

## **Quarterly Information - ITR**

### **Magnesita Refratários S.A.**

June 30, 2014

## MAGNESITA ANNOUNCES 2Q14 RESULTS

Contagem, Brazil - August 13<sup>th</sup>, 2014 - **MAGNESITA REFRATÁRIOS S.A.** (BM&FBOVESPA, Novo Mercado: MAGG3 | OTCQX: MFRSY) announces today its second quarter 2014 (2Q14) results\*. Unless otherwise indicated, the Company's operational and financial information are presented in consolidated form, in thousands of reais (R\$), and in accordance with Brazilian corporate law.

### 2Q14 HIGHLIGHTS

- **Total volume of refractories** increased 4.3% in comparison to 2Q13 and 3.1% versus 1H13, with 70% of this growth arising from non-core markets;
- **Volume for the steel segment** increased 8.5% in comparison to 2Q13 and 6.9% in the 1H14, with market share gains in core markets and new geographies;
- **Consolidated revenue** of R\$720.1 million, was up 10.7% compared to 2Q13. For the semester, revenues increased 13.1%, reaching R\$1,439.5 million;
- **EBITDA** of R\$95.4 million with a 13.2% margin, compared to R\$123.2 million in 2Q13 with a 18.9% margin;
- **EBITDA ex-other operating revenues/expenses** was R\$96.6 million and a 13.4% margin in 2Q14, versus R\$102.7 million and a 15.8% margin in 2Q13. In the semester, EBITDA reached R\$200.3 million, with a 13.9% margin, compared to R\$216.6 million and a 17.0% margin in the 1H13.
- **Services segment** accumulated a 16.6% gross margin in the semester compared to 12.8% in the prior year, with revenue 37.1% higher year-to-date;

### SUBSEQUENT EVENTS

- **Repurchase and cancellation of shares:** During the 2Q14, Magnesita acquired 2.5 million shares, amounting to R\$11.8 million, as part of the 2<sup>nd</sup> Share Repurchase Program. In July, Magnesita acquired an additional 1.6 million shares, totaling 7.4 million shares in treasury since the beginning of the program. At the Board Meeting on August 13<sup>th</sup>, 2014, the Board of Directors approved the cancellation of 100% of the shares held in treasury;
- **End of Market Maker contract:** The Company announced on August 5<sup>th</sup> that the Market Making contract with Brasil Plural has expired.

## KEY INDICATORS

In R\$ million, unless otherwise indicated	Quarter			Var. %		Accumulated		Var. %	LTM accumulated		Var. %
	2Q14 (a)	1Q14 (b)	2Q13 (c)	a/b	a/c	1H14 (d)	1H13 (e)	d/e	2Q14 (f)	2Q13 (g)	f/g
Refractories volume ('000 tons)	270.9	257.6	259.7	5.2%	4.3%	528.5	512.3	3.1%	1,038.6	986.9	5.2%
Net operating revenues	720.1	719.4	650.5	0.1%	10.7%	1,439.5	1,272.9	13.1%	2,822.8	2,485.6	13.6%
Gross profit	220.1	231.1	221.5	-4.7%	-0.6%	451.2	431.3	4.6%	884.2	805.5	9.8%
Gross margin (%)	30.6%	32.1%	34.0%	-160bp	-350bp	31.3%	33.9%	-250bp	31.3%	32.4%	-110bp
EBIT	61.3	63.3	93.8	-3.2%	-34.6%	124.6	180.9	-31.1%	256.4	280.2	-8.5%
EBITDA	95.4	98.5	123.2	-3.1%	-22.6%	193.9	239.4	-19.0%	393.3	396.5	-0.8%
EBITDA margin (%)	13.2%	13.7%	18.9%	-40bp	-570bp	13.5%	18.8%	-530bp	13.9%	16.0%	-200bp
EBITDA ex. ore*	96.6	103.7	102.7	-6.8%	-5.9%	200.3	216.6	-7.5%	378.5	382.9	-1.1%
EBITDA ex-ore margin (%)	13.4%	14.4%	15.8%	-100bp	-240bp	13.9%	17.0%	-310bp	13.4%	15.4%	-200bp
Net income	14.3	-16.6	23.5	n/a	-39.1%	-2.3	49.9	n/a	6.4	50.8	-87.3%
Net margin (%)	2.0%	-2.3%	3.6%	n/a	-160bp	-0.2%	3.9%	n/a	0.2%	2.0%	-180bp
Earnings per share (R\$/share)**	0.05	-0.06	0.07	n/a	-32.6%	-0.01	0.16	n/a	0.02	0.14	-84.5%

\*Excluding other revenues and expenses

\*\*EPS considers the amount of shares in the period - shares held in treasury

### 2Q14 Earnings Conference Call

**Thursday, August 14, 2014**

In English with simultaneous translation to Portuguese:

4:00 pm (New York time)

9:00 pm (London Time)

5:00 pm (Brasilia time)

Tel: +1 646 843-6054 (United States)

Tel: +44 203 051-6929 (other countries)

Tel: +55 11 2188-0155 (Brazil)\*

**Password: Magnesita**

\*In Brazil, to listen to the audio in Portuguese, please ask the operator.

Webcast (Portuguese): <http://webcall.riweb.com.br/magnesita>

Webcast (English): <http://webcall.riweb.com.br/magnesita/english>

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## Message from the CEO

*“Despite a lackluster macroeconomic environment, we continued implementing our long-term strategic plan. Once again, we performed above the steel and cement production growth, driven by market share gains in our core markets, particularly North America, in addition to new geographies, particularly Middle East, Africa, and Asia ex-China. We made our first sales to the steel industry in Georgia and to the cement industry in Bulgaria, Slovakia, Czech Republic, Serbia and Barbados. Another noteworthy accolade was the signing of our second CPP contract in the Middle East. In this quarter and the year-to-date, 70% of our volume growth came from the expansion in non-core markets, which is even more relevant when we take into account that around 75% of our sales comes from core markets.*

*We are very satisfied with the sales performance for the steel industry, where volume rose 11% in the quarter and 7% year-to-date, despite stable steel production in our core markets in these periods.*

*In the industrial sector, we experienced an atypical seasonality. While the third quarter is typically the weakest for this segment, we noticed a change in 2014 with many of our customers postponing the reforms planned for the following quarter. This factor led to an important change in the sales mix where we had the lowest share of the industrial segment in the total sales in recent years (13.6%) and, therefore, a decrease in margins since profitability on sales for this segment is higher. However, we are confident this decrease was temporary and that we'll see a recovery in the third quarter and 2014 as a whole.*

*Regarding the mineral strategy, as we announced before, in April we concluded the drilling campaign for the Graphite Project. We continue to work on the internal and external technical analysis aiming for the certification of enough reserves required for the viability of the 40,000 tons/year Project. With regard to the Talc Expansion Project, we also advanced in detailing the engineering project and we expect to start building the capacity expansion in Brumado during the 2H14.*

*Finally, the services segment continues to exhibit excellent performance with revenue and margin expansion. We completed the integration of Reframec and progressed in providing services to our customers in the industrial sector and outside Brazil. We signed a new five-year contract to supply refractory and services to a steel customer in Mexico and another nonferrous customer in Venezuela.*

*The results obtained so far, although preliminary, show the strength of our strategy to gain market share in the global industry by offering one-of-a-kind products and services. Although the profitability level in this quarter*

*was below our potential, we remain focused on the continued and sustainable recovery of margins driven by volume expansion, mining projects, and improvements in operational efficiency.*

*Thank you.”*

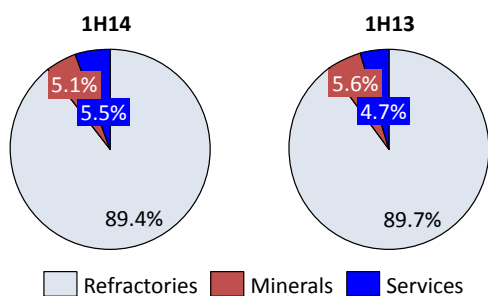
*Octavio Pereira Lopes*

## CONSOLIDATED OPERATIONAL AND FINANCIAL PERFORMANCE

### REVENUE AND VOLUME

Segment	Quarter			Var. %		Accumulated		Var. %	LTM accumulated		Var. %
	2Q14 (a)	1Q14 (b)	2Q13 <sup>2</sup> (c)	a/b	a/c	1H14 (d)	1H13 <sup>2</sup> (e)	d/e	2Q14 (f)	2Q13 <sup>2</sup> (g)	f/g
<b>Refractory Solutions</b>											
Volume ('000 tons)	270.9	257.6	259.7	5.2%	4.3%	528.5	512.3	3.1%	1,038.6	986.9	5.2%
Revenues (R\$ million)	644.8	642.2	561.0	0.4%	14.9%	1,287.0	1,105.4	16.4%	2,514.8	2,125.3	18.3%
<b>Industrial Minerals</b>											
Volume ('000 tons)	139.2	187.0	230.3	-25.6%	-39.6%	326.2	457.6	-28.7%	783.2	826.9	-5.3%
Revenues (R\$ million)	34.8	38.4	39.8	-9.3%	-12.4%	73.2	68.5	6.9%	165.5	133.1	24.4%
<b>Services</b>											
Revenues (R\$ million)	40.5	38.7	29.1	4.5%	39.2%	79.2	57.8	37.1%	142.5	146.9	-3.0%
<b>TOTAL</b>											
Revenues (R\$ million)	720.1	719.4	629.9	0.1%	14.3%	1,439.5	1,272.9	13.1%	2,822.8	2,405.2	17.4%

### Percentage of revenue by segment

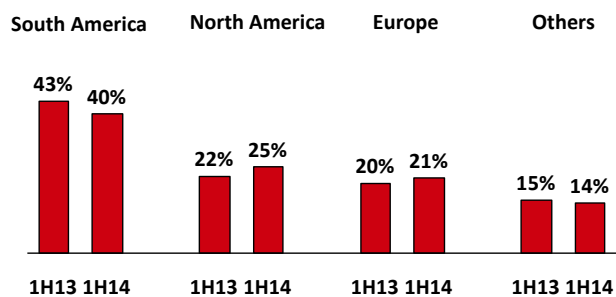


### Result Analysis by segment

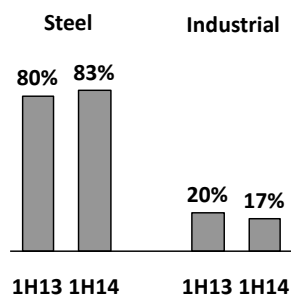
#### Refractory solutions - Total

Refractory Solutions	Quarter			Var. %		Accumulated		Var. %	LTM accumulated		Var. %
	2Q14 (a)	1Q14 (b)	2Q13 <sup>2</sup> (c)	a/b	a/c	1H14 (d)	1H13 <sup>2</sup> (e)	d/e	2Q14 (f)	2Q13 <sup>2</sup> (g)	f/g
Volume ('000 tons)	270.9	257.6	259.7	5.2%	4.3%	528.5	512.3	3.1%	1,038.6	986.9	5.2%
Revenues (R\$ million)	644.8	642.2	561.0	0.4%	14.9%	1,287.0	1,105.4	16.4%	2,514.8	2,125.3	18.3%

### Percentage of total refractories revenues (R\$) by region (six-month)



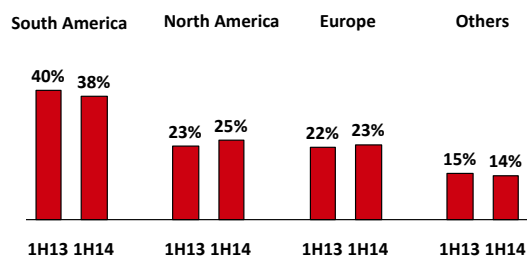
Percentage of refractories sales (R\$) - steel industry vs industrial sector (six-month)



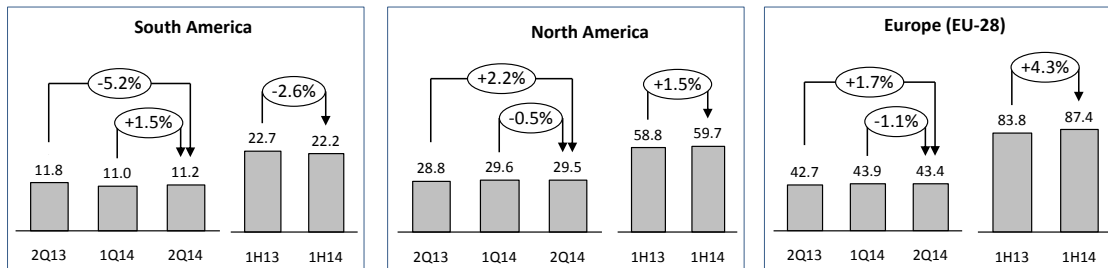
## Refractory Solutions - Steel Industry

Refractory Solutions - Steel	Quarter			Var. %		Accumulated		Var. %	LTM accumulated		Var. %
	2Q14 (a)	1Q14 (b)	2Q13² (c)	a/b	a/c	1H14 (d)	1H13² (e)	d/e	2Q14 (f)	2Q13² (g)	f/g
Volume ('000 tons)	237.6	213.9	219.1	11.1%	8.5%	451.5	422.3	6.9%	882.8	827.9	6.6%
Revenues (R\$ million)	557.2	516.8	460.8	7.8%	20.9%	1,074.0	885.5	21.3%	2,091.6	1,740.5	20.2%

Sales by region (R\$ - six-month)



Steel production (in million tons)



Source: World Steel Association

The volume of refractories sold to the steel industry in the 2Q14 reached 238 thousand tons, 8.5% higher than in the 2Q13, despite steel production remaining fairly stable in Magnesita's core markets. This growth took place not only in Magnesita's core markets (+7%), but mainly in new markets (+21%), especially Eastern Europe, MEA, and Asia. In terms of value, sales reached R\$557.2 million, a 20.9% increase compared to 2Q13, reflecting increased volumes and the impact of the exchange rate on sales in foreign currencies.

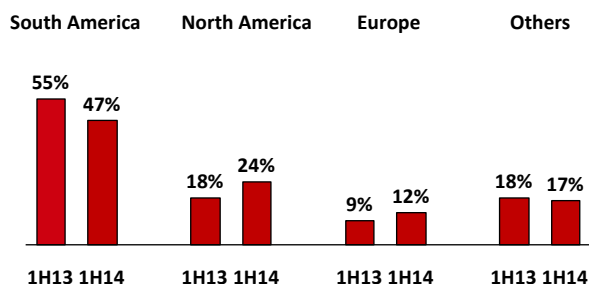
In comparison with the 1Q14, sales volume increased 11.1% with expansion in all regions, highlighting the market share gains in Brazil and North America in addition to the expansion in new geographies. In terms of value, the expansion was 7.8%, reflecting the appreciation of the real in the period.

In the first half of 2014, sales volume reached 452 thousand tons, up 6.9% from the prior year when it totaled 422 thousand tons. Again, the growth took place both in core markets (+5%), but mainly in new geographies where volume grew 25%+. Revenue in 1H14 was R\$1,074.0 million, up 21.3% compared to the same period last year, with positive impacts from the exchange rate and higher sales volume.

## Refractory Solution - Industrial

Refractory Solutions - Industrial	Quarter			Var. %		Accumulated		LTM accumulated		Var. %
	2Q14 (a)	1Q14 (b)	2Q13 <sup>2</sup> (c)	a/b	a/c	1H14 (d)	1H13 <sup>2</sup> (e)	2Q14 (f)	2Q13 <sup>2</sup> (g)	f/g
Volume ('000 tons)	33.3	43.7	40.6	-23.8%	-18.0%	76.9	90.1	155.8	159.0	-2.0%
Revenues (R\$ million)	87.7	125.4	100.2	-30.1%	-12.5%	213.1	220.0	423.2	384.7	10.0%

### Sales by region (R\$ - six-month)





In the quarter, sales volume for the industrial sector reached 33 thousand tons, an 18.0% decrease compared to the 2Q13. This difference is explained by an atypical seasonality in sales to the cement industry, the principal market in this segment, with most of the scheduled maintenance shutdowns being postponed to the third quarter. As a result, sales to the industrial sector represented 13.6% of total refractories sales, the lowest participation in the sales mix in recent years. As a result of the postponements, the Company believes that a sales recovery should happen in the next quarter. In terms of value, sales in the quarter totaled R\$87.7 million, down 12.5% compared to 2Q13 with the depreciation of the real partially offsetting the lower volume in the period.

In comparison with the 1Q14, the 23.8% decrease in volume is mainly explained by a seasonal effect where the first quarter is normally the strongest of the year. Despite the lower volume arising primarily from sales in core markets, sales in new markets grew by 32% in the quarter, with notable expansion in the Middle East.

In a year-to-date comparison, sales reached 77 thousand tons in 2014, declining by 14.6% when compared to the prior year. This decrease also reflects the atypical seasonality of sales to the cement industry, as already explained. The six-month revenue totaled R\$213.1 million, 3.1% below the same period in the prior year.

## Industrial Minerals

Industrial Minerals	Quarter			Var. %		Accumulated		Var. %	LTM accumulated		Var. %
	2Q14 (a)	1Q14 (b)	2Q13 <sup>2</sup> (c)	a/b	a/c	1H14 (d)	1H13 <sup>2</sup> (e)	d/e	2Q14 (f)	2Q13 <sup>2</sup> (g)	f/g
Volume ('000 tons)	139.2	187.0	230.3	-25.6%	-39.6%	326.2	457.6	-28.7%	783.2	826.9	-5.3%
Revenues (R\$ million)	34.8	38.4	39.8	-9.3%	-12.4%	73.233	68.5	6.9%	165.5	133.1	24.4%

Mineral sales reached R\$34.8 million in 2Q14, a 9.3% and 12.4% decrease when compared to revenue obtained in 1Q14 and 2Q13, respectively. This reduction is mainly explained by lower sales volume of magnesite sinter and talc, the latter due to the slowdown in the Brazilian automobile industry in the period.

In the first half of 2014, mineral revenue reached R\$73.2 million, 6.9% higher than the previous year, explained by better mix, with higher sales of magnesite sinter (DBM) and caustic magnesia (CCM) in addition to the effect of the exchange rate on USD-denominated product sales, offsetting the decline in sales of lower value added materials.

## Services

Services	Quarter			Var. %		Accumulated		Var. %	LTM accumulated		Var. %
	2Q14 (a)	1Q14 (b)	2Q13 <sup>2</sup> (c)	a/b	a/c	1H14 (d)	1H13 <sup>2</sup> (e)	d/e	2Q14 (f)	2Q13 <sup>2</sup> (g)	f/g
Revenues (R\$ million)	40.5	38.7	29.1	4.5%	39.2%	79.239	57.8	37.1%	142.5	146.9	-3.0%

In the quarter, revenues from the services segment reached R\$40.5 million, 39.2% higher than the 2Q13, mainly due to the consolidation of Reframec (from 2Q13) and new contracts.

In relation to the 1Q14, the 4.5% increase in revenues reflects the increased scope of existing contracts with key customers and increased demand for spot services in South America. This continuous growth reinforces our expansion strategy in select markets, powered by the acquisition of Reframec.

Compared with the first half of last year, revenue presented a 37.1% growth. This difference is largely due to the consolidation of Reframec (from 2Q13 onwards) in addition to new contracts and spot services.

## GROSS PROFIT AND GROSS MARGIN

### Consolidated

Consolidated	Quarter			Var. %		Accumulated		Var. %	LTM accumulated		Var. %
	2Q14 (a)	1Q14 (b)	2Q13 <sup>2</sup> (c)	a/b	a/c	1H14 (d)	1H13 <sup>2</sup> (e)	d/e	2Q14 (f)	2Q13 <sup>2</sup> (g)	f/g
Revenues (R\$ million)	720.1	719.4	629.9	0.1%	14.3%	1,439.5	1,272.9	13.1%	2,822.8	2,405.2	17.4%
Gross profit (R\$ million)	220.1	231.1	217.2	-4.7%	1.3%	451.2	424.9	6.2%	884.1	792.1	11.6%
Gross margin (%)	30.6%	32.1%	34.5%	-160bp	-390bp	31.3%	33.4%	-200bp	31.3%	32.9%	-160bp

### By segment

### Refractory solutions

Refractory Solutions	Quarter			Var. %		Accumulated		Var. %	LTM accumulated		Var. %
	2Q14 (a)	1Q14 (b)	2Q13 <sup>2</sup> (c)	a/b	a/c	1H14 (d)	1H13 <sup>2</sup> (e)	d/e	2Q14 (f)	2Q13 <sup>2</sup> (g)	f/g
Volume ('000 tons)	270.9	257.6	259.7	5.2%	4.3%	528.5	512.3	3.1%	1,038.6	986.9	5.2%
Revenues (R\$ million)	644.8	642.2	561.0	0.4%	14.9%	1,287.0	1,105.4	16.4%	2,514.8	2,125.3	18.3%
Gross profit (R\$ million)	201.2	212.9	197.7	-5.5%	1.7%	414.1	390.2	6.1%	802.9	718.3	11.8%
Gross margin (%)	31.2%	33.1%	35.2%	-190bp	-400bp	32.2%	35.3%	-310bp	31.9%	33.8%	-190bp

Gross margin of the refractory segment for the quarter was 31.2%, 190 basis-points below the margin obtained in 1Q14, reflecting the change in the mix with a lower participation of sales to the industrial segment (13.6% in this quarter compared to 19.5% in 1Q14).

