsidiary (iv)	(29,253)
Dividends received	(3,024)
Other	39,595
Balance at end of year	1,579,552

(i) Exchange rate fluctuation on investments matched against equity (Note 19 (d)).

(ii) Exchange rate fluctuation on goodwill matched against equity (Note 19 (d)).

(iii) Refer to capital payment in subsidiary Magnesita Finance Ltd. and Mag Data Participações.

(iv) Refer to capital reduction in subsidiary Magnesita Insider Refratários Ltda.

d) Related parties (Company)*Balances and transactions*

At September 30, 2015, major trade accounts receivable and payable and key transactions carried out in the period then ended, such as sales, purchases of services and products and dividends received, involving Company subsidiaries were as follows:

	Balances			Transactions	
	Receivables	Trade accounts payable	Credits (debits)	Sales	Purchase of products
Magnesita Insider Refratários Ltda. (i)	34	9,451	(611)	3,056	13,193
Dalian Magnesita Refractories Co. Limited	-	-	47,509	-	-
RASA - Refractories Argentinos S.A. I. C. y M. (ii)	105,179	-	-	15,829	-
Iliama II Trading (Sociedade Unipessoal) Lda.	-	-	18,149	-	-
Refratários Magnesita Colômbia S.A. (iii)	20	(253)	-	9,593	-
Refratários Magnesita Peru S.A.C. (iii)	-	-	-	4,207	-
Refratários Magnesita Chile (iii)	3,830	-	-	6,474	-
LWB Companies (i)	68,262	4,419	14,781	220,815	-
Other	-	-	(20)	-	3,556
At September 30, 2015	177,325	13,617	79,808	259,974	16,749
At December 31, 2014	284,514	9,475	58,052	307,531	14,184

Notes

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

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

The Company fully and unconditionally guarantees debt securities issued by its subsidiaries Rearden G Holdings Eins GmbH and Magnesita Finance Ltd. (LWB Group companies).

Notes

13. Property, plant and equipment

	Consolidated						
	09/30/2015			12/31/2014			
	Cost	Accumulated depreciation	Net amount	Cost	Accumulated depreciation	Net amount	Annual depreciation average rate %
Land	83,215	-	83,215	84,566	-	84,566	
Mineral deposits	127,517	(23,991)	103,526	64,258	(15,122)	49,136	Based on volume
Buildings and improvements	776,491	(347,973)	428,518	610,605	(257,763)	352,842	4
Machinery, facilities and equipment, including IT equipment	2,081,695	(1,362,352)	719,343	1,690,798	(1,070,178)	620,620	7
Transportation equipment	19,303	(17,515)	1,788	16,767	(15,638)	1,129	6
Furniture, fixtures and other	106,843	(51,182)	55,661	73,517	(39,904)	33,613	9
Construction in progress	274,196	-	274,196	223,474	-	223,474	
Losses with the Grafitte Project	(64,672)	-	(64,672)	-	-	-	
Impairment of PP&E	(132,745)	-	(132,745)	(54,769)	-	(54,769)	
Total property, plant and equipment	3,271,843	(1,803,013)	1,468,830	2,709,216	(1,398,605)	1,310,611	

	Subsidiary						
	09/30/2015			12/31/2014			
	Cost	Accumulated depreciation	Net amount	Cost	Accumulated depreciation	Net amount	Annual depreciation average rate %
Land (i)	12,537	-	12,537	12,126	-	12,126	
Mineral deposits	43,916	(10,607)	33,309	28,067	(5,458)	22,609	Based on volume
Buildings and improvements (i)	247,166	(104,952)	142,214	234,962	(100,319)	134,643	4
Machinery, facilities and equipment, including IT equipment	991,979	(640,904)	351,075	936,502	(603,271)	333,231	10
Transportation equipment	11,376	(11,369)	7	11,376	(11,367)	9	20
Furniture, fixtures and other	49,775	(18,903)	30,872	34,316	(17,235)	17,081	10
Construction in progress	214,656	-	214,656	194,914	-	194,914	
Losses with the Grafitte Project	(64,672)	-	(64,672)	-	-	-	
Total property, plant and equipment	1,506,733	(786,735)	719,998	1,452,263	(737,650)	714,613	

(i) The Company has assets given in guarantee in administrative and legal proceedings totaling R\$ 28,679 at September 30, 2015 (December 31, 2014 - R\$ 28,679).

