



MAGNESITA REFRATÁRIOS S.A.

TAXPAYER ID (CNPJ/MF) NO. 08.684.547/0001-65

PUBLICLY-HELD COMPANY

NOTICE TO SHAREHOLDERS

Grouping of shares

São Paulo, December 14th, 2015 - **Magnesita Refratários S.A.** (Novo Mercado: MAGG3 | OTCQX: MFRSY) ("Company"), in compliance with the paragraph 4^o of Article 157 of Law 6,404/1976, and CVM Instruction 358/2002, announces that the Company's shareholders approved at the Extraordinary Shareholder's Meeting ("ESM") held on this date, the grouping of all the Company's common shares at the ratio of 25 to 1, with split of each share, after the grouping, at the ratio of 1 to 5, has established the following:

- 1) **Period for adjustment of shareholding positions:** The Company's shareholders, including holders of Brazilian Depositary Receipts under the ADR program – Level I (American Depositary Receipts) may, within 30 days from the publication of this Notice to Shareholders (i.e., from December 15th, 2015 until January 14th, 2016), at its sole and absolute discretion, adjust their stock positions in multiple lots of 25 shares, through private negotiations or negotiations at BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros ("BM&FBOVESPA") through brokers of their choice, authorized to operate by BM&FBOVESPA, in order to remain integrating the Company's shareholding structure with at least one share after the grouping effectiveness.
- 2) **Share split:** Once the period for adjustment of shareholding positions presented in item "1" is expired, the shares representing the Company's capital stock will be automatically split at the ratio of 1 to 5.
- 3) **Grouped and split shares:** From January 15th, 2016, after the expiration of the period for adjustment of shareholding positions presented in item "1", the shares representing the Company's capital stock will be traded exclusively at the ratio resulting from the grouping and split, maintaining the currently existing rights, including with respect to payment of dividends and any eventual capital remuneration. As a result of the grouping and split, the Company's share capital, currently divided into 267,161,334 common shares, will be divided into 53,432,265 common shares.
- 4) **Treatment of fractions:** After the expiration of the period for adjustment of shareholding positions, any fractional shares resulting from the grouping will be separated, grouped in whole numbers and sold in as many auctions as needed, to be held in due course on BM&FBOVESPA, and the resulting proceeds from the sale of fractional shares will be available to the respective shareholders after the

financial settlement of the sale. The date of the auction of fractional shares, its details and the date on which the result of the auction proceeds will be available to shareholders will be notified after the expiration of the period for adjustment of shareholding positions through a Notice to Shareholders to be opportunistically released.

Likewise, the Company's Brazilian Depositary Receipts under the ADR program Level I (American Depositary Receipts), held in custody by Deutsche Bank, traded in the US OTC market under the ticker "MFRSY", will also be grouped and split following the same ratio and the same procedure set forth herein.

The grouping and split of the common shares will be reflected in the negotiations at the BM&FBOVESPA from January 15th, 2016 (inclusive).

Eduardo Gotilla

CFO and Investor Relations Officer
Magnesita Refratários S.A.