In comparison with the 2Q13, the margin decrease also reflects the change in mix, where sales to the industrial sector represented 17.9% in that quarter, in addition to the increased costs in Brazil, mainly related to fuel, labor and the negative effect of the exchange rate on imported raw materials.

### Industrial Minerals

Industrial Minerals	Quarter			Var. %		Accumulated		Var. %	LTM accumulated		Var. %
	2Q14 (a)	1Q14 (b)	2Q13 <sup>2</sup> (c)	a/b	a/c	1H14 (d)	1H13 <sup>2</sup> (e)	d/e	2Q14 (f)	2Q13 <sup>2</sup> (g)	f/g
Volume ('000 tons)	139.2	187.0	230.3	-25.6%	-39.6%	326.2	457.6	-28.7%	783.2	826.9	-5.3%
Revenues (R\$ million)	34.8	38.4	39.8	-9.3%	-12.4%	73.2	68.5	6.9%	165.5	133.1	24.4%
Gross profit (R\$ million)	12.2	11.8	15.4	4.0%	-20.4%	24.0	27.3	-12.3%	58.3	61.1	-4.5%
Gross margin (%)	35.1%	30.6%	38.6%	450bp	-350bp	32.7%	39.9%	-720bp	35.2%	45.9%	-1060bp

Gross margin of the minerals segment closed the 2Q14 at 35.1% compared to 30.6% in 1Q14 and 38.6% in

2Q13. The expansion is due to the change in sales mix with the decreased share of lower value-added materials. The margin reduction compared to the 2Q13 is also explained by the variation in sales mix.

## Services

Services	Quarter			Var. %		Accumulated		Var. %	LTM accumulated		Var. %
	2Q14 (a)	1Q14 (b)	2Q13 <sup>2</sup> (c)	a/b	a/c	1H14 (d)	1H13 <sup>2</sup> (e)	d/e	2Q14 (f)	2Q13 <sup>2</sup> (g)	f/g
Revenues (R\$ million)	40.5	38.7	29.1	4.5%	39.2%	79.2	57.8	37.1%	142.5	146.9	-3.0%
Gross profit (R\$ million)	6.7	6.4	4.1	4.2%	63.2%	13.2	7.4	78.3%	22.8	12.7	79.4%
Gross margin (%)	16.6%	16.6%	14.1%	0bp	240bp	16.6%	12.8%	380bp	16.0%	8.7%	740bp

Gross margin of the services segment reached 16.6% in the quarter, in line with the margin obtained in the previous quarter and 240 basis-points higher than the 2Q13 margin. As the Company has been communicating since last year, the improvement since the beginning of 2013 reflects the focus on providing higher value-added services and higher presence into industrial customers after the Reframec acquisition.

## OPERATING EXPENSES (SG&A)

SG&A	Quarter			Var. %		Accumulated		Var. %	LTM accumulated		Var. %
	2Q14 (a)	1Q14 (b)	2Q13 (c)	a/b	a/c	1H14 (d)	1H13 (e)	d/e	2Q14 (f)	2Q13 (g)	f/g
Revenues (R\$ million)	720.1	719.4	650.5	0.1%	10.7%	1,439.5	1,272.9	13.1%	2,822.8	2,485.6	13.6%
Operating expenses	-157.6	-162.6	-148.3	-3.0%	6.3%	-320.1	-273.1	17.2%	-642.6	-538.9	19.2%
% on sales	21.9%	22.6%	22.8%	-70bp	-90bp	22.2%	21.5%	80bp	22.8%	21.7%	110bp
G&A	-57.9	-56.3	-57.5	2.8%	0.6%	-114.2	-108.1	5.6%	-241.6	-220.6	9.5%
% on sales	8.0%	7.8%	8.8%	20bp	-80bp	7.9%	8.5%	-60bp	8.6%	8.9%	-30bp
Selling expenses	-99.7	-106.2	-90.7	-6.2%	9.9%	-205.9	-165.0	24.8%	-401.0	-318.3	26.0%
% on sales	13.8%	14.8%	13.9%	-93bp	-10bp	14.3%	13.0%	130bp	14.2%	12.8%	140bp
Freight	-43.4	-46.4	-35.3	-6.5%	22.8%	-89.8	-64.1	40.0%	-163.5	-125.5	30.2%
% on sales	6.0%	6.5%	5.4%	-43bp	59bp	6.2%	5.0%	120bp	5.8%	5.1%	70bp
Other selling expenses	-56.3	-59.8	-55.4	-5.9%	1.7%	-116.1	-100.9	15.1%	-237.5	-192.8	23.2%
% on sales	7.8%	8.3%	8.5%	-50bp	-70bp	8.1%	7.9%	10bp	8.4%	7.8%	70bp

In the quarter, general and administrative expenses (G&A) totaled R\$57.9 million, representing 8.0% of net revenue, compared to R\$56.3 million and 7.8% of revenue in the 1Q14 and R\$57.5 million and 8.8% of revenue in 2Q13. Nominally, G&A was quite stable compared to the 2Q13, however, as a percentage of sales it has decreased to 8.0% from 8.8%, as sales growth has been diluting expenses.

In a six-month comparison, G&A also decreased as a percentage of sales from 8.5% in 2013 to 7.9% in 2014.

Selling expenses amounted to R\$99.7 million in the quarter, 6.2% lower than the 1Q14 and 9.9% higher than the 2Q13. The decrease from the previous quarter partially reflects the reduction in intercompany sales.

In relation to last year, despite the nominal increase, selling expenses remained stable as a percentage of sales with decreased fixed costs offsetting higher freight costs, the latter due to sales growth in new geographies and increased intercompany sales.

Year-to-date, selling expenses increased 24.8%, also reflecting the increase of freight costs due to sales growth in new geographies and increased intercompany sales. Moreover, part of the increase is explained by the impact of the exchange rate on SG&A expenses in foreign currencies.

## EBITDA

EBITDA (R\$ million)	Quarter			Var. %		Accumulated		Var. %	LTM accumulated		Var. %
	2Q14 (a)	1Q14 (b)	2Q13 (c)	a/b	a/c	1H14 (d)	1H13 (e)	d/e	2Q14 (f)	2Q13 (g)	f/g
Operating income (EBIT)	61.3	63.3	93.8	-3.2%	-34.6%	124.6	180.9	-31.1%	256.4	280.2	-8.5%
Depreciation/amortization	34.1	35.1	29.5	-2.9%	15.8%	69.3	58.5	18.4%	136.9	116.3	17.7%
EBITDA	95.4	98.5	123.2	-3.1%	-22.6%	193.9	239.4	-19.0%	393.3	396.5	-0.8%
EBITDA margin (%)	13.2%	13.7%	18.9%	-40bp	-570bp	13.5%	18.8%	-530bp	13.9%	16.0%	-200bp
Other operating income/expenses	-1.2	-5.2	20.6	n/a	n/a	-6.4	22.7	-128.3%	14.8	13.6	8.7%
EBITDA ex. ore*	96.6	103.7	102.7	-6.8%	-5.9%	200.3	216.6	-7.5%	378.5	382.9	-1.1%
EBITDA ex-ore* margin (%)	13.4%	14.4%	15.8%	-100bp	-240bp	13.9%	17.0%	-310bp	13.4%	15.4%	-200bp

\*Other revenues / expenses

EBITDA in the quarter was R\$95.4 million with a 13.2% margin, compared to R\$98.5 million and a 13.7% margin in the 1Q14 and R\$123.2 million and an 18.9% margin in the 2Q13. Excluding other operating income/expenses, EBITDA in the 2Q14 was R\$96.6 million with a 13.4% margin compared to R\$103.7 million and a 14.4% margin in the 1Q14 and R\$102.7 million and a 15.8% margin in the 2Q13.

Excluding the impact of other operating income/expenses, the decline in margin when compared to previous quarters is primarily explained by the change in sales mix, with lower participation of the industrial segment and its effect on gross margin, in addition to production costs increase in Brazil, as explained above.

## FINANCIAL INCOME/EXPENSES

Financial Result	Quarter			Var. %		Accumulated		Var. %	LTM accumulated		Var. %
	2Q14 (a)	1Q14 (b)	2Q13 (c)	a/b	a/c	1H14 (d)	1H13 (e)	d/e	2Q14 (f)	2Q13 (g)	f/g
Financial income / expenses	-42.1	-42.2	-39.2	-0.3%	7.3%	-84.3	-70.2	20.1%	-164.8	-130.3	26.5%
Other financial income / expenses	-3.3	0.7	-2.1	n/a	58.2%	-2.6	-2.1	23.5%	-2.2	-4.2	-48.5%
Forex variation	-3.9	-27.3	-14.3	-85.6%	-72.6%	-31.2	-21.0	48.6%	-55.1	-22.7	143.1%
Net financial result	-49.3	-68.8	-55.6	-28.4%	-11.4%	-118.2	-93.3	26.6%	-222.1	-157.2	41.3%

In the quarter, the net financial result was a R\$49.3 million expense against R\$68.8 million in the 1Q14 and R\$55.6 million in the 2Q13. The decrease compared to the previous quarters is explained by the lower non-cash exchange rate variations.

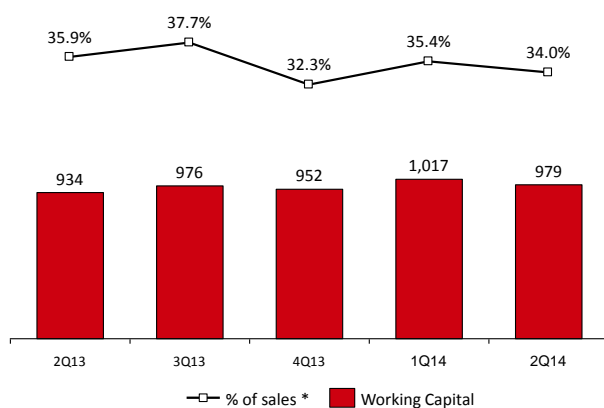
During the semester, the 26.6% increase in net financial expenses reflects the increase in interest expenses due to the higher gross debt, in addition to the decrease in revenues from financial investments, explained by the Company's decision to transfer part of its cash into dollars, seeking to reduce foreign exchange risk. The increase in non-cash exchange rate variations also contributed to the higher overall expenses in 2014.

## NET RESULT

Net income for the quarter was a R\$14.3 million profit, compared to a R\$16.6 million loss in the 1Q14 and R\$23.7 million profit in the 2Q13. In relation to the previous quarter, the improvement is due to the lower exchange rate variations, as explained, in addition to lower income tax expenses. The decrease compared to the 2Q13 is mainly explained by higher operating expenses, in addition to the gain booked in other operating revenues for that quarter related to the sale of land.

The result for the 2H14 was a R\$2.3 million loss against a R\$49.9 million profit in 2013. The deterioration is due to the increase of operating expenses, poorer net financial results and the absence of the positive impact of the sale of land in 2013.

## WORKING CAPITAL



\*Calculation considers annualized quarterly sales.

Working capital closed the quarter representing 34.0% of annualized quarterly sales compared to 35.4% from the previous quarter and 35.9% in 2Q13. The improvement compared to 1Q14 is mainly due to decreased inventory levels related to finished products.

## INDEBTEDNESS

Magnesita's net debt ended the quarter at R\$1,484.4 million, in line with the previous quarter (R\$1,494.0 million). At quarter end, 45% of the net debt was in reais and 55% was in foreign currency. The cash at the end of the quarter also remained stable at R\$803.5 million compared to R\$818.6 million in 1Q14.

The leverage ratio, measured by Net Debt/ EBITDA of the Last Twelve Months ("LTM"), stood at 3.8x at the end of 2Q14 against 3.5x in 1Q14. The increase in leverage ratio in the quarter is explained by the decrease in EBITDA LTM, since the 2Q14 EBITDA was lower than the 2Q13 EBITDA (the latter positively impacted by other

operating income derived from the sale of land). When excluding other operating income and expenses, leverage at the end of 2Q14 would be at 3.9x, in line with the previous quarter.

The Company reinforces its confidence in the current capital structure. Although leverage ratio is above what is considered ideal by Management, the Company remains has a comfortable liquidity position. The R\$803.5 million cash position at the end of the quarter was more than sufficient to cover the amortization schedule over the next 5 years, and only 7.2% of gross debt matures in the short term. The Company also has a perpetual bond in the amount of US\$250 million that represents ¼ of total debt while the remaining long-term debt has an average maturity of 5 years. Excluding the perpetual bond, leverage would be 2.3x at the end of the quarter.

## **CAPEX**

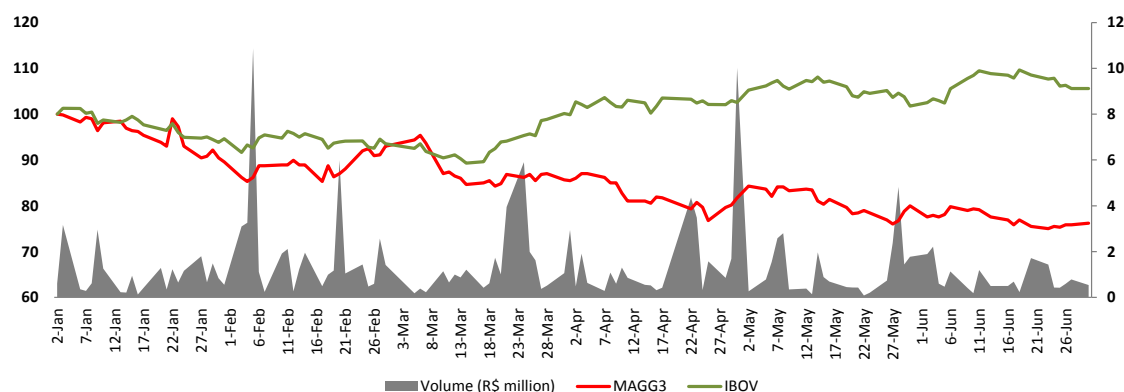
CAPEX in 2Q14 totaled R\$36.9 million compared to R\$36.0 million in 2Q13. In the semester, total CAPEX was R\$63.7 million, 7.0% higher than the same period in the prior year, due to higher investments in IT, related to the implementation of the integrated business management system in all regions where the Company operates.

From the total CAPEX in the semester, R\$34.3 million was invested in renovations, maintenance, system adequacies, environment, and clients; R\$9.7 million in IT projects, R\$5.9 million in expansion and productivity gains projects; and R\$13.8 million in development of mining projects and geological prospects.

## **CAPITAL MARKETS**

Magnesita's shares (Novo Mercado: MAGG3 | OTCQX: MFRSY) ended the 2Q14 at R\$4.42 with a 10.9% year-to-date devaluation. In the quarter, the Bovespa Index decreased by 5.8%, ending the period at 53,168 points. The average daily trading volume during 2Q14 was R\$1.2 million with an average of 269 thousand shares traded per day. Magnesita's market capitalization at the end of the quarter was R\$1.28 billion.

### MAGG3 and Ibovespa performances - YTD



## SHARE BUYBACK PROGRAM

During the 2Q14, Magnesita acquired 2.5 million shares, amounting to R\$11.8 million, as part of the 2<sup>nd</sup> Share Repurchase Program. In July, Magnesita acquired an additional 1.6 million shares, totaling 7.4 million shares in treasury since the beginning of the program. At the Board Meeting on August 13th, 2014, the Board of Directors approved the cancellation of 100% of the shares held in treasury.

## **Adjustments/changes due to revised accounting practices**

### **<sup>1</sup>New or revised pronouncements applied for the first time in 2013 and restatement of applied financials**

- **CPC 33 (R1) Employee Benefits**

*The Company adopted CPC 33 (R1) Employee Benefits, applicable from January 1, 2013. Due to the application of this standard, the computation of interest cost and expected return on the assets of defined benefit plans were amended and its effects are reflected in the financial statements from December 31, 2013. For the year 2012, the corresponding figures are restated to reflect these retrospective effects.*

- **IFRS 11 - Joint Arrangements**

*Since 2013, the Company applied IFRS 11 - "Joint Arrangements," issued in May 2011, and included it as an amendment to the text of CPC 19 (R2) - "Business Together." Thus, given that the proportionate consolidation method is no longer permitted, the Company ceased to consolidate the jointly controlled Krosaki Magnesita Refractories LLC (United States). Additionally, as of January 1, 2013, holdings in Krosaki Magnesite Refractories LLC (40%) are accounted under the equity method. For comparison purposes, the balance of December 31, 2012 was adjusted considering the change of accounting practice.*

- **Other restatements**

*The Company reassessed the presentation form of international freight that was previously deducted directly from net income and is now being restated in selling expenses and profit sharing, which was previously wholly classified as general and administrative expenses and is now being restated as cost of goods and products sold as well as selling, general, and administrative expenses.*

## **Changes in information by segment**

*In line with the new strategic plan, the Company revised certain processes and systems in the accounting field. As a result, 3Q13 adjustments were made in targeting some customers and, consequently, there were marginal changes in historical data by segment.*

### **<sup>2</sup>Discontinuation of LTR - Shanxi Taigang LWB Refractories Company Ltd. (Note 1 of DFP from 12/31/2013)**

*Since 3Q13, Magnesita ceased to exercise control over LTR (JV in China). Thus, it ceased to consolidate, as well as to recognize equity in that quarter. For comparison purposes, volume analysis and sales revenue from refractories to steel mills disregard LTR numbers in 2013 to avoid distorting the comparison.*



**Notice**

*Statements contained in this report related to business outlook, operational and financial result projections, as well as references to the Company's growth potential constitute mere forecasts and were based on expectations and estimates of Management concerning the future performance of Magnesita. Although the Company believes that such predictions are based on reasonable assumptions, it does not guarantee their achievement. Expectations and estimates underlying the Company's future prospects are highly dependent on market conditions, the economic and political situation of Brazil, current and future government regulations, industry and international markets and, therefore, subject to changes beyond Magnesita's and its Management's control. The Company undertakes no obligation to publicly update or revise expectations, estimates and forecasts contained in this release resulting from new information or future events. All statements regarding mineral reserves and estimates are projections based on available geological information and statistical geological models. Actual future mineral production may differ substantially from the estimates.*

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

*Magnesita Refratários S.A. is a privately held, publicly traded Company with shares traded on the Novo Mercado of BM&FBOVESPA in Brazil and through ADRs level 1 in the United States, dedicated to mining, producing and marketing an extensive line of refractory and industrial mineral materials. Its products are mainly used by the cement, glass, and steel industries. Industrial activities began in 1940, soon after the discovery of magnesite deposits in Brumado, Bahia. Today, it operates 28 industrial and mining units, sixteen in Brazil, three in Germany, three in China, one in the United States, two in France, one in Belgium, one in Taiwan, and one in Argentina with a production refractory capacity of more than 1.4 million tons per year. The company is a market leader in Brazil and South America and, in 2013, its products were sold to more than 90 countries.*

## **Mission**

*To provide integrated services, refractories, and minerals that maximize client returns in order to create profitable, lasting relationships replicable to different regions.*

## **Vision**

*To be the best solution provider in refractories and industrial minerals by leveraging and developing our mineral resources.*