Notes

Changes in property, plant and equipment were as follows:

	Consolidated	Subsidiary
At December 31, 2014	1,310,611	714,613
Additions	155,336	107,520
Write-offs	(1,923)	(149)
Depreciation	(122,017)	(50,447)
Transfer to intangible assets	(10,800)	(1,166)
Provision for losses/write-offs of PP&E	(119,646)	(66,043)
Exchange rate fluctuation (foreign assets)	241,599	-
Other	15,670	15,670
At September 30, 2015	1,468,830	719,998

14. Intangible assets

	Consolidated						Annual amortization rate %
	09/30/2015			12/31/2014			
	Cost	Accumulated amortization	Net amount	Cost	Accumulated amortization	Net amount	
Software and other items	182,244	(106,262)	75,982	146,787	(86,686)	60,101	12 to 20
Goodwill on acquisition of investments							
Magnesita S.A.	1,316,509	(272,855)	1,043,654	1,316,509	(272,855)	1,043,654	
LWB	1,505,488	(2,602)	1,502,886	1,405,934	(2,602)	1,403,332	
Insider Insumos Refratários para Siderurgia Ltda.	40,536	(699)	39,837	40,536	(699)	39,837	
Reframec Montagens e Manutenção de Refratários Ltda.	21,369	-	21,369	21,368	-	21,368	
Impairment of goodwill	(291,429)	-	(291,429)	-	-	-	
Total intangible assets	2,774,717	(382,418)	2,392,299	2,931,134	(362,842)	2,568,292	
	Subsidiary						
	09/30/2015			12/31/2014			
	Cost	Accumulated amortization	Net amount	Cost	Accumulated amortization	Net amount	Annual amortization rate %
Software and other items	98,845	(58,153)	40,692	93,767	(52,614)	41,153	12 to 20
Goodwill on acquisition of investments							
Magnesita S.A.	1,316,509	(272,855)	1,043,654	1,316,509	(272,855)	1,043,654	
Total intangible assets	1,415,354	(331,008)	1,084,346	1,410,276	(325,469)	1,084,807	

Notes

Changes in intangible assets were as follows:

	Consolidated	Subsidiary
At December 31, 2014	2,568,292	1,084,807
Additions	6,615	3,856
Transfers of PP&E	10,800	1,166
Exchange gains/(losses)	104,237	-
Accumulated	(6,216)	(5,483)
Impairment of goodwill	(291,429)	-
At September 30, 2015	2,392,299	1,084,346

15. Impairment of non-financial assets

	Consolidated		
	09/30/2015		
	Net accounting value	Net recoverable value	Net impairment adjustment
Goodwill - Europe	586,873	314,651	272,222
Goodwill - China	19,207	-	19,207
PP&E - China	152,499	98,896	53,603
Total	758,579	413,547	345,032

Since the beginning of 2015, the fall in Company's business volumes in Europe and China, due to lower activity in the construction sector and other major sectors that indirectly impacts the Company's business. Regarding operations in China, the Company, after market valuation and considering the projections for the future periods, continued with the closure of industrial activities of Chizhou factory. Accordingly and considering this scenario, the Company recorded a reduction of R\$ 345,032 of its non-financial assets. Out of this amount, R\$ 291,429 were recognized in the consolidated financial statements and allocated to goodwill (R\$ 272,222 in Europe and R\$ 19,207 in China) and R\$ 53,603 were recognized in the heading of PP&E of China. The value in use of the goodwill has been updated to reflect management best estimates regarding the business in Europe, based on market projections. Management also updates the value in use of goodwill and PP&E items to reflect the best estimates with regards to business in China based on market valuation. Both evaluations remain sensitive to any changes in long-term expectations that may lead to future adjustments in the recognized value. The discount rate adopted in the future cash flow projection of Europe represents an estimate of the market rate that would be used to meet the risk of assets under evaluation. The nominal rate used in local currency was of 7.7% p.a. in case of Europa. The Company considered market sources to define the inflation and exchange rates used in the projections of future flows.

16. Obligations arising from purchases of raw materials

The Company purchases raw materials from suppliers particularly located in China to obtain better cost conditions and to reduce mineral price risks. These purchases caused the Company to stock up on imported raw materials for a period longer than usual, with expected realization within 12 months.

Notes

Such purchases are negotiated with payment due dates consistent with the use of these raw materials. Company's suppliers, in turn, discount the notes with first-tier financial institutions by means of a *trade finance* transaction called *forfaiting*, which basically consists of selling these receivables, without legal recourse. Accordingly, at September 30, 2015, the financial liability is due to financial institutions, and the balances related to these purchases corresponded to R\$ 106,210 in Company and R\$ 206,378 in Consolidated, with average payment period around 360 days.

The Company classified these transactions in the operating cash flow statements, since these purchases of raw materials are matched against changes in inventories.