## **Values**

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

# APPENDIX I - CONSOLIDATED BALANCE SHEET

As per Brazilian Corporate Law (R\$ million)	06/30/2014	03/31/2014	06/30/2013
<b>ASSETS</b>			
<b>Current</b>	2,364.8	2,427.6	2,106.6
Cash and cash equivalents	803.5	818.6	632.8
Accounts receivable	577.9	607.8	565.2
Inventories	773.9	793.6	714.9
Recoverable taxes	173.3	176.6	133.6
Others	36.1	31.0	60.2
<b>Long term</b>	3,797.9	3,845.0	3,670.1
Deferred income and social contribution taxes	9.8	8.7	25.2
Others	38.7	41.8	44.3
Investments	73.3	73.5	72.8
Property, plant and equipment	1,209.0	1,213.8	1,125.5
Intangibles	2,467.0	2,507.1	2,402.2
<b>Total Assets</b>	<b>6,162.7</b>	<b>6,272.6</b>	<b>5,776.7</b>
<b>LIABILITIES</b>			
<b>Current</b>	793.2	769.1	690.4
Suppliers	373.0	384.0	346.4
Loans	155.2	82.5	113.1
Salaries and social charges	96.7	118.2	84.1
Taxes and contributions	66.8	67.5	75.3
Others	101.5	116.9	71.5
<b>Long term liabilities</b>	<b>2,460.1</b>	<b>2,566.3</b>	<b>2,178.0</b>
Loans	2,132.7	2,230.1	1,724.8
Deferred tax and contributions	57.3	65.6	49.6
Severance payment	214.9	217.0	308.2
Provision for contingencies	41.3	39.6	64.3
Others	13.9	14.0	31.0
<b>Shareholder's equity</b>	<b>2,909.4</b>	<b>2,950.3</b>	<b>2,908.3</b>
Capital	2,528.1	2,528.1	2,528.1
Capital and revenue reserves	258.1	256.4	249.4
Profit reserves	119.0	119.0	88.1
Retained earnings (losses)	-3.1	-16.7	47.1
Other comprehensive income	29.3	77.1	-20.6
Shares buyback	-39.4	-33.0	-7.2
Non- controlling interests	17.4	19.2	23.4
<b>Total liabilities and Shareholder's equity</b>	<b>6,162.7</b>	<b>6,285.7</b>	<b>5,776.7</b>
<b>Total number of shares outstanding (million)</b>	<b>286.9</b>	<b>288.1</b>	<b>291.5</b>
<b>Book Value Per Share*</b>	<b>10.14</b>	<b>10.24</b>	<b>9.98</b>

\*BVS = Shareholder's equity/(number of shares outstanding – treasury shares)

## APPENDIX II - CONSOLIDATED INCOME STATEMENT

As per Brazilian Corporate Law (R\$ million)	Quarter			Var. %		Accumulated			LTM accumulated		Var. %
	2Q14 (a)	1Q14 (b)	2Q13 (c)	a/b	a/c	1H14 (d)	1H13 (e)	d/e	2Q14 (f)	2Q13 (g)	f/g
Net operating revenues	720.1	719.4	650.5	0.1%	10.7%	1,439.5	1,272.9	13.1%	2,822.8	2,485.6	13.6%
Cost of goods sold	-500.0	-488.3	-429.0	2.4%	16.6%	-988.3	-841.6	17.4%	-1,938.6	-1,680.1	15.4%
Gross profit	220.1	231.1	221.5	-4.7%	-0.6%	451.2	431.3	4.6%	884.2	805.5	9.8%
Gross margin (%)	30.6%	32.1%	34.0%	-160bp	-350bp	31.3%	33.9%	-250bp	31.3%	32.4%	-110bp
Selling expenses	-99.7	-106.2	-90.7	-6.2%	9.9%	-205.9	-165.0	24.8%	-401.0	-318.3	26.0%
General and administrative expenses	-57.9	-56.3	-57.5	2.8%	0.6%	-114.2	-108.1	5.6%	-241.6	-220.6	9.5%
Other operating income / expenses	-1.2	-5.2	20.6	n/a	n/a	-6.4	22.7	n/a	14.8	13.6	8.7%
Operating profit (EBIT)	61.3	63.3	93.8	-3.2%	-34.6%	124.6	180.9	-31.1%	256.4	280.2	-8.5%
Operating margin (%)	8.5%	8.8%	14.4%	-30bp	-590bp	8.7%	14.2%	-560bp	9.1%	11.3%	-220bp
Net financial result	-49.3	-68.8	-55.6	-28.4%	-11.4%	-118.2	-93.3	26.6%	-222.1	-157.2	41.3%
Financial income / expenses	-42.1	-42.2	-39.2	-0.3%	7.3%	-84.3	-70.2	20.1%	-164.8	-130.3	26.5%
Other financial income / expenses	-3.3	0.7	-2.1	n/a	n/a	-2.6	-2.1	23.5%	-2.2	-4.2	-48.5%
Net currency variation	-3.9	-27.3	-14.3	-85.6%	-72.6%	-31.2	-21.0	48.6%	-55.1	-22.7	n/a
Income before income tax and social contr	12.0	-5.5	38.1	n/a	-68.6%	6.5	87.6	-92.6%	34.3	123.0	-72.1%
Income tax and social contribution	2.4	-11.1	-14.6	n/a	n/a	-8.8	-37.7	-76.8%	-27.8	-72.3	-61.5%
Net income (losses)	14.3	-16.6	23.5	n/a	-39.1%	-2.3	49.9	-104.5%	6.4	50.8	-87.3%
Net margin (%)	2.0%	-2.3%	3.6%	430bp	-160bp	-0.2%	3.9%	-410bp	0.2%	2.0%	-180bp
Earnings per share (R\$)	0.05	-0.06	0.07	n/a	-32.6%	-0.01	0.16	n/a	0.02	0.14	-84.5%
Depreciation/amortization	34.1	35.1	29.5	-2.9%	15.8%	69.3	58.5	18.4%	136.9	116.3	17.7%
EBITDA	95.4	98.5	123.2	-3.1%	-22.6%	193.9	239.4	-19.0%	393.3	396.5	-0.8%
EBITDA margin (%)	13.2%	13.7%	18.9%	-40bp	-570bp	13.5%	18.8%	-530bp	13.9%	16.0%	-200bp
EBITDA ex-ore	96.6	103.7	102.7	-6.8%	-5.9%	200.3	216.6	-7.5%	378.5	382.9	-1.1%
EBITDA ex-ore margin (%)	13.4%	14.4%	15.8%	-100bp	-240bp	13.9%	17.0%	-310bp	13.4%	15.4%	-200bp

### APPENDIX III - CONSOLIDATED CASH FLOW

As per Brazilian Corporate Law (R\$ million)	2Q14	1Q14	2Q13	1H14	1H13
<b>Cash flow from operating activities:</b>					
<b>Net income (losses)</b>	<b>14.3</b>	<b>-16.6</b>	<b>23.5</b>	<b>-2.3</b>	<b>49.9</b>
<b>Adjustments</b>					
Charges and monetary/exchange variations, net	-39.7	-25.4	52.8	-65.1	41.6
Interest charge	49.9	52.0	34.9	101.9	68.2
Depreciation and depletion	32.4	33.4	28.0	65.9	55.4
Intangible amortization	1.7	1.7	1.5	3.4	3.1
Deferred income tax and social contribution	-19.4	-0.4	7.7	-19.7	18.6
Derivatives - fair value swap	-3.5	0.0	15.5	-3.5	4.8
Stock Option	1.7	1.8	1.6	3.5	3.3
Minority interests	-0.8	-0.1	3.7	-0.9	2.8
Equity pickup	-0.2	0.0	0.0	-0.2	0.0
Provision for losses on inventory and accounts receivable	0.0	0.0	1.6	0.0	1.6
	<b>36.5</b>	<b>46.5</b>	<b>170.6</b>	<b>82.9</b>	<b>249.3</b>
<b>Change in assets and liabilities</b>					
Accounts receivable	29.9	-2.7	-20.5	27.2	-47.1
Inventories	19.7	-35.0	-63.7	-15.3	-81.1
Taxes recoverable	3.6	8.5	-14.0	12.2	-21.9
Suppliers	-11.1	-28.0	34.7	-39.1	-1.5
Accrued taxes	5.8	15.0	6.9	20.7	26.0
Dividends/interests on equity payable	-12.1	0.0	-16.3	-12.1	-16.3
Others	-11.1	4.9	-18.3	-6.2	-10.6
<b>Paid income tax and social contribution</b>	<b>24.8</b>	<b>-37.4</b>	<b>-91.3</b>	<b>-12.6</b>	<b>-152.6</b>
<b>Net cash provided from (used in) operating activities</b>	<b>61.3</b>	<b>9.1</b>	<b>79.4</b>	<b>70.3</b>	<b>96.7</b>
<b>Cash flow from investing activities</b>					
Securities and other investments	-0.4	-11.9	8.7	-12.2	-4.5
Disposal of property, plant and equipment	1.5	1.4	0.5	2.9	4.2
Additions of fixed, investments and intangible assets	-38.2	-25.5	-59.3	-63.7	-82.7
<b>Net cash provided from (used in) investing activities</b>	<b>-37.0</b>	<b>-36.0</b>	<b>-50.1</b>	<b>-73.0</b>	<b>-83.0</b>
<b>Cash flows from financing activities</b>					
New loans and financing	27.2	13.4	0.4	40.6	0.6
Payment of loans and financing	-7.6	-46.8	-40.7	-54.4	-145.7
Payment of loans and financing - interest	-43.2	-63.0	-47.1	-106.2	-73.2
Shares in treasury	-6.4	-13.1	-4.8	-19.6	-6.1
<b>Net cash provided from (used in) financing activities</b>	<b>-30.0</b>	<b>-109.5</b>	<b>-92.1</b>	<b>-139.5</b>	<b>-224.4</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>-5.8</b>	<b>-136.4</b>	<b>-62.9</b>	<b>-142.2</b>	<b>-210.7</b>
Exchange variations - opening balance	1.3	-17.6	26.6	-16.3	19.6
<b>Opening balance of cash and equivalents</b>	<b>795.1</b>	<b>949.1</b>	<b>641.8</b>	<b>949.1</b>	<b>796.7</b>
<b>Closing balance - cash and equivalents</b>	<b>790.6</b>	<b>795.1</b>	<b>605.6</b>	<b>790.7</b>	<b>605.6</b>

APPENDIX IV - OWNERSHIP STRUCTURE - 6/30/2014

Shareholders	ON	%
<b>Control Group</b>		
Alumina Holdings LLC (GP Investments)	88,654,796	30.5%
MAG Fundo de Invest. em Participações (GP Investments)	9,537,978	3.3%
GPCP4 Fundo de Invest. em Participações (GP Investments)	1,138,301	0.4%
Rearden L Holdings 3 S.À R.L (RHONE)	21,019,595	7.2%
<b>Total - Control Group</b>	<b>120,350,670</b>	<b>41.4%</b>
Free-float	170,327,164	56.6%
Treasury	5,800,400	2.0%
<b>Total</b>	<b>290,677,834</b>	<b>100.0%</b>

## APPENDIX V - GROSS PROFIT BY PRODUCT LINE

<b>Refractory Solutions - Total</b>	<b>1Q13</b>	<b>2Q13</b>	<b>3Q13</b>	<b>4Q13</b>	<b>1Q14</b>	<b>2Q14</b>
Volume ('000 ton)	252.7	259.7	245.5	264.7	257.6	270.9
Revenues (R\$ million)	544.4	561.0	577.7	650.0	642.2	644.8
Gross Profit (R\$ million)	192.4	197.7	186.2	202.7	212.9	201.2
Gross Margin (%)	35.3%	35.2%	32.2%	31.2%	33.1%	31.2%
<b>Refractory Solutions - Steel</b>	<b>1Q13</b>	<b>2Q13</b>	<b>3Q13</b>	<b>4Q13</b>	<b>1Q14</b>	<b>2Q14</b>
Volume ('000 ton)	203.2	219.1	209.7	221.6	213.9	237.6
Revenues (R\$ million)	424.7	460.8	488.7	529.0	516.8	557.2
<b>Refractory Solutions - Industrial</b>	<b>1Q13</b>	<b>2Q13</b>	<b>3Q13</b>	<b>4Q13</b>	<b>1Q14</b>	<b>2Q14</b>
Volume ('000 ton)	49.5	40.6	35.8	43.0	43.7	33.3
Revenues (R\$ million)	119.7	100.2	89.1	121.0	125.4	87.7
<b>Minerals</b>	<b>1Q13</b>	<b>2Q13</b>	<b>3Q13</b>	<b>4Q13</b>	<b>1Q14</b>	<b>2Q14</b>
Volume ('000 ton)	227.3	230.3	195.9	261.1	187.0	139.2
Revenues (R\$ million)	28.7	39.8	38.6	53.7	38.4	34.8
Gross Profit (R\$ million)	12.0	15.4	15.9	18.5	11.8	12.2
Gross Margin (%)	41.6%	38.6%	41.2%	34.4%	30.6%	35.1%
<b>Services</b>	<b>1Q13</b>	<b>2Q13</b>	<b>3Q13</b>	<b>4Q13</b>	<b>1Q14</b>	<b>2Q14</b>
Revenues (R\$ million)	28.7	29.1	30.8	32.4	38.7	40.5
Gross Profit (R\$ million)	3.3	4.1	4.6	5.1	6.4	6.7
Gross Margin (%)	11.4%	14.1%	14.9%	15.6%	16.6%	16.6%
<b>CONSOLIDATED</b>	<b>1Q13</b>	<b>2Q13</b>	<b>3Q13</b>	<b>4Q13</b>	<b>1Q14</b>	<b>2Q14</b>
Revenues (R\$ million)	601.8	629.9	647.1	736.1	719.4	720.1
Gross Profit (R\$ million)	207.7	217.2	206.7	226.2	231.1	220.1
Gross Margin (%)	34.5%	34.5%	31.9%	30.7%	32.1%	30.6%

## **Review report on quarterly information (ITR)**

The Shareholders, Board of Directors and Officers

**Magnesita Refratários S.A.**

Belo Horizonte - MG

### **Introduction**

We have reviewed the interim individual and consolidated financial information contained in the Quarterly Information Form (ITR) of Magnesita Refratários S.A. for the quarter ended June 30, 2014, which comprises the balance sheet as at June 30, 2014 and the related income statement, statement of comprehensive income for the three-month and six-month periods then ended, statement of changes in equity and cash flow statement for the six-month period then ended, including the explanatory notes.

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



### **Conclusion on the individual interim financial information**

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

### **Conclusion on the consolidated interim financial information**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information included in the quarterly information referred to above is not fairly prepare, in all material aspects, 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 Brazilian Securities and Exchange Commission (CVM).

### **Emphasis of matter**

#### ***Restatement of corresponding figures***

As mentioned in Note 3.3, due to changes in the manner in which the Company reports international freight costs and provision for profit sharing, the corresponding interim financial information regarding the income statement for the three-month and six-month periods ended June 30, 2013, presented for comparison purposes, was adjusted and is restated pursuant to CPC 23 - Accounting Policies, Change in Estimates and Correction of Errors. Our conclusion is not modified in respect of this matter.

## **Other matters**

### ***Statements of value added***

We have also reviewed the individual and consolidated interim statements of value added (SVA) for the six-month period ended June 30, 2014, prepared under Company management responsibility, whose presentation in the interim financial information is required by rules issued by the Brazilian SEC (CVM) applicable to preparation of Quarterly Information (ITR), and as supplementary information by 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 were not fairly prepared, in all material respects, in relation to the overall accompanying individual and consolidated interim financial information.

Belo Horizonte, August 13, 2014.

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

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

**Company information / Capital Breakdown**

<b>Number of shares (Units)</b>	<b>Current quarter – 06/30/2014</b>
Common shares – of paid-in capital	290,677,834
Preferred shares – of paid-in capital	-
Total common shares – of paid-in capital	290,677,834
Common shares - in Treasury	5,800,400
Preferred shares - in Treasury	-
Total preferred shares – in Treasury	5,800,400

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

## Balance Sheet – Assets – Company

(In thousands of Reais)

Code	Description	Current quarter 06/30/2014	Prior year 12/31/2013
1	Total assets	4,707,751	4,907,265
1.01	Current assets	1,288,804	1,603,381
1.01.01	Cash and cash equivalents	408,091	719,976
1.01.02	Short-term investments	23,824	11,596
1.01.02.01	Short-term investments at fair value	23,824	11,596
1.01.02.01.01	Trading securities	23,824	11,596
1.01.02.01.02	Securities available for sale	-	-
1.01.02.02	Short-term investments at amortized cost	-	-
1.01.02.02.01	Investments held to maturity	-	-
1.01.03	Trade accounts receivable	407,581	414,187
1.01.03.01	Customers	402,543	409,169
1.01.03.01.01	Domestic customers	159,445	160,099
1.01.03.01.02	Foreign customers	222,579	223,487
1.01.03.01.03	Allowance for doubtful accounts	-	-
1.01.03.01.04	Unbilled measurements	20,519	25,583
1.01.03.02	Other accounts receivable	5,038	5,018
1.01.03.02.01	Receivables for sale of property	5,038	5,018
1.01.04	Inventories	313,907	308,618
1.01.05	Biological assets	-	-
1.01.06	Taxes recoverable	115,880	122,949
1.01.06.01	Current taxes recoverable	115,880	122,949
1.01.07	Prepaid expenses	5,232	-
1.01.08	Other current assets	14,289	26,055
1.01.08.01	Noncurrent assets for sale	-	-
1.01.08.02	Assets from discontinued operations	-	-
1.01.08.03	Other	14,289	26,055
1.02	Noncurrent assets	3,418,947	3,303,884
1.02.01	Long-term receivables	84,135	90,132
1.02.01.01	Short-term investments at fair value	-	-
1.02.01.01.01	Trading securities	-	-
1.02.01.01.02	Securities available for sale	-	-
1.02.01.02	Short-term investments at amortized cost	-	-
1.02.01.02.01	Investments held to maturity	-	-
1.02.01.03	Trade accounts receivable	5,796	7,125
1.02.01.03.01	Customers	-	-
1.02.01.03.02	Other accounts receivable	5,796	7,125
1.02.01.04	Inventories	-	-
1.02.01.05	Biological assets	-	-
1.02.01.06	Deferred taxes	-	-
1.02.01.06.01	Deferred income and social contribution taxes	-	-
1.02.01.07	Prepaid expenses	-	-
1.02.01.08	Receivables from related parties	46,628	49,628
1.02.01.08.01	Receivables from affiliates	-	-
1.02.01.08.02	Receivables from subsidiaries	46,628	49,628
1.02.01.08.03	Receivables from controlling shareholders	-	-
1.02.01.08.04	Receivables from other related parties	-	-
1.02.01.09	Other noncurrent assets	31,711	33,379
1.02.01.09.01	Noncurrent assets for sale	-	-
1.02.01.09.02	Assets from discontinued operations	-	-
1.02.01.09.03	Judicial deposits	16,018	16,988
1.02.01.09.04	Other	15,693	16,391

**Balance Sheet – Assets – Company****(In thousands of Reais)**

<b>Code</b>	<b>Description</b>	<b>Current quarter 06/30/2014</b>	<b>Prior year 12/31/2013</b>
1.02.02	Investments	1,578,478	1,471,635
1.02.02.01	Equity interests	1,510,988	1,404,145
1.02.02.01.01	Interest held in affiliates	-	-
1.02.02.01.02	Interest held in subsidiaries	1,510,626	1,403,773
1.02.02.01.03	Interest held in jointly-controlled entities	-	-
1.02.02.01.04	Other interest held	362	372
1.02.02.02	Investment property	67,490	67,490
1.02.03	Property, plant and equipment	674,574	657,178
1.02.03.01	Property, plant and equipment in use	475,195	491,014
1.02.03.02	Leased property, plant and equipment	-	-
1.02.03.03	Construction in progress	199,379	166,164
1.02.04	Intangible assets	1,081,760	1,084,939
1.02.04.01	Intangible assets	1,081,760	1,084,939
1.02.04.01.01	Concession agreement	-	-
1.02.04.01.02	Software and other	38,106	41,285
1.02.04.01.03	Goodwill	1,043,654	1,043,654
1.02.05	Deferred charges	-	-