17. Loans and financing

	Consolidated			
	Currency	Annual average interest rate	09/30/2015	12/31/2014
Export credit notes	R\$	CDI+1.10%	136,319	209,854
Perpetual debt bonds	US\$	8.63%	1,014,834	664,209
(-) Unamortized transaction costs	-	-	(14,559)	(9,567)
Long-term debt bonds	US\$	7.88%	259,863	968,815
(-) Unamortized transaction costs	-	-	-	(921)
BNDES Revitaliza - Export	R\$	8.00%	16,720	101,660
Debentures	R\$	112% CDI	416,692	401,162
(-) Unamortized transaction costs	-	-	(2,458)	(2,249)
CCB	R\$	CDI+1.29%	14,354	16,467
Property, plant and equipment financing				
In local currency - FNE	R\$	7.50%	64,423	75,564
In local currency - FINEP		4.00%	10,447	-
Long term loans	USD	LIBOR + 3.41%	598,527	-
Advance of export	USD	3.55%	59,012	-
Advances on export invoices	US\$	63.9% CDI	-	8,188
Other	US\$	7.25%	7,194	8,555
Other	€	5.31%	12,944	10,816
Other	¥	-	63,709	56,571
Other	R\$	-	-	35
			2,658,021	2,509,159
		Current	573,134	305,220
		Noncurrent	2,084,887	2,203,939

Notes

	Subsidiary			
	Currency	Annual average interest rate	09/30/2015	12/31/2014
Export credit notes	R\$	CDI+1.10%	136,319	209,854
Perpetual debt bonds	US\$	8.63%	1,014,834	664,209
(-) Unamortized transaction costs	-	-	(1,825)	(2,768)
BNDES Revitaliza - Export	R\$	8,00%	16,720	101,660
Debentures	R\$	112% CDI	416,692	401,162
(-) Unamortized transaction costs	-	-	(2,458)	(2,249)
CCB	R\$	CDI+1.29%	14,354	16,467
Property, plant and equipment financing				
In local currency - FNE	R\$	7.50%	64,423	75,564
In local currency - FINEP	R\$	4.00%	10,447	-
Advances on export invoices			-	8,188
			1,669,506	1,472,087
		Current	142,341	205,238
		Noncurrent	1,527,165	1,266,849

a) Perpetual debt bonds

In 2012, the Company issued US\$ 250 million in perpetual debt bonds in US dollars by means of its wholly-owned subsidiary Magnesita Finance Ltd. Such bonds consist of unsecured and unsubordinated obligations of Magnesita Finance Ltd. and are fully and unconditionally guaranteed by the Company and its significant subsidiaries. At September 30, 2015, perpetual debt bonds in long-term total R\$ 1.014.834.

b) Debentures

On December 20, 2013, the Company issued 40,000 (forty thousand) unsecured debentures, not convertible into shares, with a par value of R\$ 10,000 (ten thousand reais) each, totaling R\$400,000, remunerated at 112% of accumulated variation in the average daily rates of Interbank Deposits. Compensatory interest is paid semiannually. The debentures have a two-year grace period, maturing on December 20, 2018, and the first amortization shall be paid on December 20, 2017.

Unamortized transaction costs refer to commission paid upon contract renegotiation and will be amortized over the terms of the related contract term. On September 30, 2015, all covenants were met.

c) Long term loans

In the third quarter of 2015, the Company acquired US\$ 150,000, bearing interest at Libor + 3.41% p.a., with final maturity in October 2020 and with the first amortization to be paid in January 2018. On September 30, 2015, all covenants were met.

Notes

d) Maturity

At September 30, 2015, current and noncurrent undiscounted balances payable mature as follows:

	Consolidated	Subsidiary
Within 180 days	149,942	65,201
From 180 to 360 days	423,192	77,140
2016	6,418	4,832
2017	287,357	283,490
From 2018 onwards	1,791,112	1,238,843
	2,658,021	1,669,506

18. Provision for contingencies

	Consolidated		Subsidiary	
	09/30/2015	12/31/2014	09/30/2015	12/31/2014
Tax - Provision	13,516	12,933	13,504	12,149
Tax - Judicial deposit	(8,724)	(8,345)	(8,133)	(7,749)
Labor - Provision	27,564	24,653	27,408	24,653
Labor - Judicial deposit	(7,407)	(5,803)	(6,950)	(5,280)
Civil - Provision	3,298	127	1,045	127
Social security - Provision	1,781	1,613	1,781	1,613
Social security - Judicial deposit	(2,002)	(1,978)	(1,978)	(1,978)
	28,026	23,200	26,677	23,535
Noncurrent - Provision	46,159	39,326	43,738	38,542
Noncurrent - Judicial deposit	(18,133)	(16,126)	(17,061)	(15,007)
	28,026	23,200	26,677	23,535