**Balance Sheet - Liabilities - Company****(In thousands of Reais)**

<b>Code</b>	<b>Description</b>	<b>Current quarter 06/30/2014</b>	<b>Prior year</b>
2	Total liabilities and equity	4,707,751	4,907,265
2.01	Current liabilities	405,018	399,164
2.01.01	Labor and social charges	56,757	65,301
2.01.01.01	Social charges	37,946	30,991
2.01.01.02	Labor liabilities	18,811	34,310
2.01.02	Trade accounts payable	166,435	195,279
2.01.02.01	Domestic suppliers	152,469	180,059
2.01.02.02	Foreign suppliers	13,966	15,220
2.01.03	Tax liabilities	17,890	17,011
2.01.03.01	Federal tax liabilities	9,048	10,083
2.01.03.01.01	Income and social contribution taxes	-	-
2.01.03.01.02	Other federal tax liabilities	9,048	10,083
2.01.03.02	State tax liabilities	8,402	6,296
2.01.03.03	Local tax liabilities	440	632
2.01.04	Loans and financing	96,305	38,137
2.01.04.01	Loans and financing	96,305	38,137
2.01.04.01.01	In local currency	71,958	10,654
2.01.04.01.02	In foreign currency	24,347	27,483
2.01.04.02	Debentures	-	-
2.01.04.03	Financing - Finance lease	-	-
2.01.05	Other liabilities	67,631	83,436
2.01.05.01	Liabilities - related parties	-	-
2.01.05.01.01	Payables to affiliates	-	-
2.01.05.01.02	Payables to subsidiaries	-	-
2.01.05.01.03	Payables to controlling shareholders	-	-
2.01.05.01.04	Payables to other related parties	-	-
2.01.05.02	Other	67,631	83,436
2.01.05.02.01	Dividend and interest on equity (IOE) payable	1,687	13,403
2.01.05.02.02	Mandatory minimum dividend payable	-	-
2.01.05.02.03	Obligations - Share-based payment	-	-
2.01.05.02.04	Accounts payable for investment acquisition	28,433	29,727
2.01.05.02.05	Other payables	37,511	40,306
2.01.06	Provisions	-	-
	Provisions for tax, social security, labor and civil contingencies	-	-
2.01.06.01	Tax	-	-
2.01.06.01.02	Social security and labor	-	-
2.01.06.01.03	Provisions for employee benefits	-	-
2.01.06.01.04	Civil	-	-
2.01.06.02	Other	-	-
2.01.06.02.01	Provisions for guarantees	-	-
2.01.06.02.02	Provisions for restructuring	-	-
	Provisions for environmental liabilities and decommissioning	-	-
2.01.06.02.03	Liabilities on noncurrent assets for sale and discontinued	-	-
2.01.07	Liabilities on noncurrent assets for sale	-	-
2.01.07.01	Liabilities on assets from discontinued operations	-	-
2.01.07.02		-	-
2.02	Noncurrent liabilities	1,410,682	1,503,661
2.02.01	Loans and financing	1,276,536	1,367,129
2.02.01.01	Loans and financing	1,276,536	1,367,129

**Balance Sheet - Liabilities - Company****(In thousands of Reais)**

<b>Code</b>	<b>Description</b>	<b>Current quarter 06/30/2014</b>	<b>Prior year</b>
2.02.01.01.01	In domestic currency	725,911	374,451
2.02.01.01.02	In foreign currency	550,625	992,678
2.02.01.02	Debentures	-	-
2.02.01.03	Financing - Finance lease	-	-
2.02.02	Other payables	66,816	64,217
2.02.02.01	Liabilities - related parties	-	-
2.02.02.01.01	Payables to affiliates	-	-
2.02.02.01.02	Payables to subsidiaries	-	-
2.02.02.01.03	Payables to controlling shareholders	-	-
2.02.02.01.04	Payables to other related parties	-	-
2.02.02.02	Other	66,816	64,217
2.02.02.02.01	Obligations - Share-based payment	-	-
2.02.02.02.02	Future capital contribution	-	-
2.02.02.02.03	Post-employment obligations	66,816	64,217
2.02.03	Deferred taxes	26,082	33,813
2.02.03.01	Deferred income and social contribution taxes	26,082	33,813
2.02.04	Provisions	41,248	38,502
2.02.04.01	Provisions for tax, social security, labor and civil contingencies	41,248	38,502
2.02.04.01.01	Tax	12,901	12,709
2.02.04.01.02	Social security and labor	28,220	25,666
2.02.04.01.03	Provisions for employee benefits	-	-
2.02.04.01.04	Civil	127	127
2.02.04.02	Other	-	-
2.02.04.02.01	Provisions for guarantees	-	-
2.02.04.02.02	Provisions for restructuring	-	-
2.02.04.02.03	Provisions for environmental liabilities and decommissioning	-	-
2.02.05	Liabilities on noncurrent assets for sale and discontinued	-	-
2.02.05.01	Liabilities on noncurrent assets for sale	-	-
2.02.05.02	Liabilities on assets from discontinued operations	-	-
2.02.06	Unearned profits and revenues	-	-
2.02.06.01	Unearned profits	-	-
2.02.06.02	Unearned revenues	-	-
2.02.06.03	Unearned investment grants	-	-
2.03	Equity	2,892,051	3,004,440
2.03.01	Paid-in capital	2,528,146	2,528,146
2.03.02	Capital reserves	218,706	234,794
2.03.02.01	Share issue premium	-	-
2.03.02.02	Special goodwill reserve from downstream merger	88,874	88,874
2.03.02.03	Sale of subscription warrants	-	-
2.03.02.04	Stock options granted	41,183	37,715
2.03.02.05	Treasury shares	(39,425)	(19,869)
2.03.02.06	Future capital contribution	-	-
2.03.02.07	Special reserve - Law No. 8200/91	5,973	5,973
2.03.02.08	Share issue reserve	139,327	139,327
2.03.02.09	Share issue expenses	(17,226)	(17,226)
2.03.03	Revaluation reserves	-	-

**Balance Sheet - Liabilities - Company****(In thousands of Reais)**

<b>Code</b>	<b>Description</b>	<b>Current quarter 06/30/2014</b>	<b>Prior year</b>
2.03.04	Income reserves	119,008	119,008
2.03.04.01	Legal reserve	8,290	8,290
2.03.04.02	Statutory reserve	-	-
2.03.04.03	Provision for contingencies	-	-
2.03.04.04	Income reserve to realize	-	-
2.03.04.05	Retained earnings reserve	110,718	110,718
2.03.04.06	Special reserve for unpaid dividends	-	-
2.03.04.07	Reserve for tax incentives	-	-
2.03.04.08	Additional dividend proposed	-	-
2.03.04.09	Treasury shares	-	-
2.03.05	Retained earnings/(Accumulated losses)	(3,133)	-
2.03.06	Equity valuation adjustment	-	-
2.03.07	Cumulative translation adjustments	-	-
2.03.08	Other comprehensive income (loss)	29,324	122,492



**Income statements - Company****(In thousands of Reais)**

<b>Code</b>	<b>Description</b>	<b>Current quarter 04/01/2014 to 06/30/2014</b>	<b>YTD Current year 01/01/2014 to 06/30/2014</b>	<b>Same quarter - Prior year 04/01/2013 to 06/30/2013</b>	<b>YTD Prior year 01/01/2013 to 06/30/2013</b>
3.01	Revenue from goods sold and/or services rendered	341,841	677,090	315,458	632,490
3.02	Cost of goods sold and/or services rendered	(242,138)	(473,655)	(198,918)	(406,044)
3.03	Gross profit	99,703	203,435	116,540	226,446
3.04	Operating income/(expenses)	(59,685)	(152,719)	(51,082)	(110,435)
3.04.01	Selling expenses	(44,783)	(94,300)	(42,438)	(74,461)
3.04.02	General and administrative expenses	(34,190)	(66,101)	(35,555)	(68,288)
3.04.03	Impairment losses	-	-	-	-
3.04.04	Other operating income	4,116	7,051	24,841	29,836
3.04.05	Other operating expenses	(9,013)	(14,731)	(6,263)	(9,315)
3.04.06	Equity pick-up	24,185	15,362	8,333	11,793
3.05	Income before financial income/(expenses) and taxes	40,018	50,716	65,458	116,011
3.06	Financial income/(expenses)	(31,061)	(61,580)	(36,179)	(49,021)
3.06.01	Financial income	(12,163)	(23,452)	53,893	52,615
3.06.01.01	Monetary and exchange gains	(15,786)	(35,955)	51,676	44,316
3.06.01.02	Gains from short-term investments	3,195	11,556	1,814	7,344
3.06.01.03	Other income	428	947	403	955
3.06.02	Financial expenses	(18,898)	(38,128)	(90,072)	(101,636)
3.06.02.01	Monetary and exchange losses	10,833	25,260	(64,456)	(56,715)
3.06.02.02	Interest on loans	(28,100)	(60,694)	(23,767)	(42,506)
3.06.02.03	Other expenses	(1,631)	(2,694)	(1,849)	(2,415)
3.07	Income before income taxes	8,957	(10,864)	29,279	66,990
3.08	Income and social contribution taxes	4,594	7,731	(7,679)	(19,928)
3.08.01	Current	-	-	-	-
3.08.02	Deferred	4,594	7,731	(7,679)	(19,928)
3.09	Net income from continuing operations	13,551	(3,133)	21,600	47,062
3.10	Net income from discontinued operations	-	-	-	-
3.10.01	Net income/(loss) from discontinued operations	-	-	-	-
3.10.02	Net gains from/losses on assets of discontinued operations	-	-	-	-
3.11	Net income/(loss) for the period	13,551	(3,133)	21,600	47,062
3.99	Earnings (loss) per share - (Reais / share)	-	-	-	-
3.99.01	Basic earnings (loss) per share	-	-	-	-
3.99.01.01	Common shares (ON)	0.04000	(0.01000)	0.07000	0.16000
3.99.02	Diluted earnings (loss) per share	-	-	-	-
3.99.02.01	Common shares (ON)	0.04000	(0.01000)	0.07000	0.16000

**Statement of comprehensive income (loss) - Company****(In thousands of Reais)**

<b>Code</b>	<b>Description</b>	<b>Current quarter 04/01/2014 to 06/30/2014</b>	<b>YTD Current year 01/01/2014 to 06/30/2014</b>	<b>Same quarter - Prior year 04/01/2013 to 06/30/2013</b>	<b>YTD Prior year 01/01/2013 to 06/30/2013</b>
4.01	Net income for the period	13,551	<b>(3,133)</b>	21,600	47,062
4.02	Other comprehensive income (loss)	(47,792)	(93,168)	91,723	48,324
	Exchange gains/(losses) - subsidiaries				
4.02.01	located abroad	(47,792)	(93,168)	87,642	50,243
4.02.02	Actuarial valuation	-	-	4,081	4,081
4.02.03	Net gains on fair value	-	-	-	(6,000)
4.03	Comprehensive income (loss) for the period	(34,241)	(96,301)	113,323	95,386

**Cash flow statement - Indirect method - Company****(In thousands of Reais)**

<b>Code</b>	<b>Description</b>	<b>YTD Current year 01/01/2014 to 06/30/2014</b>	<b>YTD Prior year 01/01/2013 to 06/30/2013</b>
6.01	Net cash from operating activities	7,549	80,323
6.01.01	Cash generated by operations	37,910	164,623
6.01.01.01	Net income/(loss) for the year	(3,133)	47,062
6.01.01.02	Interest expenses	61,736	34,827
6.01.01.03	Monetary and exchange variations	(30,118)	44,418
6.01.01.04	Depreciation	25,859	23,830
6.01.01.05	Amortization	3,191	3,040
6.01.01.06	Equity pick-up	(15,362)	(11,793)
6.01.01.07	Deferred income and social contribution taxes	(7,731)	19,928
6.01.01.08	Stock options	3,468	3,311
6.01.02	Changes in assets and liabilities	(30,361)	(84,300)
6.01.02.01	Trade accounts receivable	6,625	(15,829)
6.01.02.02	Inventories	(5,289)	(37,209)
6.01.02.03	Taxes recoverable	7,069	(17,578)
6.01.02.04	Trade accounts payable	(28,844)	14,245
6.01.02.05	Taxes payable	879	(1,362)
6.01.02.06	Dividends and interest on equity	(11,716)	(16,672)
6.01.02.07	Other	915	(9,895)
6.01.03	Other	-	-
6.02	Net cash from investing activities	(241,958)	(49,863)
6.02.01	Sale of property, plant and equipment, investments and intangible assets	6	5,406
6.02.02	Additions to PP&E and intangible assets	(43,273)	(39,360)
6.02.03	Acquisition of subsidiary	-	(11,389)
6.02.04	Marketable securities	(12,228)	(4,520)
6.02.05	Receivables for sale of property, plant and equipment	1,309	-
6.02.06	Capital contribution in subsidiaries	(187,772)	-
6.03	Net cash from financing activities	(77,476)	(192,169)
6.03.01	Loans and financing raised	12,184	544
6.03.02	Repayment of loans and financing	(6,719)	(145,692)
6.03.03	Payments of interest on loans and financing	(63,385)	(40,956)
6.03.04	Treasury shares	(19,556)	(6,065)
6.04	Exchange rate fluctuation on cash and cash equivalents	-	-
6.05	Increase (decrease) in cash and cash equivalents	(311,885)	(161,709)
6.05.01	Cash and cash equivalents - opening balance	719,976	542,583
6.05.02	Cash and cash equivalents - closing balance	408,091	380,874

**Statements of changes in equity (SCE) - 03/31/2014 to 06/30/2014 - Company****(In thousands of Reais)**

<b>Code</b>	<b>Description</b>	<b>Paid-in capital</b>	<b>Capital reserves, stock options granted and treasury shares</b>	<b>Income reserves</b>	<b>Retained earnings / (Accumulated losses)</b>	<b>Other comprehensive income (loss)</b>	<b>Equity</b>
5.01	Opening balances	2,528,146	234,794	119,008	-	122,492	3,004,440
5.02	Prior year adjustments	-	-	-	-	-	-
5.03	Adjustments to opening balances	2,528,146	234,794	119,008	-	122,492	3,004,440
5.04	Capital transactions with shareholders	-	(16,088)	-	-	-	(16,088)
5.04.01	Capital increase	-	-	-	-	-	-
5.04.02	Expenses with shares issued	-	-	-	-	-	-
5.04.03	Stock options granted and recognized	-	3,468	-	-	-	3,468
5.04.04	Treasury shares purchased	-	(19,556)	-	-	-	(19,556)
5.04.05	Treasury shares sold	-	-	-	-	-	-
5.04.06	Dividends	-	-	-	-	-	-
5.04.07	Interest on equity	-	-	-	-	-	-
5.05	Total comprehensive income (loss)	-	-	-	(3,133)	(93,168)	(96,301)
5.05.01	Net income for the period	-	-	-	(3,133)	-	(3,133)
5.05.02	Other comprehensive income (loss)	-	-	-	-	(93,168)	(93,168)
5.05.02.01	Adjustments to financial instruments	-	-	-	-	-	-
5.05.02.02	Taxes on adjustments to financial instruments:	-	-	-	-	-	-
5.05.02.03	Equity pick-up on comprehensive income (loss) - subsidiaries and affiliates	-	-	-	-	-	-
5.05.02.04	Translation adjustments in the period	-	-	-	-	-	-
5.05.02.05	Taxes on translation adjustments in the period	-	-	-	-	-	-
5.05.02.06	Exchange gains from (losses on) foreign investments	-	-	-	-	(93,168)	(93,168)
5.05.03	Reclassifications to income	-	-	-	-	-	-
5.05.03.01	Adjustments to financial instruments	-	-	-	-	-	-
5.06	Changes in equity	-	-	-	-	-	-
5.06.01	Set up of reserves	-	-	-	-	-	-
5.06.02	Realization of revaluation reserve	-	-	-	-	-	-
5.06.03	Taxes on realization of revaluation reserve	-	-	-	-	-	-
5.07	Closing balances	2,528,146	218,706	119,008	(3,133)	29,324	2,892,051

**Statements of changes in equity (SCE) - 03/31/2013 to 06/30/2013****(In thousands of Reais)**

<b>Code</b>	<b>Description</b>	<b>Paid-in capital</b>	<b>Capital reserves, stock options granted and treasury shares</b>	<b>Income reserves</b>	<b>Retained earnings / (Accumulated losses)</b>	<b>Other comprehensive income (loss)</b>	<b>Equity</b>
5.01	Opening balances	2,528,146	244,926	88,060	-	(68,876)	2,792,256
5.02	Prior year adjustments	-	-	-	-	-	-
5.03	Adjustments to opening balances	2,528,146	244,926	88,060	-	(68,876)	2,792,256
5.04	Capital transactions with shareholders	-	(2,754)	-	-	-	(2,754)
5.04.01	Capital increase	-	-	-	-	-	-
5.04.02	Expenses with shares issued	-	-	-	-	-	-
5.04.03	Stock options granted and recognized	-	3,311	-	-	-	3,311
5.04.04	Treasury shares purchased	-	(6,065)	-	-	-	(6,065)
5.04.05	Treasury shares sold	-	-	-	-	-	-
5.04.06	Dividends	-	-	-	-	-	-
5.04.07	Interest on equity	-	-	-	-	-	-
5.05	Total comprehensive income (loss)	-	-	-	47,062	48,324	95,386
5.05.01	Net income for the period	-	-	-	47,062	-	47,062
5.05.02	Other comprehensive income (loss)	-	-	-	-	48,324	48,324
5.05.02.01	Adjustments to financial instruments	-	-	-	-	-	-
5.05.02.02	Taxes on adjustments to financial instruments:	-	-	-	-	-	-
5.05.02.03	Equity pick-up on comprehensive income (loss) - subsidiaries and affiliates	-	-	-	-	-	-
5.05.02.04	Translation adjustments in the period	-	-	-	-	-	-
5.05.02.05	Taxes on translation adjustments in the period	-	-	-	-	-	-
5.05.02.06	Exchange gains from (losses on) - foreign investments	-	-	-	-	50,243	50,243
5.05.02.07	Net gains on fair value	-	-	-	-	(6,000)	(6,000)
5.05.02.08	Actuarial adjustment	-	-	-	-	4,081	4,081
5.05.03	Reclassifications to income	-	-	-	-	-	-
5.05.03.01	Adjustments to financial instruments	-	-	-	-	-	-
5.06	Changes in equity	-	-	-	-	-	-
5.06.01	Set up of reserves	-	-	-	-	-	-
5.06.02	Realization of revaluation reserve	-	-	-	-	-	-
5.06.03	Taxes on realization of revaluation reserve	-	-	-	-	-	-
5.07	Closing balances	2,528,146	242,172	88,060	47,062	(20,552)	2,884,888

**Statements of value added - Company****(In thousands of Reais)**

<b>Code</b>	<b>Description</b>	<b>YTD – current year 01/01/2014 to 06/30/2014</b>	<b>YTD Prior year 01/01/2013 to 06/30/2013</b>
7.01	Revenues	877,170	856,515
7.01.01	Goods and products sold and services rendered	847,908	788,877
7.01.02	Other income	1,565	25,502
7.01.03	Revenues from construction of own assets	27,697	42,136
7.01.04	Allowance for/(Reversal of) doubtful accounts	-	-
7.02	Inputs acquired from third parties	(619,496)	(559,793)
7.02.01	Cost of products/ goods sold and services rendered	(436,004)	(389,738)
7.02.02	Materials, energy, third-party services and other	(183,492)	(170,055)
7.02.03	Loss/recovery of asset values	-	-
7.02.04	Other	-	-
7.03	Gross value added	257,674	296,722
7.04	Retentions	(29,050)	(26,870)
7.04.01	Depreciation, amortization and depletion	(29,050)	(26,870)
7.04.02	Other	-	-
7.05	Net value added produced by Company	228,624	269,852
7.06	Value added received in transfer	(8,090)	64,408
7.06.01	Equity pick-up	15,362	11,793
7.06.02	Financial income	(23,452)	52,615
7.06.03	Other	-	-
7.07	Total value added to be distributed	220,534	334,260
7.08	Distribution of value added	220,534	334,260
7.08.01	Personnel	167,287	140,872
7.08.01.01	Salaries	-	-
7.08.01.02	Benefits	-	-
7.08.01.03	Unemployment Compensation Fund (FGTS)	-	-
7.08.01.04	Other	-	-
7.08.02	Taxes, charges and contributions	11,234	37,938
7.08.02.01	Federal	-	-
7.08.02.02	State	-	-
7.08.02.03	Local	-	-
7.08.03	Debt remuneration	45,146	108,388
7.08.03.01	Interest	60,694	42,506
7.08.03.02	Rent	7,018	6,753
7.08.03.03	Other	(22,566)	59,129
7.08.04	Equity remuneration	(3,133)	47,062
7.08.04.01	Interest on equity	-	-
7.08.04.02	Dividends	-	-
7.08.04.03	Profit (loss) for the period	(3,133)	47,062
7.08.05	Other	-	-

**Balance Sheet – Assets - Consolidated****(In thousands of Reais)**

<b>Code</b>	<b>Description</b>	<b>Current quarter – 06/30/2014</b>	<b>Prior year 12/31/2013</b>
1	Total assets	6,162,676	6,473,933
1.01	Current assets	2,364,769	2,560,541
1.01.01	Cash and cash equivalents	779,662	949,097
1.01.02	Short-term investments	23,824	11,596
1.01.02.01	Short-term investments at fair value	23,824	11,596
1.01.02.01.01	Trading securities	23,824	11,596
1.01.02.01.02	Securities available for sale	-	-
1.01.02.02	Short-term investments at amortized cost	-	-
1.01.02.02.01	Investments held to maturity	-	-
1.01.03	Trade accounts receivable	582,934	610,105
1.01.03.01	Customers	577,896	605,087
1.01.03.01.01	Domestic customers	173,145	168,424
1.01.03.01.02	Foreign customers	391,054	418,885
1.01.03.01.03	Allowance for doubtful accounts	(6,822)	(7,805)
1.01.03.01.04	Measurements to be billed	20,519	25,583
1.01.03.02	Other accounts receivable	5,038	5,018
1.01.03.02.01	Receivables for sale of property	5,038	5,018
1.01.04	Inventories	773,938	758,602
1.01.05	Biological assets	-	-
1.01.06	Taxes recoverable	173,346	184,789
1.01.06.01	Current taxes recoverable	173,346	184,789
1.01.07	Prepaid expenses	10,016	-
1.01.08	Other current assets	21,049	46,352
1.01.08.01	Noncurrent assets for sale	-	-
1.01.08.02	Assets from discontinued operations	-	-
1.01.08.03	Other	21,049	46,352
1.02	Noncurrent assets	3,797,907	3,913,392
1.02.01	Long-term receivables	48,506	49,820
1.02.01.01	Short-term investments at fair value	-	-
1.02.01.01.01	Trading securities	-	-
1.02.01.01.02	Securities available for sale	-	-
1.02.01.02	Short-term investments at amortized cost	-	-
1.02.01.02.01	Investments held to maturity	-	-
1.02.01.03	Trade accounts receivable	5,796	7,125
1.02.01.03.01	Customers	-	-
1.02.01.03.02	Other accounts receivable	5,796	7,125
1.02.01.04	Inventories	-	-
1.02.01.05	Biological assets	-	-
1.02.01.06	Deferred taxes	9,818	8,128
1.02.01.06.01	Deferred income and social contribution taxes	9,818	8,128
1.02.01.07	Prepaid expenses	-	-
1.02.01.08	Receivables from related parties	-	-
1.02.01.08.01	Receivables from affiliates	-	-
1.02.01.08.03	Receivables from controlling shareholders	-	-
1.02.01.08.04	Receivables from other related parties	-	-
1.02.01.09	Other noncurrent assets	32,892	34,567
1.02.01.09.01	Noncurrent assets for sale	-	-
1.02.01.09.02	Assets from discontinued operations	-	-
1.02.01.09.03	Judicial deposits	17,140	18,080
1.02.01.09.04	Other	15,752	16,487

**Balance Sheet - Assets - Consolidated****(In thousands of Reais)**

<b>Code</b>	<b>Description</b>	<b>Current quarter – 06/30/2014</b>	<b>Prior year 12/31/2013</b>
1.02.02	Investments	73,334	73,541
1.02.02.01	Equity interests	5,844	6,051
1.02.02.01.01	Interest held in affiliates	-	-
1.02.02.01.04	Other interest held	5,844	6,051
1.02.02.02	Investment property	67,490	67,490
1.02.03	Property, plant and equipment	1,209,021	1,248,865
1.02.03.01	Property and equipment in use	978,852	1,046,536
1.02.03.02	Leased property, plant and equipment	-	-
1.02.03.03	Construction in progress	230,169	202,329
1.02.04	Intangible assets	2,467,046	2,541,166
1.02.04.01	Intangible assets	46,042	46,154
1.02.04.01.01	Concession agreements	-	-
1.02.04.01.02	Software and other	46,042	46,154
1.02.04.02	Goodwill	2,421,004	2,495,012



**Balance Sheet - Liabilities - Consolidated****(In thousands of Reais)**

<b>Code</b>	<b>Description</b>	<b>Current quarter – 06/30/2014</b>	<b>Prior year 12/31/2013</b>
2	Total liabilities and equity	6,162,676	6,473,933
2.01	Current liabilities	793,167	776,483
2.01.01	Labor and social charges	96,731	106,490
2.01.01.01	Social charges	37,106	37,341
2.01.01.02	Labor charges	59,625	69,149
2.01.02	Trade accounts payable	372,972	412,066
2.01.02.01	Domestic suppliers	147,896	175,500
2.01.02.02	Foreign suppliers	225,076	236,566
2.01.03	Tax liabilities	66,797	46,059
2.01.03.01	Federal tax liabilities	23,454	21,387
2.01.03.01.01	Income and social contribution taxes	-	7,385
2.01.03.01.02	Other federal tax liabilities	23,454	14,002
2.01.03.02	State tax liabilities	42,903	24,030
2.01.03.03	Local tax liabilities	440	642
2.01.04	Loans and financing	155,195	88,121
2.01.04.01	Loans and financing	155,195	88,121
2.01.04.01.01	In domestic currency	60,507	11,148
2.01.04.01.02	In foreign currency	94,688	76,973
2.01.04.02	Debentures	-	-
2.01.04.03	Financing - Finance lease	-	-
2.01.05	Other liabilities	101,472	123,747
2.01.05.01	Liabilities - related parties	-	-
2.01.05.01.01	Payables to affiliates	-	-
2.01.05.01.03	Payables to controlling shareholders	-	-
2.01.05.01.04	Payables to other related parties	-	-
2.01.05.02	Other	101,472	123,747
2.01.05.02.01	Dividend and interest on equity (IOE) payable	1,709	13,778
2.01.05.02.02	Mandatory minimum dividend payable	-	-
2.01.05.02.03	Obligations - Share-based payment	-	-
2.01.05.02.04	Accounts payable for investment acquisition	28,433	29,727
2.01.05.02.05	Other liabilities	71,330	80,242
2.01.06	Provisions	-	-
2.01.06.01	Provisions for tax, social security, labor and civil contingencies	-	-
2.01.06.01.01	Tax	-	-
2.01.06.01.02	Social security and labor	-	-
2.01.06.01.03	Provisions for employee benefits	-	-
2.01.06.01.04	Civil	-	-
2.01.06.02	Other	-	-
2.01.06.02.01	Provisions for guarantees	-	-
2.01.06.02.02	Provisions for restructuring	-	-
2.01.06.02.03	Provisions for environmental liabilities and decommissioning	-	-
2.01.07	Liabilities on noncurrent assets for sale and discontinued	-	-
2.01.07.01	Liabilities on noncurrent assets for sale	-	-
2.01.07.02	Liabilities on assets from discontinued operations	-	-
2.02	Noncurrent liabilities	2,460,064	2,673,524
2.02.01	Loans and financing	2,132,663	2,325,612
2.02.01.01	Loans and financing	2,132,663	2,325,612
2.02.01.01.01	In domestic currency	725,911	374,451
2.02.01.01.02	In foreign currency	1,406,752	1,951,161

**Balance Sheet - Liabilities - Consolidated****(In thousands of Reais)**

<b>Code</b>	<b>Description</b>	<b>Current quarter – 06/30/2014</b>	<b>Prior year 12/31/2013</b>
2.02.01.02	Debentures	-	-
2.02.01.03	Financing - Finance lease	-	-
2.02.02	Other liabilities	228,816	236,954
2.02.02.01	Liabilities - related parties	-	-
2.02.02.01.01	Payables to affiliates	-	-
2.02.02.01.03	Payables to controlling shareholders	-	-
2.02.02.01.04	Payables to other related parties	-	-
2.02.02.02	Other	228,816	236,954
2.02.02.02.01	Obligations - Share-based payment	-	-
2.02.02.02.02	Future capital contribution	-	-
2.02.02.02.03	Debt bonds	-	-
2.02.02.02.04	Post-employment obligations	214,941	221,990
2.02.02.02.05	Other liabilities	13,875	14,964
2.02.03	Deferred taxes	57,325	72,444
2.02.03.01	Deferred income and social contribution taxes	57,325	72,444
2.02.04	Provisions	41,260	38,514
2.02.04.01	Provisions for tax, social security, labor and civil contingencies	41,260	38,514
2.02.04.01.01	Tax	12,913	12,709
2.02.04.01.02	Social security and labor	28,220	25,678
2.02.04.01.03	Provisions for employee benefits	-	-
2.02.04.01.04	Civil	127	127
2.02.04.02	Other	-	-
2.02.04.02.01	Provisions for guarantees	-	-
2.02.04.02.02	Provisions for restructuring	-	-
2.02.04.02.03	Provisions for environmental liabilities and decommissioning	-	-
2.02.05	Liabilities on noncurrent assets for sale and discontinued	-	-
2.02.05.01	Liabilities on noncurrent assets for sale	-	-
2.02.05.02	Liabilities on assets from discontinued operations	-	-
2.02.06	Unearned profits and revenues	-	-
2.02.06.01	Unearned profits	-	-
2.02.06.02	Unearned revenues	-	-
2.02.06.03	Unearned investment grants	-	-
2.03	Consolidated equity	2,909,445	3,023,926
2.03.01	Paid-in capital	2,528,146	2,528,146
2.03.02	Capital reserves	218,706	234,794
2.03.02.01	Share issue premium	-	-
2.03.02.02	Special goodwill reserve from downstream merger	88,874	88,874
2.03.02.03	Sale of subscription warrants	-	-
2.03.02.04	Stock options granted	41,183	37,715
2.03.02.05	Treasury shares	(39,425)	(19,556)
2.03.02.06	Future capital contribution	-	-
2.03.02.07	Special reserve - Law No. 8200/91	5,973	5,973
2.03.02.08	Share issue reserve	139,327	139,327
2.03.02.09	Share issue cost	(17,226)	(17,539)
2.03.03	Revaluation reserves	-	-

**Balance Sheet - Liabilities - Consolidated****(In thousands of Reais)**

<b>Code</b>	<b>Description</b>	<b>Current quarter – 06/30/2014</b>	<b>Prior year 12/31/2013</b>
2.03.04	Income reserves	119,008	119,008
2.03.04.01	Legal reserve	8,290	8,290
2.03.04.02	Statutory reserve	-	-
2.03.04.03	Provision for contingencies	-	-
2.03.04.04	Income reserve to realize	-	-
2.03.04.05	Retained earnings reserve	110,718	110,718
2.03.04.06	Special reserve for unpaid dividends	-	-
2.03.04.07	Reserve for tax incentives	-	-
2.03.04.08	Additional dividend proposed	-	-
2.03.04.09	Treasury shares	-	-
2.03.05	Retained earnings/(Accumulated losses)	(3,133)	-
2.03.06	Equity valuation adjustment	-	-
2.03.07	Cumulative translation adjustments	-	-
2.03.08	Other comprehensive income (loss)	29,324	122,492
2.03.09	Noncontrolling interest	17,394	19,486

**Income statement - Consolidated****(In thousands of Reais)**

<b>Code</b>	<b>Description</b>	<b>Current quarter 04/01/2014 to 06/30/2014</b>	<b>YTD Current year 01/01/2014 to 06/30/2014</b>	<b>Same quarter - Prior year 04/01/2013 to 06/30/2013</b>	<b>YTD Prior year 01/01/2013 to 06/30/2013</b>
3.01	Revenue from goods sold and/or services rendered	720,148	1,439,512	650,453	1,272,866
3.02	Cost of goods sold and/or services rendered	(500,015)	(988,289)	(428,980)	(841,607)
3.03	Gross profit	220,133	451,223	221,473	431,259
3.04	Operating income / (expenses)	(158,840)	(326,580)	(127,698)	(250,359)
3.04.01	Selling expenses	(99,676)	(205,912)	(90,703)	(164,973)
3.04.02	General and administrative expenses	(57,920)	(114,235)	(57,547)	(108,133)
3.04.03	Impairment losses	-	-	-	-
3.04.04	Other operating income	7,780	13,530	32,587	45,171
3.04.05	Other operating expenses	(9,242)	(20,181)	(11,919)	(22,308)
3.04.06	Equity pick-up	218	218	(116)	(116)
3.05	Income before financial income/(expenses) and taxes	61,293	124,643	93,775	180,900
3.06	Financial income (expenses)	(49,316)	(118,158)	(55,635)	(93,349)
3.06.01	Financial income	(10,921)	(18,945)	(3,560)	(2,181)
3.06.01.01	Monetary and exchange gains	(16,350)	(38,870)	(8,546)	(14,159)
3.06.01.02	Gains from short-term investments	4,211	13,127	2,446	8,547
3.06.01.03	Other income	1,218	6,798	2,540	3,431
3.06.02	Financial expenses	(38,395)	(99,213)	(52,075)	(91,168)
3.06.02.01	Monetary and exchange gains	12,428	7,636	(5,766)	(6,861)
3.06.02.02	Interest on loans	(46,319)	(97,467)	(41,692)	(78,784)
3.06.02.03	Other	(4,504)	(9,382)	(4,617)	(5,523)
3.07	Income before income taxes	11,977	6,485	38,140	87,551
3.08	Income and social contribution taxes	2,360	(8,753)	(14,590)	(37,684)
3.08.01	Current	(17,007)	(28,480)	(6,937)	(19,103)
3.08.02	Deferred	19,367	19,727	(7,653)	(18,581)
3.09	Net income from continuing operations	14,337	(2,268)	23,550	49,867
3.10	Net income from discontinued operations	-	-	-	-
3.10.01	Net income/(loss) from discontinued operations	-	-	-	-
3.10.02	Net gains from/losses on assets of discontinued operations	-	-	-	-
3.11	Consolidated income/(loss) for the period	14,337	(2,268)	23,550	49,867
3.11.01	Attributed to controlling shareholders	13,551	(3,133)	21,600	47,062
3.11.02	Attributed to noncontrolling shareholders	786	865	1,950	2,805
3.99	Earnings(loss) per share - (Reais / share)	-	-	-	-
3.99.01	Basic earnings per share	-	-	-	-
3.99.01.01	Common shares (ON)	0.04000	(0.01000)	0.07000	0.16000
3.99.02	Diluted earnings per share	-	-	-	-
3.99.02.01	Common shares (ON)	0.04000	(0.01000)	0.07000	0.16000

**Statement of comprehensive income (loss) - Consolidated****(In thousands of Reais)**

<b>Code</b>	<b>Description</b>	<b>Current quarter 04/01/2014 to 06/30/2014</b>	<b>YTD Current year 01/01/2014 to 06/30/2014</b>	<b>Same quarter - Prior year 04/01/2013 to 06/30/2013</b>	<b>YTD Prior year 01/01/2013 to 06/30/2013</b>
4.01	Consolidated net income for the period	14,337	(2,268)	23,550	49,867
4.02	Other comprehensive income (loss)	(50,418)	(96,125)	91,767	50,322
	Exchange gains/(losses) - subsidiaries located				
4.02.01	abroad	(50,418)	(96,125)	87,686	52,241
4.02.02	Actuarial valuation	-	-	4,081	4,081
4.02.03	Net gains on fair value	-	-	-	(6,000)
	Consolidated comprehensive income (loss) for				
4.03	the period	(36,081)	(98,393)	115,317	100,189
4.03.01	Attributed to controlling shareholders	(34,241)	(96,301)	113,323	95,386
4.03.02	Attributed to noncontrolling shareholders	(1,840)	(2,092)	1,994	4,803

**Cash flow statement - Indirect method - Consolidated****(In thousands of Reais)**

Code	Description	YTD – current year	YTD – prior year
		01/01/2014 to 06/30/2014	01/01/2013 to 06/30/2013
6.01	Net cash from operating activities	70,343	96,670
6.01.01	Cash generated by operations	82,948	249,250
6.01.01.01	Net income/(loss) for the year	(2,268)	49,867
6.01.01.02	Monetary and foreign exchange variations, net	(65,098)	41,630
6.01.01.03	Interest expenses	101,903	68,227
6.01.01.04	Depreciation and depletion	65,869	55,370
6.01.01.05	Amortization of intangible assets	3,391	3,112
6.01.01.06	Deferred income and social contribution taxes	(19,727)	18,581
6.01.01.07	Stock options	3,468	3,311
6.01.01.08	Noncontrolling interest	(865)	2,805
6.01.01.09	Provision for inventory losses and allowance for doubtful accounts	-	1,552
6.01.01.10	Derivative instruments - fair value - Swap	(3,507)	4,795
6.01.01.11	Equity pickup	(218)	-
6.01.02	Changes in assets and liabilities	(12,605)	(152,580)
6.01.02.01	Trade accounts receivable	27,191	(47,125)
6.01.02.02	Inventories	(15,336)	(81,094)
6.01.02.03	Taxes recoverable	12,178	(21,925)
6.01.02.04	Trade accounts payable	(39,094)	(1,500)
6.01.02.05	Taxes payable	20,738	25,960
6.01.02.06	Dividends payable	(12,069)	(16,319)
6.01.02.07	Other	(6,213)	(10,577)
6.01.03	Other	-	-
6.02	Net cash from investing activities	(72,990)	(83,044)
6.02.01	Disposal of PP&E, investments and intangible assets	1,618	4,153
6.02.02	Additions to PP&E and intangible assets	(63,689)	(82,677)
6.02.03	Marketable securities	(12,228)	(4,520)
6.02.04	Receivables for sale of property, plant and equipment	1,309	-
6.03	Net cash from financing activities	(150,535)	(224,360)
6.03.01	Loans and financing raised	29,613	594
6.03.02	Repayment of loans and financing	(54,442)	(145,692)
6.03.03	Interest paid - loans and financing	(106,150)	(73,197)
6.03.04	Treasury shares	(19,556)	(6,065)
6.04	Exchange rate fluctuation on cash and cash equivalents	(16,253)	19,552
6.05	Increase (decrease) in cash and cash equivalents	(169,435)	(191,182)
6.05.01	Cash and cash equivalents - opening balance	949,097	796,739
6.05.02	Cash and cash equivalents - closing balance	779,662	605,557

**Statements of changes in equity (SCE) - 03/31/2014 to 06/30/2014 - Consolidated****(In thousands of Reais)**

<b>Code</b>	<b>Description</b>	<b>Paid-in capital</b>	<b>Capital reserves, stock options granted and treasury shares</b>	<b>Income reserves</b>	<b>Retained earnings / (Accumulated losses)</b>	<b>Other comprehensive income (loss)</b>	<b>Equity</b>	<b>Non-controlling interest</b>	<b>Consolidated equity</b>
5.01	Opening balances	2,528,146	234,794	119,008	-	122,492	3,004,440	19,486	3,023,926
5.02	Prior year adjustments	-	-	-	-	-	-	-	-
5.03	Adjustments to opening balances	2,528,146	234,794	119,008	-	122,492	3,004,440	19,486	3,023,926
5.04	Capital transactions with shareholders	-	(16,088)	-	-	-	(16,088)	-	(16,088)
5.04.01	Capital increase	-	-	-	-	-	-	-	-
5.04.02	Expenses with shares issued	-	-	-	-	-	-	-	-
5.04.03	Stock options granted and recognized	-	3,468	-	-	-	3,468	-	3,468
5.04.04	Treasury shares purchased	-	(19,556)	-	-	-	(19,556)	-	(19,556)
5.04.05	Treasury shares sold	-	-	-	-	-	-	-	-
5.04.06	Dividends	-	-	-	-	-	-	-	-
5.04.07	Interest on equity	-	-	-	-	-	-	-	-
5.05	Total comprehensive income (loss)	-	-	-	(3,133)	(93,168)	(96,301)	(2,092)	(98,393)
5.05.01	Net income (loss) for the period	-	-	-	(3,133)	-	(3,133)	865	(2,268)
5.05.02	Other comprehensive income (loss)	-	-	-	-	(93,168)	(93,168)	(2,957)	(96,125)
5.05.02.01	Adjustments to financial instruments	-	-	-	-	-	-	-	-
5.05.02.02	Taxes on adjustments to financial instruments	-	-	-	-	-	-	-	-
5.05.02.03	Equity pick-up on comprehensive income (loss) - affiliates	-	-	-	-	-	-	-	-
5.05.02.04	Translation adjustments in the period	-	-	-	-	-	-	-	-
5.05.02.05	Taxes on translation adjustments in the period	-	-	-	-	-	-	-	-
5.05.02.06	Exchange gains from (losses on) foreign investments	-	-	-	-	(93,168)	(93,168)	(2,957)	(96,125)
5.05.03	Reclassifications to income	-	-	-	-	-	-	-	-
5.05.03.01	Adjustments to financial instruments	-	-	-	-	-	-	-	-
5.06	Changes in equity	-	-	-	-	-	-	-	-
5.06.01	Set up of reserves	-	-	-	-	-	-	-	-
5.06.02	Realization of revaluation reserve	-	-	-	-	-	-	-	-
5.06.03	Taxes on realization of revaluation reserve	-	-	-	-	-	-	-	-
5.07	Closing balances	2,528,146	218,706	119,008	(3,133)	29,324	2,892,051	17,394	2,909,445