Based on information provided by its legal advisors, management set up provisions in amounts deemed sufficient to cover probable losses on ongoing litigations, classified into short- and long-term, in accordance with the expected outcomes, as above. Significant contingent liabilities with provisioned amounts are as follows:

Description	Position	09/30/2015 Balance	12/31/2014 Balance
INSS deficiency notice amounting to R\$ 26,677 of 06/30/2008 drawn up without observing the five-year laches	Pending judgment	1,781	1,613
Referring to the lawfulness statement for Brumado IPI matching credit as a reimbursement of Contribution Taxes on Gross Revenue for Social Integration Program and for Social Security Financing (PIS/COFINS) levied on acquisitions of raw material in the domestic market	Appeal	9,330	9,069
Financial compensation on the tax base of Mineral Resource Exploration offset	Injunction	2,426	2,238

For labor claims, the Company sets up a provision considering real chances of success of the requests made in each case. Significant requests made in these labor claims are as follows: equal pay, compensation for occupational disease, accident at work, hazard pay and overtime. Proceedings of a tax, civil and labor nature whose likelihood of loss is estimated as possible based on the opinion of Company legal advisors did not change significantly in the course of litigation and remain consistent with the discussion and rationale presented in Note 22 of Company financial statements for the year ended December 31, 2014, filed with the CVM.

Notes

19. Post-employment obligations

The Company and its subsidiaries offer retirement plans to employees, whose actuarial losses, recognized in the consolidated quarterly financial information at September 30, 2015, are as follows:

Description	Region				Consolidated
	Subsidiaries			Subsidiary	
	Europe	United States	China	South America	
Defined benefit plan	193,990	95,455	-	94,789	384,234
Seniority bonus	501	-	-	-	501
At September 30, 2015	194,491	95,455	-	94,789	384,735
At December 31, 2014	141,754	69,775	-	88,640	300,169

Subsidiary

The post-employment benefit plans offered by the Company are disclosed in the financial statements for the year ended December 31, 2014.

For 2015, budgeted expenses to fund the Defined Contribution Plan (CD) amount to R\$ 8,199 and will be charged to financial expenses. At September 30, 2015, the Defined Contribution Plan had 7,116 active members (December 31, 2014 - 7,096).

At September 30, 2015, the Defined Benefit Plan (DB) had 295 (December 31, 2014 - 273) inactive members, retirees and pensioners, and 987 (December 31, 2014 - 1,462) members waiting for the Defined Benefit.

Subsidiaries

i) *Defined Contribution Plans*

The general characteristics and conditions of the defined contribution plans in the US and UK, 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, 2014, filed with the CVM.

In 2015, the total cost of these Plans amounted to R\$ 4.703 (R\$ 5.190 in 2014), calculated in accordance with the rates defined in the related rules.

ii) *Defined benefit plans*

The subsidiaries also have Defined Benefit Plans in Europe and the US determined by using the unit credit method projected based on the independent actuary's analysis, which maintained the economic actuarial assumptions aligned and consistent with those presented in Note 23 to the Company's financial statements for December 31, 2014, as follows:

Notes

	Europe		United States	
	09/30/2015	12/31/2014	09/30/2015	12/31/2014
Present value of actuarial liabilities	(194,491)	(141,754)	(648,467)	(437,126)
Fair value of assets	-	-	553,012	367,351
Actuarial liabilities	(194,491)	(141,754)	(95,455)	(69,775)
Active members	281	281	218	218
Assisted members	1,076	1,076	544	544
Terminated members, eligible for the Plan	236	236	442	442

20. Equity

a) Capital

At September 30, 2015, Company's capital totaled R\$ 2,528,146 (December 31, 2014 - R\$2,528,146), represented by 283,270,134 common shares (December 31, 2014 - 283,270,134), all registered and without par value.

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

In a meeting held on March 20, 2015, the Board of Directors approved the Company's 3rd Share Buyback Program, beginning on March 23, 2015 and ending on March 21, 2016. The Company's goal is to maximize the value generation for the shareholder through an efficient management of capital structure. The number of shares that may be purchased by Magnesita is 16,291,946 common shares, representing 10.00% of total shares outstanding.

Share buyback transactions are conducted at market prices quoted on BM&FBOVESPA - Bolsa de Valores, Mercadorias e Futuros S.A., observing legal and regulatory provisions regarding black-out and lock-out periods, especially those defined in article 12 of CVM Rule No. 476, dated January 16, 2009 and in article 48 of CVM Rule No. 400 dated December 29, 2003. As a result of the Company's 3rd Share Buyback Program, by September 30, 2015, the Company had acquired 15,508,800 shares, for R\$ 43,101.