**Statements of changes in equity (SCE) - 03/31/2013 to 06/30/2013 - Consolidated****(In thousands of Reais)**

<b>Code</b>	<b>Description</b>	<b>Paid-in capital</b>	<b>Capital reserves, stock options granted and treasury shares</b>	<b>Income reserves</b>	<b>Retained earnings / (Accumulated losses)</b>	<b>Other comprehensive income (loss)</b>	<b>Equity</b>	<b>Noncontrolling interest</b>	<b>Consolidated equity</b>
5.01	Opening balances	2,528,146	244,926	88,060	-	(68,876)	2,792,256	18,603	2,810,859
5.02	Prior year adjustments	-	-	-	-	-	-	-	-
5.03	Adjustments to opening balances	2,528,146	244,926	88,060	-	(68,876)	2,792,256	18,603	2,810,859
5.04	Capital transactions with shareholders	-	(2,754)	-	-	-	(2,754)	-	(2,754)
5.04.01	Capital increase	-	-	-	-	-	-	-	-
5.04.02	Share issue cost	-	-	-	-	-	-	-	-
5.04.03	Stock options granted and recognized	-	3,311	-	-	-	3,311	-	3,311
5.04.04	Treasury shares purchased	-	(6,065)	-	-	-	(6,065)	-	(6,065)
5.04.05	Treasury shares sold	-	-	-	-	-	-	-	-
5.04.06	Dividends	-	-	-	-	-	-	-	-
5.04.07	Interest on equity	-	-	-	-	-	-	-	-
5.05	Total comprehensive income (loss)	-	-	-	47,062	48,324	95,386	4,803	100,189
5.05.01	Net income (loss) for the period	-	-	-	47,062	-	47,062	2,805	49,867
5.05.02	Other comprehensive income (loss)	-	-	-	-	48,324	48,324	1,998	50,322
5.05.02.01	Adjustments to financial instruments	-	-	-	-	-	-	-	-
5.05.02.02	Taxes on adjustments to financial instruments:	-	-	-	-	-	-	-	-
5.05.02.03	Equity pick-up on comprehensive income (loss) - affiliates	-	-	-	-	-	-	-	-
5.05.02.04	Translation adjustments in the period	-	-	-	-	-	-	-	-
5.05.02.05	Taxes on translation adjustments in the period	-	-	-	-	-	-	-	-
5.05.02.06	Exchange gains from (losses on) - foreign investments	-	-	-	-	50,243	50,243	1,998	52,241
5.05.02.07	Net gains on fair value	-	-	-	-	(6,000)	(6,000)	-	(6,000)
5.05.02.08	Actuarial adjustment	-	-	-	-	4,081	4,081	-	4,081
5.05.03	Reclassifications to income	-	-	-	-	-	-	-	-
5.05.03.01	Adjustments to financial instruments	-	-	-	-	-	-	-	-
5.06	Changes in equity	-	-	-	-	-	-	-	-
5.06.01	Set up of reserves	-	-	-	-	-	-	-	-
5.06.02	Realization of revaluation reserve	-	-	-	-	-	-	-	-
5.06.03	Taxes on realization of revaluation reserve	-	-	-	-	-	-	-	-
5.07	Closing balances	2,528,146	242,172	88,060	47,062	(20,552)	2,884,888	23,406	2,908,294



**Statements of value added - Consolidated****(In thousands of Reais)**

<b>Code</b>	<b>Description</b>	<b>YTD Current year 01/01/2014 to 06/30/2014</b>	<b>YTD Prior year 01/01/2013 to 06/30/2013</b>
7.01	Revenues	1,647,807	1,508,284
7.01.01	Goods and products sold and services rendered	1,619,142	1,437,023
7.01.02	Other revenues	968	25,502
7.01.03	Revenues from construction of own assets	27,697	42,136
7.01.04	Allowance for/(Reversal of) doubtful accounts	-	3,623
7.02	Inputs acquired from third parties	(1,088,598)	(983,117)
7.02.01	Cost of sales rendered	(747,563)	(681,676)
7.02.02	Materials, energy, third-party services and other	(341,035)	(301,441)
7.02.03	Loss/recovery of asset values	-	-
7.02.04	Other	-	-
7.03	Gross value added	559,209	525,167
7.04	Retentions	(69,260)	(58,482)
7.04.01	Depreciation, amortization and depletion	(69,260)	(58,482)
7.04.02	Other	-	-
7.05	Net value added produced by Company	489,949	466,685
7.06	Value added received in transfer	(18,727)	(2,297)
7.06.01	Equity pick-up	218	(116)
7.06.02	Financial income	(18,945)	(2,181)
7.06.03	Other	-	-
7.07	Total value added to be distributed	471,222	464,388
7.08	Distribution of value added	471,222	464,388
7.08.01	Personnel	308,515	242,077
7.08.01.01	Salaries	-	-
7.08.01.02	Benefits	-	-
7.08.01.03	Unemployment Compensation Fund (FGTS)	-	-
7.08.01.04	Other	-	-
7.08.02	Taxes, charges and contributions	58,383	74,270
7.08.02.01	Federal	-	-
7.08.02.02	State	-	-
7.08.02.03	Local	-	-
7.08.03	Debt remuneration	106,592	98,174
7.08.03.01	Interest	69,260	78,784
7.08.03.02	Rent	7,379	7,006
7.08.03.03	Other	29,953	12,384
7.08.04	Equity remuneration	(2,268)	49,867
7.08.04.01	Interest on equity	-	-
7.08.04.02	Dividends	-	-
7.08.04.03	Profit (loss) for the period	(3,133)	47,062
7.08.04.04	Noncontrolling interest in retained profits	865	2,805
7.08.05	Other	-	-

# **Magnesita Refratários S.A.**

Notes to quarterly information

June 30, 2014

(In thousands of reais, unless otherwise stated)

## **1 Operations**

Magnesita Refratários S.A. Magnesita Refratários S.A. (“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 located in South America, North America, Europe and Asia, 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, State of Minas Gerais, Brazil (Company headquarters), the Company owns plants which manufacture refractory materials, through these subsidiaries and jointly-controlled entities:

- Magnesita Insider Refratários Ltda. - Brazil
- Refratarios Argentinos S.A.I.C.y M - Argentina
- Magnesita Refractories Company – United States
- Magnesita Refractories GmbH - Germany
- Magnesita Refractories S.C.S. - France
- Magnesita Resource (Anhui) Co. Ltd. - China
- Sinterco S.A. - Belgium
- Krosaki Magnesita Refractories LLC – United States (jointly-controlled subsidiary)
- Magnesita Envoy Asia Ltd. - Taiwan
- Dalian Magnesita Refractories Co. Limited - China (“DMR”)
- Reframec Manutenções e Montagens de Refratários Ltda. (“Reframec”)

Additionally, the Company has other direct and indirect subsidiaries and jointly-controlled subsidiaries, operating as holding, trading and mining companies or Nonoperating entities, which are included in the consolidated financial statements (“Magnesita Group” or “Group”). There were no changes in the Group’s organizational structure as compared with December 31, 2013.

## **2 Approval of quarterly financial information**

This quarterly information was approved by Company Board of Directors on August 13, 2014.

## **Magnesita Refratários S.A.**

Notes to quarterly information (Continued)

June 30, 2014

(In thousands of reais, unless otherwise stated)

### **3 Summary of significant accounting practices**

The Company's quarterly financial information for the six-month period ended June 30, 2014 is prepared and presented in accordance with accounting practices adopted in Brazil, which comprise the rules set forth by the Brazilian SEC (CVM) and the accounting pronouncements, interpretations and guidance issued by the Brazilian FASB (CPC), as approved by CVM ("BR GAAP"), and the Brazilian Corporation Law. Additionally, the consolidated quarterly financial information is also prepared and presented in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The Company's quarterly financial information was prepared in accordance with Technical Pronouncement CPC 21 (R1) - Interim Financial Statements - Revised (Company and consolidated) and IAS 34 - Interim Financial Reporting (consolidated). This interim financial information is to be read jointly with Company financial statements for the year ended December 31, 2013.

The accounting practices adopted in the accompanying quarterly information are consistent with those described in Note 3 to the Company's financial statements for the year ended December 31, 2013, 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.

The individual financial statements present the valuation of investments in subsidiaries under the equity method, pursuant to prevailing Brazilian legislation. Accordingly, these individual financial statements are not considered to be presented under International Financial Reporting Standards (IFRS), which require these investments to be stated at cost or fair value in Company separate financial statements.

## **Magnesita Refratários S.A.**

Notes to quarterly information (Continued)

June 30, 2014

(In thousands of reais, unless otherwise stated)

### **3 Summary of significant accounting practices (Continued)**

#### **3.1 Basis of preparation and presentation of quarterly information (Continued)**

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 the consolidated financial statements, are disclosed in Note 4 to the consolidated financial statements as at December 31, 2013 and remain unchanged in relation to the period ended June 30, 2014. For the period ended June 30, 2014, there is no indication of impairment that would require the Company to redo the impairment test.

As described in Operations, the consolidated quarterly information as at June 30, 2014 was prepared based on the information about the subsidiaries presented in the financial statements for the year ended December 31, 2013, since the Group's corporate structure did not change.

Considering that there were no significant changes in the breakdown and nature of the balances reported in the financial statements as at December 31, 2013, the following Notes are presented on a condensed basis for the quarter ended June 30, 2014:

- 16 – Loans and financing;
- 17 – Provision for contingencies;
- 18 – Post-employment liabilities; and
- 21 – Stock option plan.

#### **3.2 Standards, amendments and interpretations of standards**

For the period ended June 30, 2014, no new standards, amendments to or interpretations of standards were issued in addition to those disclosed in Note 3.22 to the Company's financial statements for the year ended December 31, 2013. Also, no changes in relation to expected or disclosed impacts were observed in referred to financial statements that could affect the interim financial information as at June 30, 2014.

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2014

(In thousands of reais, unless otherwise stated)

### 3 Summary of significant accounting practices (Continued)

#### 3.3 Restatement of quarterly financial information

The Company reviewed the method adopted for presenting international freight, which was previously deducted directly from net revenue and now is restated as “Selling expenses”, and profit sharing, which was fully classified in “General and administrative expenses” and is now reallocated to “Cost of sales”, “Selling expenses” and “General and administrative expenses”.

For comparison purposes, the individual and consolidated balances as at June 30, 2013 were adjusted as follows:

##### (i) Income statement

	<b>Company – 06/30/2013</b>		
	<b>As originally stated</b>	<b>Reclassifications</b>	<b>Restated balances</b>
Net sales and service revenue	620,266	12,224	632,490
Cost of sales	(401,317)	(4,727)	(406,044)
Operating income (expenses)	(114,731)	(7,497)	(122,228)
Financial income (expenses)	(49,021)	-	(49,021)
Equity pick-up	11,793	-	11,793
Provision for income and social contribution taxes	(19,928)	-	(19,928)
Net income for the period	47,062	-	47,062

	<b>Consolidated – 06/30/2013</b>		
	<b>As originally stated</b>	<b>Reclassifications</b>	<b>Restated balances</b>
Net sales and service revenue	1,260,642	12,224	1,272,866
Cost of sales	(836,880)	(4,727)	(841,607)
Operating income (expenses)	(242,862)	(7,497)	(250,359)
Financial income (expenses)	(93,349)	-	(93,349)
Provision for income and social contribution taxes	(37,684)	-	(37,684)
Net income for the period	49,867	-	49,867

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2014

(In thousands of reais, unless otherwise stated)

### 3 Summary of significant accounting practices (Continued)

#### 3.3 Restatement of quarterly financial information (Continued)

	Company – 06/30/2013		
	As originally stated	Reclassifications	Restated balances
Net sales and service revenue	307,731	7,727	315,458
Cost of sales	(196,115)	(2,803)	(198,918)
Operating income (expenses)	(54,491)	(4,924)	(59,415)
Financial income (expenses)	(36,179)	-	(36,179)
Equity pick-up	8,333	-	8,333
Provision for income and social contribution taxes	(7,679)	-	(7,679)
Net income for the period	21,600	-	21,600

	Consolidated – 06/30/2013		
	As originally stated	Reclassifications	Restated balances
Net sales and service revenue	642,726	7,727	650,453
Cost of sales	(426,177)	(2,803)	(428,980)
Operating income (expenses)	(122,774)	(4,924)	(127,698)
Financial income (expenses)	(55,635)	-	(55,635)
Provision for income and social contribution taxes	(14,590)	-	(14,590)
Net income for the period	23,550	-	23,550

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2014

(In thousands of reais, unless otherwise stated)

### 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. Excess cash maintained by the Company additionally to the balance required for working capital management purposes is invested in interest-bearing checking accounts, term deposits, short-term deposits and marketable securities, and instruments with adequate maturities or sufficient liquidity to provide enough margin, as determined by the above estimates, are selected. As at June 30, 2014, Magnesita Group had R\$ 433,456 (R\$ 713,428 as at December 31, 2013) 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*

The Company operates in the foreign market and is subject to currency risks arising from exposure to foreign currencies, in particular the U.S. dollar, yen and euro. Currency risk arises from recognized assets and liabilities and net investments in foreign operations.

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2014

(In thousands of reais, unless otherwise stated)

### 4 Financial risk management (Continued)

#### 4.1 Financial risk factors (Continued)

##### b. Market risk (Continued)

##### (i) *Currency risk* (Continued)

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

	Consolidated							
	In thousands of reais – 06/30/2014				In thousands of reais – 12/31/2013			
	USD	€	Other currencies	Total	USD	€	Other currencies	Total
Assets and liabilities in foreign currency								
Cash and banks	557,151	102,566	25,021	684,738	275,280	139,014	31,529	445,823
Trade accounts receivable, net of allowance for doubtful accounts	143,976	171,633	74,311	389,920	158,716	151,034	101,330	411,080
Trade accounts payable	(80,133)	(95,258)	(53,274)	(228,665)	(103,888)	(180,610)	(94,637)	(379,135)
Loans and financing	(1,416,353)	(35,803)	(37,441)	(1,489,597)	(1,563,637)	(11,434)	(23,522)	(1,598,593)
Derivative financial instruments	330,375	(356,102)	-	(25,727)	442,751	(362,981)	-	79,770
Other monetary assets (liabilities), net - abroad	3,492	35	(7,163)	(3,636)	3,738	3,360	9,898	16,996
Net exposure	(461,492)	(212,929)	1,454	(672,967)	(787,040)	(261,617)	24,598	(1,024,059)

The Company seeks to mitigate its currency risk exposure on loans by means of transactions carried out in the United States and Europe. Additionally, the Company engages in transactions involving derivative financial instruments in order to mitigate this exposure.



# Magnesita Refratários S.A.

Notes to quarterly information (Continued)  
June 30, 2014  
(In thousands of reais, unless otherwise stated)

## 4 Financial risk management (Continued)

### 4.1 Financial risk factors (Continued)

#### b. Market risk (Continued)

##### (i) *Currency risk* (Continued)

The sensitivity analysis of currency risk considered the expected year-end scenario the probable scenario. Scenarios I and II were calculated applying depreciation at 25% and 50% respectively on the probable scenario, taking these hypothesis into consideration for June 30, 2014.

This analysis leads to the following:

Description	Probable scenario	Scenario I	Scenario II
Currency risk exposure (increase in USD)	(461,492)	(461,492)	(461,492)
USD rate at 06/30/2014	2.2025	2.2025	2.2025
Currency risk exposure (translation into USD)	(209,531)	(209,531)	(209,531)
Estimated FX rate per probable scenario	2.2025	2.7531	3.3038
Rate difference	-	0.5506	1.1013
Effect on financial expenses (in Reais)	-	(115,368)	(230,756)
Currency risk exposure (increase in Euro)	(212,929)	(212,929)	(212,929)
Euro rate at 06/30/2014	3.0150	3.0150	3.0150
Currency risk exposure (translation into Euro)	(70,623)	(70,623)	(70,623)
Estimated FX rate per probable scenario	3.0150	3.7688	4.5225
Rate difference	-	0.7538	1.5075
Effect on financial expenses (in Reais)	-	(53,236)	(106,464)

##### (ii) *Cash flow or fair value interest rate risk*

In 2013 and 2014, Magnesita Group had floating rate loans in reais and US dollars.

Interest rates agreed upon for loans and financing in current and noncurrent liabilities are as follows:

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2014

(In thousands of reais, unless otherwise stated)

### 4 Financial risk management (Continued)

#### 4.1 Financial risk factors (Continued)

##### b. Market risk (Continued)

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

	Consolidated				Company			
	06/30/2014	%	12/31/2013	%	06/30/2014	%	12/31/2013	%
Loans and financing								
Interbank Deposit								
Certificates (CDI)	633,192	27.7	630,275	26.1	633,192	46.1	630,275	51.8
			630,275	26.1			630,275	51.8
Other loans not subject to interest rate risk								
Loans at fixed rates	1,629,128	71.2	1,754,413	72.7	739,649	53.9	774,991	48.2
Derivative financial instruments	25,538	1.1	29,045	1.2	-	-	-	-
	1,654,666	72.5	1,783,458	73.9	739,649	53.9	774,991	48.2
	2,287,858	100.0	2,413,733	100	1,372,841	100.0	1,405,266	100.0

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

	Consolidated				Company			
	06/30/2014	%	12/31/2013	%	06/30/2014	%	12/31/2013	%
CDI								
Bank Deposit								
Certificates (CDB) and Repurchase agreements	409,632	94.5	701,832	98.4	395,815	94.3	692,184	98.3
Marketable securities	23,824	5.5	11,596	1.6	23,824	5.7	11,596	1.7
	433,456	100	713,428	100	419,639	100	703,780	100

The Company has no derivative financial instruments for the purpose of managing the risk to which the Company is exposed in connection with loans and financing subject to rate variation.

# Magnesita Refratários S.A.

Notes to quarterly information (Continued)  
June 30, 2014  
(In thousands of reais, unless otherwise stated)

## 4 Financial risk management (Continued)

### 4.1 Financial risk factors (Continued)

#### b. Market risk (Continued)

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

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

	<b>Consolidated 06/30/2014 CDI</b>
Cash equivalents and marketable securities	<b>433,456</b>
Export credit notes	<b>205,754</b>
Advances on export invoices	<b>13,359</b>
Debentures	<b>398,595</b>
Bank credit bill	<b>15,484</b>
Total liability exposure:	<b>633,192</b>
Net exposure	<b>(199,736)</b>

The incremental loss that would have been recognized in the income statement for the period ended June 30, 2014 is as follows. The sensitivity analysis of currency risk considered the expected year-end scenario the probable scenario. Scenarios I and II were calculated applying depreciation at 25% and 50% respectively on the probable scenario, taking these hypothesis into consideration for June 30, 2014. This analysis leads to the following:

Description	Probable scenario	Scenario I	Scenario II
CDI risk exposure (rate increase)	(199,736)	(199,736)	(199,736)
Cumulative CDI rate at 06/30/14	4.93%	4.93%	4.93%
Interest rate per probable scenario	4.93%	6.16%	7.40%
Rate difference	-	1.23%	2.47%
Effect on financial expenses	-	(2,457)	(4,933)

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2014

(In thousands of reais, unless otherwise stated)

### 4 Financial risk management (Continued)

#### 4.2 Capital management

Debt equity ratio is as under:

	Consolidated		Company	
	06/30/2014	12/31/2013	06/30/2014	12/31/2013
Total loans, financing, and derivative financial instruments	<b>2,287,858</b>	2,413,733	<b>1,372,841</b>	1,405,266
Less: Cash and cash equivalents and marketable securities	<b>(803,486)</b>	(960,693)	<b>(431,915)</b>	(731,572)
Total	<b>1,484,372</b>	1,453,040	<b>940,926</b>	673,694
Total equity	<b>2,909,445</b>	3,023,926	<b>2,892,051</b>	3,004,440
Total capital	<b>4,393,817</b>	4,476,966	<b>3,832,977</b>	3,678,134
Financial leverage ratio	<b>34%</b>	32%	<b>25%</b>	18%

The other information on Capital management did not change significantly in relation to the information disclosed in Note 5 to the financial statements as at December 31, 2013.

#### 4.3 Fair value estimate

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

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

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2014

(In thousands of reais, unless otherwise stated)

### 5 Derivative financial instruments

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

The Company monitors the currency risks to which it is exposed as a result of its debt in foreign currencies in excess of the volume of operations in these currencies. Such monitoring takes into consideration the changes in the exchange rates, especially the dollar and the euro, for the purpose of making decisions regarding swap transactions.

Consolidated – In thousands					
Description	Maturity	Month / year	Reference value (notional)	06/30/2014	12/31/2013
				Fair value R\$	Fair value R\$
Exchange rate hedging:					
Swap (Germany)	03/30/2015				
Long position			US\$ 150,000		
Short position			Euro 118,110	(25,538)	(29,045)
NDF (Brazil)	02/03/2014				
Long position			US\$ 39,000		
Short position			R\$ 86,241	-	5,475

The effect of R\$ 3,507 was recognized in financial income/ (expenses) for the period.

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2014

(In thousands of reais, unless otherwise stated)

### 6 Financial instruments by category

	Consolidated			Company		
	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						
June 30, 2014						
Cash and cash equivalents						
- Cash and banks	370,030	-	370,030	12,276	-	12,276
- CDB and Repurchase agreements	409,632	-	409,632	395,815	-	395,815
Marketable securities	23,824	-	23,824	23,824	-	23,824
Trade accounts receivable	-	577,896	577,896	-	402,543	402,543
Other accounts receivable (except prepayments)	-	10,834	10,834	-	10,834	10,834
Judicial deposits	-	17,140	17,140	-	16,018	16,018
	803,486	605,870	1,409,356	431,915	429,395	861,309
	Consolidated			Company		
	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, 2013						
Cash and cash equivalents						
- Cash and banks	247,265	-	247,265	27,792	-	27,792
- CDB and Repurchase agreements	701,832	-	701,832	692,184	-	692,184
Marketable securities	11,596	-	11,596	11,596	-	11,596
Trade accounts receivable	-	605,087	605,087	-	409,169	409,169
Other accounts receivable (except prepayments)	-	12,143	12,143	-	12,143	12,143
Judicial deposits	-	18,080	18,080	-	16,988	16,988
Derivative financial instruments	5,475	-	5,475	5,475	-	5,475
	966,168	635,310	1,601,478	737,047	438,300	1,175,347

Notes to quarterly information (Continued)  
June 30, 2014  
(In thousands of reais, unless otherwise stated)

	Consolidated			Company
	Liabilities measured at fair value through profit or loss	Financial liabilities not for trading	Total	Financial liabilities not for trading
Liabilities				
June 30, 2014				
Loans and financing	-	2,262,320	2,262,320	1,372,841
Suppliers, contractors and freight	-	372,972	372,972	166,435
Derivative financial instruments	25,538	-	25,538	-
	<u>25,538</u>	<u>2,635,292</u>	<u>2,660,830</u>	<u>1,539,276</u>
	Consolidated			Company
	Liabilities measured at fair value through profit or loss	Financial liabilities not for trading	Total	Financial liabilities not for trading
Liabilities				
December 31, 2013				
Loans and financing	-	2,384,688	2,384,688	1,405,266
Suppliers, contractors and freight	-	412,066	412,066	195,279
Derivative financial instruments	29,045	-	29,045	-
	<u>29,045</u>	<u>2,796,754</u>	<u>2,825,799</u>	<u>1,600,545</u>

	Consolidated - At 06/30/2014	
	Book value	Fair value
Cash and banks	370,030	370,030
CDB, repurchase agreements and marketable securities	409,632	409,632
Marketable securities	23,824	23,824
Trade accounts receivable	577,896	577,896
Other accounts receivable (except prepayments)	10,834	10,834
Judicial deposits	17,140	17,140
	<b>1,409,356</b>	<b>1,409,356</b>
Loans and financing	2,262,320	2,262,228
Suppliers, contractors and freight	372,972	372,972
Derivative financial instruments	25,538	25,538
	<b>2,660,830</b>	<b>2,660,738</b>

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## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2014

(In thousands of reais, unless otherwise stated)

### 6 Financial instruments by category (Continued)

#### 6.1 Fair value (Continued)

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, obligations under finance leases, as well as of other noncurrent financial liabilities, is estimated based on discounted future cash flows at rates currently available for similar or remaining debts or terms.

### 7 Credit quality of financial assets

The credit quality of financial assets which are not overdue or impaired may be judged by referring to external credit ratings (if any) or historical information on the default rates of counterparties:

	Consolidated		Company	
	06/30/2014	12/31/2013	06/30/2014	12/31/2013
Trade accounts receivable				
Counterparties with no external credit rating				
Group 1	362,194	328,895	354,338	355,290
Group 2	145,139	166,371	27,373	32,010
Group 3	77,385	117,626	20,832	21,869
Provision for impairment losses	(6,822)	(7,805)	-	-
Total trade accounts receivable	577,896	605,087	402,543	409,169
Bank account and short-term bank deposits				
AAA	23,824	11,596	12,263	27,792
Marketable securities				
AAA	724,086	847,648	391,199	633,754
BBB	55,576	101,449	28,453	70,026
Total cash and cash equivalents and marketable securities	803,486	960,693	431,915	731,572

- Group 1 - Large economic groups whose default risk level is very low.
- Group 2 - Customers backed by top-tier financial institutions.
- Group 3 - Customers that are not backed or have bad default history.



## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2014

(In thousands of reais, unless otherwise stated)

### 8 Cash and cash equivalents

Breakdown of cash and cash equivalents is as follows:

	Consolidated		Company	
	06/30/2014	12/31/2013	06/30/2014	12/31/2013
Cash and banks	370,030	247,265	12,276	27,792
CDB and repurchase agreements	409,632	701,832	395,815	692,184
	<b>779,662</b>	<b>949,097</b>	<b>408,091</b>	<b>719,976</b>

"Cash and banks" substantially refer to deposits in bank accounts. "CDB and marketable securities" were classified at fair value through profit or loss and correspond to fixed-income transactions immediately redeemable. Cash and cash equivalents, and CDBs and marketable securities (consolidated) include R\$ 684,738 in foreign currency (R\$ 445,823 as at December 31, 2013).

### 9 Trade accounts receivable

	Consolidated		Company	
	06/30/2014	12/31/2013	06/30/2014	12/31/2013
Trade accounts receivable – in Reais	173,145	168,424	159,019	159,776
Trade accounts receivable – in other currencies	391,054	418,885	59,529	86,158
Receivables from subsidiaries	-	-	163,476	137,652
Provision for impairment losses	(6,822)	(7,805)	-	-
Notes receivable, net	557,377	579,504	382,024	383,586
Measurements to be billed	20,519	25,583	20,519	25,583
Trade accounts receivable	<b>577,896</b>	<b>605,087</b>	<b>402,543</b>	<b>409,169</b>

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		Company	
	06/30/2014	12/31/2013	06/30/2014	12/31/2013
Falling due:				
Within 90 days – third parties	319,920	386,422	93,981	128,856
Within 90 days - Intercompany	-	-	65,031	60,704
Over 90 days – third parties	89,487	94,768	74,810	82,958
Over 90 days - Intercompany	-	-	8,016	14,316
Overdue:				
Within 30 days – third parties	57,604	82,797	12,479	16,199
Within 30 days - Intercompany	-	-	15,678	15,349
Over 30 days – third parties	97,188	23,322	37,278	17,921
Over 30 days - Intercompany	-	-	74,751	47,283
(-) Provision for impairment losses	(6,822)	(7,805)	-	-
	<b>557,377</b>	<b>579,504</b>	<b>382,024</b>	<b>383,586</b>

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2014

(In thousands of reais, unless otherwise stated)

### 9 Trade accounts receivable (Continued)

Maximum exposure to credit risk at the date of the consolidated financial statements is the book value of each type of accounts receivable mentioned above.

Changes in the provision for impairment losses were as follows:

	<b>Consolidated</b>
As at December 31, 2013	(7,805)
Additions	(60)
Write-offs	551
Exchange gains/(losses)	492
As at June 30, 2014	<b>(6,822)</b>

### 10 Inventories

	<b>Consolidated</b>		<b>Company</b>	
	<b>06/30/2014</b>	<b>12/31/2013</b>	<b>06/30/2014</b>	<b>12/31/2013</b>
Finished goods	270,763	282,896	100,635	92,105
Work in process	39,491	40,668	26,092	26,978
Raw materials	404,537	386,996	141,451	145,820
Materials and supplies (replacement materials and other)	78,490	72,023	45,729	43,715
Provision for losses	(19,343)	(23,981)	-	-
	<b>773,938</b>	<b>758,602</b>	<b>313,907</b>	<b>308,618</b>

Changes in the provision for losses were as follows:

	<b>Consolidated</b>
Balance at 12/31/2013	(23,981)
Write-offs	3,077
Exchange variation	1,561
Balance at 06/30/2014	<b>(19,343)</b>

### 11 Other taxes recoverable

	<b>Consolidated</b>			
	<b>06/30/2014</b>		<b>12/31/2013</b>	
	<b>Current</b>	<b>Noncurrent</b>	<b>Current</b>	<b>Noncurrent</b>
Indirect taxes	148,025	15,693	156,965	16,487
Taxes on goods shipped on consignment	3,322	-	5,236	-
Other	104	-	-	-
	<b>151,451</b>	<b>15,693</b>	<b>162,201</b>	<b>16,487</b>

	<b>Company</b>			
	<b>06/30/2014</b>		<b>12/31/2013</b>	
	<b>Current</b>	<b>Noncurrent</b>	<b>Current</b>	<b>Noncurrent</b>
Indirect taxes	104,710	15,693	112,211	16,391
Taxes on goods shipped on consignment	3,322	-	5,222	-
Other	104	-	156	-
	<b>108,136</b>	<b>15,693</b>	<b>117,589</b>	<b>16,391</b>

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2014

(In thousands of reais, unless otherwise stated)

### 12 Income and social contribution taxes

#### (a) Tax credits and liabilities

The Company recognizes under long-term receivables the income (25%) and social contribution (9%) tax credits on interim additions, income and social contribution tax losses, whose realization does not exceed the expected generation of future taxable profit. Tax credits by nature of these interim additions are as follows:

	<b>Consolidated</b>		<b>Company</b>	
	<b>06/30/2014</b>	<b>12/31/2013</b>	<b>06/30/2014</b>	<b>12/31/2013</b>
Tax credits on temporary additions				
Provision for contingencies	<b>18,039</b>	20,080	<b>18,039</b>	20,080
Post-employment liabilities	<b>30,032</b>	31,447	<b>22,718</b>	21,834
Provision for bonuses	<b>4,794</b>	8,707	<b>4,794</b>	8,707
Accelerated depreciation	<b>13,605</b>	13,608	-	-
Other	<b>9,693</b>	8,624	<b>2,805</b>	3,311
	<b>76,163</b>	82,466	<b>48,356</b>	53,932
Tax credits on income and social contribution tax losses	<b>334,544</b>	317,030	<b>334,544</b>	310,874
Tax credit on shareholder merger	<b>38,045</b>	43,138	<b>38,045</b>	43,138
Total tax credits	<b>448,752</b>	442,634	<b>420,945</b>	407,944

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 several variables, such as tax incentives, temporary and permanent differences, etc., thus not being directly associated 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.

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2014

(In thousands of reais, unless otherwise stated)

### 12 Income and social contribution taxes (Continued)

#### (a) Tax credits and liabilities (Continued)

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

	Consolidated		Company	
	Book value	Present value	Book value	Present value
1 year	19,186	18,277	19,011	18,106
2 years	26,785	24,305	26,611	24,137
3 years	90,021	79,606	69,354	57,488
4 years	30,574	25,171	30,400	25,010
5 years and thereafter	282,186	130,895	275,569	128,287
Balance at 06/30/2014	448,752	278,254	420,945	253,028

Tax credits from income and social contribution tax losses are generated especially from the amortization of goodwill on future profitability due to the acquisition of subsidiaries. Referred to goodwill will be amortizable by 2018 (R\$ 269,107), 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 China and Europe, amounting to R\$ 116,264. No deferred tax assets were recognized on these losses since they may not be used to offset taxable income of other Group companies and there are no future perspectives of realization. The subsidiaries do not have taxable temporary differences or other available tax planning opportunities that support the recognition of such losses as deferred tax assets. If the Group could recognize all deferred tax assets, these would total R\$ 29,749.

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2014

(In thousands of reais, unless otherwise stated)

### 12 Income and social contribution taxes (Continued)

#### (a) Tax credits and liabilities (Continued)

Noncurrent liabilities are as follows:

	<b>Consolidated</b>		<b>Company</b>	
	<b>06/30/2014</b>	<b>12/31/2013</b>	<b>06/30/2014</b>	<b>12/31/2013</b>
Deferred taxes on tax amortization of goodwill (i)	<b>429,716</b>	430,230	<b>421,955</b>	416,685
Deferred taxes on accelerated tax depreciation	<b>41,471</b>	51,648		-
Deferred taxes on net fair value gains	<b>18,525</b>	18,525	<b>18,525</b>	18,525
Other	<b>6,547</b>	6,547	<b>6,547</b>	6,547
	<b>496,259</b>	506,950	<b>447,027</b>	441,757

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

#### (b) Reconciliation of income and social contribution tax expenses

	<b>Consolidated</b>		<b>Company</b>	
	<b>06/30/2014</b>	<b>06/30/2013</b>	<b>06/30/2014</b>	<b>06/30/2013</b>
Income/(loss) before income and social contribution taxes	<b>6,485</b>	87,551	<b>(10,864)</b>	66,990
Combined statutory rate - %	<b>34%</b>	34%	<b>34%</b>	34%
Tax benefit at statutory rate	<b>(2,205)</b>	(29,767)	<b>3,694</b>	(22,777)
Income and social contribution taxes on Equity pickup	-	-	<b>5,223</b>	4,010
Effect of different rates used by subsidiaries located in other jurisdictions	<b>(7,927)</b>	(8,484)	-	-
Effect of the limited interest deductibility rule - Germany	<b>(4,814)</b>	(4,709)	-	-
Effect of income tax withheld abroad	<b>4,659</b>	962	-	-
Other permanent differences, net	<b>1,534</b>	4,314	<b>(1,186)</b>	(1,161)
Income and social contribution tax expenses	<b>(8,753)</b>	(37,684)	<b>7,731</b>	(19,928)
Current	<b>(28,480)</b>	(19,103)	-	-
Deferred	<b>19,727</b>	(18,581)	<b>7,731</b>	(19,928)

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2014

(In thousands of reais, unless otherwise stated)

### 12 Income and social contribution taxes (Continued)

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

	Consolidated		Company	
	06/30/2014	12/31/2013	06/30/2014	12/31/2013
Deferred tax assets	448,752	442,634	420,945	407,944
Deferred tax liabilities	(496,259)	(506,950)	(447,027)	(441,757)
Deferred tax assets (liabilities)	(47,507)	(64,316)	(26,082)	(33,813)
Reflected in the balance sheet				
Assets	9,818	8,128	-	-
Liabilities	(57,325)	(72,444)	(26,082)	(33,813)
Net	(47,507)	(64,316)	(26,082)	(33,813)

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

	Consolidated	Company
Balance at December 31, 2013 - Assets (liabilities)	(64,316)	(33,813)
Tax income / (expenses) recognized in the income statement	19,727	7,731
Exchange gains/(losses)	(2,918)	-
Balance at June 30, 2014 - Assets (liabilities)	(47,507)	(26,082)

#### (e) Law No. 12973/2014 (enactment of Provisional Executive Order (MP) No. 627/2013)

In November 2013, Provisional Executive Order (MP) No. 627 was published providing for nontaxation on profits and dividends calculated on P&L computed between January 1, 2008 and December 31, 2013, by legal entities whose taxable profit is computed on their accounting records ("*lucro real*"), or estimated as a percentage of their gross revenue ("*lucro presumido*"), or reconstructed ("*lucro arbitrado*"), actually paid until the date of publication of said MP, in amounts greater than those computed using the accounting methods and criteria in force at December 31, 2007, as long as the entity that paid up profits or dividends had elected for early adoption of the new taxation regime as from 2014.

In May 2014, this MP was signed into Law No. 12973 with amended provisions as to treatment of dividends, interest on equity and measurement of investments using the equity method, among others. Unlike the provisions of the MP, Law No. 12973 provided for unconditional nontaxation on profits and dividends calculated on P&L computed between January 1, 2008 and December 31, 2013.

In this context, management plans to mandatorily adopt the procedure concerning profits earned abroad as from January 1, 2015 and considers the application thereof to have no significant impact on the Company's financial statements.

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2014

(In thousands of reais, unless otherwise stated)

### 13 Investments in subsidiaries and jointly-controlled entities

- Investment information

*Book value - Company*

				Interest			
	Equity interest %	Adjusted equity	Adjusted net income (loss)	Total assets	Liabilities	Net revenue	Net income (loss) before IR/CS
Iliama II Trading (Sociedade Unipessoal) Lda. Capital worth 3 thousand EUROS and 3,010 units of interest	100	-	(102)	15,456	15,456	-	(102)
Magnesita Finance Ltd. (*) Capital worth 285,429 thousand EUROS and 1,286 units of interest	100	964,399	13,264	1,522,745	558,346	-	2,919
Magnesita Grundstucks Beteiligungs GmbH Capital worth 25 thousand EUROS and 1 unit of interest	100	415	-	448	33	-	-
Metal Data S.A. - Mineração e Metalurgia Capital worth R\$ 382 thousand and 381,703 units of interest	50	497	(1,563)	1,051	627	2,850	(926)
Magnesita Insider Refratários Ltda. Capital worth R\$ 64,490 thousand and 944,900 units of interest	100	66,579	2,435	77,886	11,307	13,624	3,651
MAG-Tec Ltda. Capital worth R\$ 200 thousand and 800,000 units of interest	100	245	-	285	40	-	-
RASA - Refractorios Argentinos S.A. I. C. y M. Capital worth ARS 1,000 thousand and 1,000,000 shares	100	3,772	1,468	102,594	105,723	54,029	1,152
Refractários Magnesita Colômbia S.A. Capital worth COP R\$ 11,673,200 thousand and 1,167,320,000 units of interest	100	30,894	3,151	50,890	19,997	31,312	5,408
Refractários Magnesita Peru S.A.C. Capital worth PEN 6,890 thousand and 1,000 units of interest	100	10,096	750	10,602	505	8,409	750
Refractários Magnesita Uruguay S.A. Capital worth UYU 450 thousand and 450,000 units of interest	100	605	79	1,336	731	1,275	91
MMD Araçuaí Holding Ltda. Capital worth R\$ 7,611 thousand and 7,611,183 units of interest	90	7,611	-	9,607	81	-	-

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2014

(In thousands of reais, unless otherwise stated)

Reframec Manutenção e Montagem de Refratários Ltda. Capital worth R\$ 1,786 and 1,786,000 units of interest	51	6,000	2,097	9,863	3,864	17,918	2,890
Dalian Magnesita Refractories Co. Limited Capital worth US\$ 13,550 and 1 unit of interest	100	13,814	(6,217)	66,765	66,178	19,426	(6,217)
Total at 06/30/2014		<u>1,104,927</u>	<u>15,362</u>				
Total at 12/31/2013		<u>974,208</u>	<u>1,405</u>				

(\*) This includes information on indirect investments in jointly-controlled entities (Nota 3.2 as at 12/31/2013)



## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2014

(In thousands of reais, unless otherwise stated)

### 13 Investments in subsidiaries and jointly-controlled entities (Continued)

#### (a) Investment information

##### *Goodwill*

	<u>Goodwill on acquisition</u>
Of subsidiary Magnesita Finance Ltd.	373,751
of subsidiary Metal Data S.A. - Mineração e Metalurgia	10,579
Of subsidiary Reframec Manutenção e Montagem de Refratários Ltda.	21,369
Total as at 06/30/2014	<u><b>405,699</b></u>
Total as at 12/31/2013	<u>429,564</u>

#### (b) Changes in equity interests

The changes in Company investments for the period ended June 30, 2014 were as follows:

	<u>Company</u> <u>2014</u>
Opening balance	1,404,145
Equity pick-up	<b>15,362</b>
Exchange rate fluctuation - investments (i)	<b>(69,303)</b>
Exchange rate fluctuation - goodwill (ii)	<b>(23,865)</b>
Capital contribution in subsidiary	<b>187,772</b>
Other	<u><b>(3,123)</b></u>
Closing balance	<u><b>1,510,988</b></u>

(i) Exchange rate fluctuation on investments matched against equity (Note 24 (e)).