Information on the acquisition of Company-issued shares is as follows:

3rd Share Buyback Program							
Period	Type	Number of buyback shares	Buyback trading price (R\$)			Closing market quote ¹ (R\$)	Market value ² (R\$ thousand)
			Minimum	Weighted average	Maximum		
9M2015	Common shares	15,508,800	2.29	2.79	3.25	2.83	43,890

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 price of September 2015.

2) It means the number of shares acquired in 2015 at market price at the closing of the period (09/30/2015).

At September 30, 2015, the Company had 15,508,800 treasury common shares, representing 2.92% of total shares issued by the Company, which were recorded at R\$ 43,101.

Notes

b) Capital reserves

Share premium reserve: amounting to R\$139,327, this refers to 50% of the premium upon subscription of the shares issued in 2011.

Special reserve - Law No. 8200/91: Refers to special monetary adjustment introduced in 1991 by Law No. 8200/91. This reserve may be used to increase capital or offset accumulated losses.

Special goodwill reserve on merger: This refers to goodwill from merger of Mukden Participações Ltda., a shareholder of Magnesita Refratários S.A., net of the provision recognized pursuant to CVM Ruling No. 349/01. Shares will be distributed to all shareholders when this reserve is used for increasing capital.

Stock options granted: This refers to the amount of stock options granted to Company management. In the first nine-month period of 2015, the reserves were matched against expenses recognized in profit or loss for the year, totaling R\$ 3,005 (in the first nine months of 2014 - R\$ 4,096).

c) Income reserve

Legal reserve: The legal reserve is recorded based on the allocation of 5% of net income for the year, after legally required adjustments and deductions, including the deduction of accumulated losses, if any, limited to 20% of the Company's total capital, pursuant to article 193 of Brazil's Corporation Law.

Investment reserve: This reserve is recognized pursuant to article 27, line d, of Company Articles of Incorporation, which state that new investments may be made using the remaining portion of net income after allocations to legal reserve and mandatory minimum dividends. The balance of this reserve, plus other income reserves, less unrealized earnings reserve and provisions for contingencies, cannot exceed total capital.

d) Other comprehensive income (loss)

This records foreign exchange gains and losses on foreign subsidiaries, on intercompany loans with foreign subsidiaries and goodwill, results from actuarial valuation and gain on fair value measurement of investment property.

Amounts recorded in the form of foreign exchange gains and losses on investments and goodwill abroad were as follows:

	<u>Subsidiary</u>
Balance at September 30, 2014	91,346
Exchange gains from (losses on) foreign investments	63,589
Exchange gains from (losses on) goodwill abroad	136,303
At September 30, 2015	<u>291,328</u>

21. Segment information

Management and the Board of Directors have performed business analyses since October 2012 by segmenting it into business lines, namely Refractory Products, Minerals and Services.

Notes

Revenue from the reported operating segments derives basically from the manufacture and sale of refractory products.

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

Information by business segment, reviewed by management, for the periods ended September 30, 2015 and 2014 is as follows:

	Consolidated - 09/30/2015			
	Refractories	Minerals	Services	Total
Net sales and service revenue	2,187,226	148,294	147,441	2,482,961
Cost of sales	(1,473,801)	(90,935)	(120,308)	(1,685,044)
Gross profit	713,425	57,359	27,133	797,917

	Consolidated - 09/30/2014			
	Refractories	Minerals	Services	Total
Net sales and service revenue	1,919,470	112,646	122,080	2,154,196
Cost of sales	(1,301,996)	(74,841)	(96,108)	(1,472,944)
Gross profit	617,474	37,805	25,973	681,252

Net sales and service revenue by geographic region for the periods ended September 30, 2015 and 2014 is as follows:

	Consolidated - 09/30/2015					
	South America	Europe	North America	Asia	Eliminations	Total
Net sales and service revenue	1,354,429	599,132	752,391	153,591	(376,582)	2,482,961

	Consolidated - 09/30/2014					
	South America	Europe	North America	Asia	Eliminations	Total
Net sales and service revenue	1,206,441	595,598	570,556	105,786	(324,185)	2,154,196

22. Stock option plan

In accordance with its Articles of Incorporation, the Company has a stock option plan approved by the Annual Shareholders' Meeting with a view to including executives in the Company's development process in the medium and long terms. This plan is managed by the Board of Directors or, at the Board's discretion, by a committee, which shall approve the stock option plan. The options granted shall represent no more than 6% of total capital stock.

The options granted will entitle shareholders the right to acquire Company shares over the period of two years after the grant date at a rate of 100% of the number of shares granted at the end of the grace period. Options can only be exercised if an employment relationship with the Company exists at the time the option is exercised. The shares acquired each year may not be sold for one year.

During the nine-month period of 2015, share-based payment expenses were recognized totaling R\$3,005 (R\$ 4,096 in the nine month period of 2014). Future expenses to be recognized total R\$ 1,533.

Notes

The Company made a new grant in the first quarter of 2015 as a replacement for a portion of the options in force at December 31, 2014. Additionally, there was a buyback amounting to R\$ 1,531, and the remaining options were cancelled.

The fair value measurement model and assumptions are the same as those adopted in the financial statements for the year ended December 31, 2014.

23. Expenses by nature

	Consolidated		Subsidiary	
	Up to 180 days	Up to Sep/14	Up to Sep/15	Up to Sep/14
Depreciation and amortization	128,233	104,538	55,928	44,587
Employee benefits	611,924	525,945	275,874	268,155
Raw materials and supplies	888,940	808,544	390,449	384,996
Expenses with transportation and commissions	160,120	155,146	73,699	80,734
Third-party services	148,440	155,397	101,277	108,459
Other	287,104	204,107	96,394	85,408
	2,224,761	1,953,677	993,621	972,339
Classification				
Cost of sales	1,685,044	1,472,944	763,077	729,301
Selling expenses	335,391	306,466	125,912	141,038
General and administrative expenses	201,321	170,171	101,627	97,904
Stock options	3,005	4,096	3,005	4,096
	2,224,761	1,953,677	993,621	972,339

	Consolidated		Subsidiary	
	Q3 2015	Q3 2014	Q3 2015	Q3 2014
Depreciation and amortization	46,569	35,278	19,617	15,537
Employee benefits	208,153	167,999	87,131	88,736
Raw materials and consumables	310,615	262,203	128,931	130,261
Expenses with transportation and commissions	55,181	54,288	26,970	28,443
Third-party services	55,572	43,976	37,964	28,526
Other	116,068	81,497	43,849	46,780
	792,158	645,241	344,462	338,283
Classification				
Cost of sales	602,031	484,655	265,594	255,646
Selling expenses	116,849	100,554	43,525	46,738
General and administrative expenses	72,989	59,404	35,054	35,271
Stock options	289	628	289	628
	792,158	645,241	344,462	338,283

24. Expenses with employee benefits

	Consolidated		Subsidiary	
	Up to Sep/15	Up to Sep/14	Up to Sep/15	Up to Sep/14
Salaries and compensation	433,324	380,938	174,078	168,256
Social charges	131,531	104,480	77,588	73,330
Stock options	3,005	4,096	3,005	4,096
Profit sharing	29,373	26,532	16,253	17,146
Retirement plan	14,691	9,899	4,950	5,327
	611,924	525,945	275,874	268,155

Notes

	Consolidated		Subsidiary	
	Q3 2015	Q3 2014	Q3 2015	Q3 2014
Salaries and compensation	154,348	125,433	57,774	57,460
Social charges	45,224	33,705	26,726	25,270
Stock options	289	628	289	628
Profit sharing	3,009	4,963	889	3,642
Retirement plan	5,283	3,270	1,453	1,736
	208,153	167,999	87,131	88,736

25. Other operating income (expenses), net

	Consolidated		Subsidiary	
	Up to Sep/15	Up to Sep/14	Up to Sep/15	Up to Sep/14
Labor claims	(14,124)	(14,098)	(14,124)	(14,098)
Reversal of provisions for tax contingencies	2,431	4,657	2,431	3,144
Electric energy sale	5,769	4,645	5,769	4,645
Gains (losses) on real estate ventures	(24,321)	(3,044)	(24,321)	(704)
Provision for losses in operations in China (i)	(48,900)	-	-	-
Impairment of assets (ii)	(345,032)	-	-	-
Provision for losses with ongoing projects (iii)	(64,672)	-	(64,672)	-
Other, net	(26,876)	(3,557)	(11,242)	(1,826)
	(515,725)	(11,397)	(106,159)	(8,839)

	Consolidated		Subsidiary	
	Q3 2015	Q3 2014	Q3 2015	Q3 2014
Labor claims	(3,976)	(2,347)	(3,976)	(2,347)
Reversal of provisions for tax contingencies	344	2,444	670	931
Electric energy sale	(98)	955	(98)	955
Gains (losses) on real estate ventures	(23,457)	(2,622)	(23,457)	(282)
Provision for losses in operations in China (i)	(48,900)	-	-	-
Impairment of assets (ii)	(345,032)	-	-	-
Provision for losses with ongoing projects (iii)	(64,672)	-	(64,672)	-
Other, net	(18,004)	(3,176)	(13,194)	(416)
	(503,795)	(4,746)	(104,727)	(1,159)

- (i) Refers to estimated losses due to the closure of Chizhou factory in China (inventories, receivables and restructuring costs)
- (ii) Refers to provision for impairment of assets of Europe (R\$ 272,222) Europe and China (R\$ 72,810), related to goodwill and fixed assets
- (iii) Refers to loss recognized on the investment in the Graphite Project

26. Financial income (expenses)

Financial income and expenses are as follows:

	Consolidated		Subsidiary	
	Up to Sep/15	Up to Sep/14	Up to Sep/15	Up to Sep/14
Financial income				
- Monetary restatements and exchange rate fluctuations	238,632	61,311	221,598	27,942
Gains from short-term investments	16,132	16,478	12,479	14,058
Other income	24,433	12,077	4,865	1,678
	279,197	89,866	238,942	43,678
Financial expenses				
- Monetary restatements and exchange rate fluctuations	(420,284)	(106,328)	(371,661)	(36,633)
Interest on loans	(185,075)	(155,948)	(123,911)	(99,034)
Other	(47,117)	(14,911)	(11,288)	(4,321)
	(652,476)	(277,187)	(506,860)	(139,988)
Financial income (expenses), net	(373,279)	(187,321)	(267,918)	(96,310)

Notes

Financial income and expenses are as follows:

	Consolidated		Subsidiary	
	Q3 2015	Q3 2014	Q3 2015	Q3 2014
Financial income				
- Monetary restatements and exchange rate fluctuations	94,224	100,181	94,568	63,897
Gains from short-term investments	6,601	3,351	4,020	2,502
Other income	8,213	5,279	4,877	731
	109,038	108,811	103,465	67,130
Financial expenses				
- Monetary restatements and exchange rate fluctuations	(257,903)	(113,964)	(247,146)	(61,893)
Interest on loans	(64,817)	(58,481)	(45,034)	(38,340)
Other	(26,407)	(5,529)	(7,731)	(1,627)
	(349,127)	(177,974)	(299,911)	(101,860)
Financial income (expenses), net	(240,089)	(69,163)	(196,446)	(34,730)

27. Earnings (loss) per sharea) Basic

	Consolidated	
	Up to Sep/15	Up to Sep/14
Basic		
Basic numerator		
Net loss attributable to controlling shareholders	(918,599)	(21,007)
Basic denominator		
Weighted average number of outstanding shares	276,794	286,027
Basic loss per share (in R\$)	(3.32)	(0.07)

b) Diluted

Diluted earnings per share are reached after adjusting the weighted average of common shares outstanding, assuming conversion of all potentially diluted common shares. The Company has only one category of potentially dilutive common shares: stock options.

As such, a calculation is made in order to determine the number of shares which could have been purchased at fair value (determined as the annual average market price of Company shares), based on the monetary value of the subscription rights linked to the purchase options of shares outstanding.

The number of shares calculated as above is compared to the number of shares issued, assuming the exercise of the stock options.

	Consolidated	
	Up to Sep/15	Up to Sep/14
Diluted		
Diluted numerator		
Net loss attributable to controlling shareholders	(918,599)	(21,007)
Diluted denominator		
Weighted average number of outstanding shares	276,794	286,027
Weighted average number of shares for diluted earnings	276,794	286,027
Diluted loss per share (in R\$)	(3.32)	(0.07)

Notes

In the nine-month period of 2015, the Company had 1.604.278 options that would be of maximum dilution factor, but have not been diluted due to loss presented in the year.

28. Net sales and service revenue

	Consolidated		Subsidiary	
	Up to Sep/15	Up to Sep/14	Up to Sep/15	Up to Sep/14
Gross sales and service revenue				
In reais	1,050,457	1,038,284	1,001,948	989,300
In other currencies	1,697,839	1,390,832	408,624	320,717
	<u>2,748,296</u>	<u>2,429,116</u>	<u>1,410,572</u>	<u>1,310,017</u>
Deductions from sales	(265,335)	(274,920)	(262,932)	(260,284)
Net sales and service revenue	<u>2,482,961</u>	<u>2,154,196</u>	<u>1,147,640</u>	<u>1,049,733</u>

	Consolidated		Subsidiary	
	Q3 2015	Q3 2014	Q3 2015	Q3 2014
Gross sales and service revenue				
In reais	340,106	355,085	331,179	340,123
In other currencies	631,311	454,889	170,900	121,986
	<u>971,417</u>	<u>809,974</u>	<u>502,079</u>	<u>462,109</u>
Deductions from sales	(85,366)	(95,290)	(86,929)	(89,466)
Net sales and service revenue	<u>886,051</u>	<u>714,684</u>	<u>415,150</u>	<u>372,643</u>

29. Commitments

29.1. 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, 2015, the Company was in compliance with such agreements.

The amounts are based on energy consumption estimates over the contract term and the prices are also based on estimated volumes resulting from the Company's continuing operations.

Total minimum payments related to input supply, measured at nominal value, according to the agreement are as follows:

	Company and Consolidated - 2015
Less than one year	<u>24,240</u>
More than one year and less than four years	<u>52,425</u>
More than four years	<u>39,387</u>
	<u>116,052</u>

The Company has commitments arising from lease of the properties in which it carries out product storage and shipment activities, as well as from lease of machinery and equipment. Lease agreement terms vary from one to six years and do not have a purchase option at the end of the lease term; however, they allow timely renewal under market conditions prevailing at the time when they are renewed. At September 30, 2015, the commitment in connection with future consideration for these operating leases had the following payment terms:

Notes

	Company and Consolidated - 2015
Less than one year	10,469
More than one year and less than five years	21,939
	32,408

30. Insurance coverage

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

	Consolidated 09/30/2015	Subsidiary 09/30/2015
Amount insured	3,387,644	1,757,525
Loss of profit	973,033	92,937
Civil liability	325,887	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.

31. Key management personnel compensation

In the first nine-month period of 2015, compensation paid to key management personnel (Board members and Executive Officers) in the form of management fees amounted to R\$ 4,923 (first nine-month period of 2014 - R\$ 5,541). Additionally, the fair value of the stock options granted in the amount of R\$ 3,005 (first nine-month period of 2014 - R\$ 4,096) is recorded in net income for the period.

Pronouncement of the Board of Directors

In accordance with item V, article 142 of Brazil's Corporation Law (Law No. 6404 of December 15, 1976), the Board of Directors of Magnesita Refratários S.A., at a meeting held on August 5, 2015, received the Management Report and the quarterly information for the last period ended and approved the Executive Board accounts.

Contagem, November 12, 2015.

Fersen Lamas Lambranh - Chairman
Thiago Emanuel Rodrigues - Vice Chairman
Eduardo Alcalay
Nelson Rozental
Robert Frank Agostinelli
Bernardo Guimarães Rodarte
Gustavo Pecorari
Alexandre Grzybowski
Ronaldo de Carvalho Caselli

Opinion of the Supervisory Board

On November 12, 2015, full members of the Supervisory Board of Magnesita Refratários S.A. (the “Company”) held a meeting at 2 p.m., by means of conference call, attended by Mr. Eduardo Guardiano Leme Gotilla, Company’s CFO, and Mr. Welder Ferreira Santos, Company’s Tax Officer.

After analyzing the quarterly information (ITR), with the information provided by Company management for the third quarter of 2015, the Board formalized the opinion favorable to the ITR, as described in Attachment I hereto.

In witness whereof, the members closed the meeting and drawn up these minutes that, after being read and approved, were executed by all the members of the Supervisory Board that attended the meeting.

Contagem, November 12, 2015.

Pedro Wagner Pereira Coelho
Alexei Ribeiro Nunes
Sergio Antonio Cordeiro de Oliveira
Ricardo Scalzo
Rafael Ferraz Dias de Moraes

Representation

In the capacity of Corporate Officers of Magnesita Refratários S.A., we hereby represent, pursuant to article 25, paragraph 1, items V and VI of CVM Rule No. 480 of December 7, 2009, that:

- we have analyzed, discussed and agreed with the quarterly financial information (Company and Consolidated) for the period ended September 30, 2015;
- we have analyzed, discussed and agreed with the terms of the independent auditor's review report on the quarterly financial information (Company and Consolidated) for the period ended September 30, 2015.

Contagem, November 12, 2015.

Octávio Cortes Pereira Lopes
CEO

Eduardo Guardiano Leme Gotilla
CFO and Investor Relations Officer

Officers with no specific title:

Otto Alexandre Levy Reis
Luís Rodolfo Mariani Bittencourt
Luiz Gustavo Perrotti Rossato

Gilmar Fava Carrara
José André de Castro Alves
Otávio Augusto Castro Lustosa Nogueira

Chief Technical Officer in charge
Welder Ferreira Santos
Accountant - CRC-MG 51.003/0-6