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

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)  
June 30, 2014  
(In thousands of reais, unless otherwise stated)

### 13 Investments in subsidiaries and jointly-controlled entities (Continued)

#### (c) Related parties (Company)

##### *Balances and transactions*

At June 30, 2014, 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	Payables	Credits (Debt)	Sales	Purchases of products
Magnesita Insider Refratários Ltda. (i)	426	4,464	(611)	1,370	5,943
Dalian Magnesita Refractories Co. Limited	-	-	24,020	-	-
RASA - Refractories Argentinos S.A. I. C. y M. (ii)	52,592	-	-	5,451	-
Iliama II Trading (Sociedade Unipessoal) Ltda.	-	-	15,333	-	-
Refratários Magnesita Uruguay S.A. (iii)	92	-	-	92	-
Refratários Magnesita Colômbia S.A. (iii)	7,794	996	-	6,102	-
Refratários Magnesita Peru S.A.C. (iii)	189	-	-	4,073	-
Refratários Magnesita Chile (iii)	3,757	-	-	2,436	-
LWB group companies (i)	98,626	3,938	7,831	131,094	-
Other	-	-	55	-	833
In 2014	163,476	9,398	46,628	150,618	6,776
In 2013	137,652	12,249	49,628	61,251	4,790

- (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.

These credits refer to nonremunerated transactions carried out for the purpose of satisfying operational needs of the subsidiaries.

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).

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2014

(In thousands of reais, unless otherwise stated)

### 14 Property, plant and equipment

	Consolidated						Annual weighted average depreciation rate %	
	06/30/2014			12/31/2013				
	Accumulated		Net value	Accumulated		Net value		
	Cost	depreciation		Cost	depreciation			
Land	76,929	-	76,929	80,105	-	80,105	As per volume	
Mineral deposits	43,864	(11,213)	32,651	42,224	(5,900)	36,324		
Buildings and improvements	554,644	(229,306)	325,338	521,919	(208,482)	313,437		4
Machinery, facilities and equipment, including IT equipment	1,522,853	(1,010,070)	512,783	1,604,229	(1,018,651)	585,578		7
Transportation equipment	15,769	(14,812)	957	15,759	(14,780)	979		6
Furniture, fixtures and other	65,912	(35,718)	30,194	65,900	(35,787)	30,113	9	
Construction in progress	230,169	-	230,169	202,329	-	202,329		
Total property, plant and equipment	2,510,140	(1,301,119)	1,209,021	2,532,465	(1,283,600)	1,248,865		

	Company						Annual weighted average depreciation rate %	
	06/30/2014			12/31/2013				
	Accumulated		Net value	Accumulated		Net value		
	Cost	depreciation		Cost	depreciation			
Land (ii)	12,127	-	12,127	12,127	-	12,127	As per volume	
Mineral deposits	13,744	(3,545)	10,199	10,078	(3,103)	6,975		
Buildings and improvements (i) (ii)	223,947	(97,624)	126,323	222,732	(94,985)	127,747		4
Machinery, facilities and equipment, including IT equipment (i)	885,952	(575,633)	310,319	882,802	(553,843)	328,959		10
Transportation equipment	11,376	(11,366)	10	11,386	(11,370)	16		20
Furniture, fixtures and other	32,393	(16,176)	16,217	30,386	(15,196)	15,190	10	
Construction in progress	199,379	-	199,379	166,164	-	166,164		
Total property, plant and equipment	1,378,918	(704,344)	674,574	1,335,675	(678,497)	657,178		

- (i) The Company reassessed the useful life of these assets for 2014 and concluded that there were no significant changes which would impact the depreciation rates currently used.
- (ii) The Company has assets given in guarantee in administrative and legal proceedings totaling R\$ 31,437 at 06/30/2014 (R\$ 31,437 at 12/31/2013).

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2014

(In thousands of reais, unless otherwise stated)

### 14 Property, plant and equipment (Continued)

Changes in property, plant and equipment were as follows:

	<b>Consolidated</b>	<b>Company</b>
At December 31, 2013	<u>1,248,865</u>	<u>657,178</u>
Additions	61,570	43,273
Write-offs	(1,618)	(6)
Depreciation	(65,869)	(25,859)
Transfer to intangible assets	(12)	(12)
Exchange rate fluctuation (foreign assets)	(33,915)	-
<b>At June 30, 2014</b>	<b><u>1,209,021</u></b>	<b><u>674,574</u></b>

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2014

(In thousands of reais, unless otherwise stated)

### 15 Intangible assets

	Consolidated						
	06/30/2014			12/31/2013			Annual amortization rate %
	Cost	Accumulated amortization	Net value	Cost	Accumulate d amortization	Net value	
Software and other (i)	128,246	(82,204)	46,042	127,788	(81,634)	46,154	
Goodwill on investment acquisition							12 to 20
Magnesita S.A.	1,316,509	(272,855)	1,043,654	1,316,509	(272,855)	1,043,654	
LWB	1,308,168	(2,602)	1,305,566	1,382,176	(2,602)	1,379,574	
Insider Insumos Refratários para Siderurgia Ltda.	40,536	(699)	39,837	40,536	(699)	39,837	
Metal Data S.A. - Mineração e Metalurgia	10,579	-	10,579	10,579	-	10,579	
Reframec Manutenção e Montagem de Refratários Ltda.	21,368	-	21,368	21,368	-	21,368	
Total intangible assets	2,825,406	(358,360)	2,467,046	2,898,956	(357,790)	2,541,166	

	Company						
	06/30/2014			12/31/2013			Annual amortization rate %
	Cost	Accumulated amortization	Net value	Cost	Accumulate d amortization	Net value	
Software and other	87,537	(49,431)	38,106	87,525	(46,240)	41,285	
Goodwill on investment acquisition							12 to 20
Magnesita S.A.	1,316,509	(272,855)	1,043,654	1,316,509	(272,855)	1,043,654	
Total intangible assets	1,404,046	(322,286)	1,081,760	1,404,034	(319,095)	1,084,939	

- (i) The Company reassessed the useful life of these assets for 2014 and concluded that there were no significant changes which would impact the depreciation rates currently used.

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2014

(In thousands of reais, unless otherwise stated)

### 15 Intangible assets (Continued)

Changes in intangible assets were as follows:

	<b>Consolidated</b>	<b>Company</b>
At December 31, 2013	<b>2,541,166</b>	<b>1,084,939</b>
Exchange rate fluctuation	(72,860)	-
Additions	2,119	-
Transfers	12	12
Amortization	(3,391)	(3,191)
<b>At June 30, 2014</b>	<b>2,467,046</b>	<b>1,081,760</b>

### 16 Loans and financing

		<b>Consolidated</b>		
	<b>Currency</b>	<b>Annual average interest rate</b>	<b>06/30/2014</b>	<b>12/31/2013</b>
Export credit notes	R\$	CDI+1.10%	<b>208,830</b>	208,219
(-) Unamortized transaction costs	-	-	<b>(3,076)</b>	(3,339)
Perpetual debt bonds	US\$	8.625%	<b>562,467</b>	598,278
(-) Unamortized transaction costs	-	-	<b>(7,059)</b>	(7,508)
Long-term debt bonds	US\$	7.875%	<b>850,025</b>	950,401
(-) Unamortized transaction costs	-	-	<b>(11,508)</b>	(13,388)
Debentures	R\$	112% CDI	<b>401,089</b>	400,495
(-) Unamortized transaction costs	-	-	<b>(2,494)</b>	-
BNDES Revitaliza-Export	R\$	8.00%	<b>101,638</b>	101,508
CCB	R\$	CDI+1.3041%	<b>15,484</b>	3,620
Property, plant and equipment financing In local currency	R\$	7.50%	<b>75,544</b>	75,097
Advances on export invoices	US\$	64% CDI	<b>13,359</b>	21,280
Swap (Germany)	US\$ vs €	-	<b>25,538</b>	29,045
Other	US\$	7.25%	<b>9,855</b>	14,574
Other	€	5.31%	<b>10,273</b>	11,434
Other	¥	-	<b>37,893</b>	23,522
Other	R\$	-	-	495
			<b>2,287,858</b>	<b>2,413,733</b>
		Current	<b>155,195</b>	88,121
		Noncurrent	<b>2,132,663</b>	2,325,612

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)  
June 30, 2014  
(In thousands of reais, unless otherwise stated)

### 16 Loans and financing (Continued)

	Company			
	Currency	Annual average interest rate	06/30/2014	12/31/2013
Export credit notes	R\$	CDI+1.10%	<b>208,830</b>	208,219
	US\$	8.625%	<b>562,467</b>	598,386
(-) Unamortized transaction costs	-	-	<b>(3,076)</b>	(3,339)
Debentures	R\$	112% CDI	<b>401,089</b>	400,495
(-) Unamortized transaction costs	-	-	<b>(2,494)</b>	--
BNDES Revitaliza-Export	R\$	8.00%	<b>101,638</b>	101,508
CCB	R\$	CDI+1.3041%	<b>15,484</b>	3,620
Property, plant and equipment financing In local currency	R\$	7.50%	<b>75,544</b>	75,097
Advances on export invoices	US\$	64% CDI	<b>13,359</b>	21,280
			<b>1,372,841</b>	<b>1,405,266</b>
		Current	<b>96,305</b>	38,137
		Noncurrent	<b>1,276,536</b>	1,367,129

There were no significant changes in the Company's debts as compared with December 31, 2013. Thus, this Note is presented on a summary basis.

#### (a) Export credit notes - Consolidated

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

- Creditor: Banco do Brasil S.A.
  - Amount: R\$ 200,000
  - Term: 7 years
  - Grace period: 3 years
  - Annual interest: CDI + 1.50% until 09/04/2012 and CDI + 1.10% thereafter
  - Covenants: Net debt / adjusted EBITDA (i) (4.75 until 12/31/2010; 4.0 until 12/31/2011; and 3.75 thereafter).
- (i) Adjusted EBITDA is represented by net income (loss) for the year plus the result from discontinued operations, income and social contribution taxes, equity pick in the earnings (losses) of subsidiaries, jointly arrangements and affiliates, financial income (expenses), depreciation, amortization and depletion and other additions and exclusions from nonrecurring operations, such as the proceeds from disposal of assets unrelated to the Company's business and restructuring costs.

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)  
June 30, 2014  
(In thousands of reais, unless otherwise stated)

### 16 Loans and financing (Continued)

#### (a) Export credit notes - Consolidated (Continued)

Unamortized transaction costs refer to commission paid upon contract renegotiation and will be amortized over the terms of the related contract term.

The requirements for June 30, 2014 were complied with.

#### (b) Maturity

At June 30, 2014, current and noncurrent undiscounted balances payable mature as follows:

	<b>Consolidated</b>	<b>Company</b>
Up to 180 days	<b>32,780</b>	<b>31,929</b>
From 180 to 360 days	<b>122,660</b>	<b>64,376</b>
2015	<b>142,340</b>	<b>121,235</b>
2016	<b>84,678</b>	<b>84,678</b>
2017 onwards	<b>1,905,400</b>	<b>1,070,623</b>
	<b>2,287,858</b>	<b>1,372,841</b>

#### (c) Credit limits

The Company has the following unused credit lines:

	<b>06/30/2014</b>	<b>12/31/2013</b>
Floating rate		
- Maturity within one year	<b>26,481</b>	14,779
- Maturity over one year	<b>612,281</b>	609,922
Fixed rate		
- Maturity within one year	<b>81,945</b>	-
- Maturity over one year	<b>668,693</b>	759,905
	<b>1,389,400</b>	<b>1,384,606</b>

The credit lines which mature within one year are subject to annual review on different dates in 2014. The other credit lines were contracted for the purpose of assisting the financing of the proposed expansion of the Group activities.



## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2014

(In thousands of reais, unless otherwise stated)

### 17 Provision for contingencies

The Company and its subsidiaries are party to legal and administrative proceedings in various courts and government entities arising in the normal course of business, especially on tax matters and also on labor and social security matters. The provisions for contingencies are determined based on analysis of ongoing litigation, unfavorable outcomes and risk assessment. Breakdown of the provision for contingencies is as follows:

	Consolidated		Company	
	06/30/2014	12/31/2013	06/30/2014	12/31/2013
Tax - Provision	12,913	12,721	12,901	12,709
Tax - Judicial deposit	(7,790)	(7,408)	(7,197)	(6,815)
Labor - Provision	26,755	23,056	26,755	23,056
Labor - Judicial deposit	(7,372)	(7,460)	(6,843)	(7,004)
Civil - Provision	127	127	127	127
Social security - Provision	1,465	2,610	1,465	2,610
Social security - Judicial deposit	(1,978)	(3,169)	(1,978)	(3,169)
Other - Judicial deposit	-	(43)	-	-
	<b>24,120</b>	<b>20,434</b>	<b>25,230</b>	<b>21,514</b>
Noncurrent - Provision	41,260	38,514	41,248	38,502
Noncurrent - Judicial deposit	(17,140)	(18,080)	(16,018)	(16,988)
	<b>24,120</b>	<b>20,434</b>	<b>25,230</b>	<b>21,514</b>

Changes in this provision in the period are as follows:

	Consolidated	Company
Balance at December 31, 2013	38,514	38,502
Additions	3,699	3,699
Write-offs	(1,267)	(1,267)
Monetary and foreign exchange variations	314	314
<b>Balance at June 30, 2014</b>	<b>41,260</b>	<b>41,248</b>

Management, based on information provided by its legal advisors, set up provisions in amounts deemed sufficient to cover probable losses on ongoing litigation, classified into short and long-term, in accordance with the expected outcomes, as above.

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2014

(In thousands of reais, unless otherwise stated)

### 17 Provision for contingencies (Continued)

Major contingent liabilities whose likelihood of loss is estimated as probable and for which a provision was set in this interim financial information 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, 2013, filed with the CVM.

The provisions and estimates for tax, civil, social security, labor and other proceedings were consistently applied in all periods presented.

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, 2013, filed with the CVM.

### 18 Post-employment obligations

The Company and its subsidiaries offer retirement plans to employees, whose actuarial losses, recognized in the consolidated quarterly information as at June 30, 2014, are as follows:

Description	Region			Consolidated
	Subsidiaries	Company		
	Europe	United States	South America	
Defined Benefit Plan	119,159	23,543	66,816	209,518
Seniority bonus	5,423	-	-	5,423
At June 30, 2014	124,582	23,543	66,816	214,941
At December 31, 2013	133,109	24,664	64,217	221,990

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)  
June 30, 2014  
(In thousands of reais, unless otherwise stated)

### 18 Post-employment obligations (Continued)

#### Company

The post-employment benefit plans offered by the Company are disclosed in the financial statements for the year ended December 31, 2013.

For 2014, budgeted expenses to fund the Defined Contribution Plan ("CD") amount to R\$8,114 and will be charged to financial expenses. As at June 30, 2014, the CD plan had 7,444 active members (7,334 as at 12/31/2013).

As at June 30, 2014, the defined benefit plan ("BD") had 259 inactive members – retirees and pensioners (278 as at 12/31/2013) and 1,225 members still entitled to deferred benefits (1,234 as at 12/31/2013).

#### Subsidiaries

##### (i) Defined Contribution Plans

The general characteristics and conditions of the Group's defined contribution plans and defined benefit plans, 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 financial statements for the year ended December 31, 2013, filed with the CVM.

The total cost of these Plans amounted to R\$2,072 (R\$ 1,369 in 1H2013), calculated in accordance with the rates defined in the related rules. Out of this amount, R\$ 731 were charged to cost of sales, R\$ 491 to selling expenses and R\$ 850 to administrative expenses (1H2013: R\$ 832, R\$ 305, R\$ 232, respectively).

##### (ii) Defined Benefit Plans

The amounts and number of members of the defined benefit plan in Europe and the United States are described below:

	Europe		United States	
	06/30/2014	12/31/2013	06/30/2014	12/31/2013
Present value of actuarial liabilities	(119,159)	(127,286)	(334,728)	(330,052)
Fair value of assets		-	311,185	305,388
Actuarial liabilities	(119,159)	(127,286)	(23,543)	(24,664)
Active members	443	443	227	227
Inherited members	1,144	1,144	547	547
Terminated members, eligible for the Plan	325	325	445	445

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)  
June 30, 2014  
(In thousands of reais, unless otherwise stated)

### 18 Post-employment obligations (Continued)

#### Company (Continued)

##### (ii) Defined Benefit Plans (Continued)

The total cost of defined benefit plans was R\$ 1,700 in the first half of 2014 (R\$ 1,401 in the first half of 2013), R\$ 797 of which were charged to cost of sales, R\$ 478 to selling expenses and R\$ 425 to administrative expenses (1H2013 - R\$ 833, R\$ 386 and R\$ 182 respectively).

### 19 Equity

#### (a) Capital

At June 30, 2014 and December 31, 2013, capital amounts to R\$ 2,528,146 and is divided into 290,677,834 registered common shares with no 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.

Share buy-back 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 2nd Share Buy-Back Program, by June 30, 2014, the Company had acquired 5,800,400 shares for R\$ 30,703, recorded as "treasury shares" in equity.

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

2nd Share Buy-Back Program							
Period	Type	Number of buy-back shares	Buy-back trading price (R\$)			Closing market quote <sup>1</sup> (R\$)	Market value R\$ (thousand)
			minimum	Weighted average	Maximum		
06/30/2014	Common shares	5.800.400	4.35	5.29	6.49	4.42	25.638

<sup>1</sup> 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 June 2014.

As at June 30, 2014, the Company held 5,800,400 common shares in treasury, accounting for 2.00% of total Company-issued shares, which were recorded for R\$ 39,425.

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2014

(In thousands of reais, unless otherwise stated)

### 19 Equity (Continued)

#### (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 2014, the amount of R\$ 3,468 (R\$ 3,311 – 1H2013) was matched against expenses recognized for the period.

#### (c) Income reserves

- 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, shall not 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>Company</u>
Balance at 12/31/2013	122,492
Exchange gains (losses) on foreign subsidiaries	(69,303)
Exchange gains (losses) on goodwill abroad	(23,865)
Balance at 06/30/2014	<u>29,324</u>

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2014

(In thousands of reais, unless otherwise stated)

### 20 Segment information

Management defines the operating segments of the Magnesita Group based on the reports used for the purpose of making strategic decisions, reviewed by the Board of Directors. Management and the Board of Directors perform business analyses by segmenting it into business lines, namely Refractory Products, Minerals and Services.

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 quarterly information.

Information by business segment, reviewed by management, for the periods ended June 30, 2014 and 2013 is as follows:

	Consolidated – 06/30/2014			
	Refractories	Minerals	Services	Total
Net sales and service revenue	1,287,040	73,233	79,239	1,439,512
Cost of sales	(872,962)	(49,254)	(66,073)	(988,289)
Gross profit	414,078	23,979	13,166	451,223

	Consolidated – 06/30/2013 - Restated			
	Refractories	Minerals	Services	Total
Net sales and service revenue	1,139,775	75,283	57,808	1,272,866
Cost of sales	(743,705)	(47,478)	(50,424)	(841,607)
Gross profit	396,070	27,805	7,384	431,259

Net sales and service revenue by geographic region for the periods ended June 30, 2014 and 2013 is as follows:

	Consolidated – 06/30/2014					
	South America	Europe	North America	Asia	Eliminations	Total
Net sales and service revenue	782,532	418,783	381,244	68,876	(211,923)	1,439,512

	Consolidated – 06/30/2013 - Restated					
	South America	Europe	North America	Asia	Eliminations	Total
Net sales and service revenue	698,039	342,048	310,930	80,195	(158,346)	1,272,866

There is no concentration of sales to specific customers.

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)  
June 30, 2014  
(In thousands of reais, unless otherwise stated)

### 21 Stock option plan

In accordance with its Articles of Incorporation, the Company has a stock option plan approved by the General 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 five years after the grant date at a rate of 20% of the number of shares granted each year. 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.

The number of stock options granted and the related weighted average price for the period ended June 30, 2014 are the same as those for December 31, 2013.

The amount to be recognized on an accrual basis considering a five-year term to exercise the options, adjusted for probability, is R\$ 49,978 for the entire period, and R\$ 3,468 were recorded in the first half of 2014 (R\$ 3,311 – first half of 2013), totaling R\$ 41,183 in a specific equity account. The total future expense to be recognized amounts to R\$ 10,392.795.

The fair value measurement model and assumptions are the same as those adopted in the financial statements for the year ended December 31, 2013.

### 22 Expenses by nature

	Consolidated		Company	
	1H14	1H13	1H14	1H13
Depreciation and amortization	69,260	58,482	29,050	26,870
Employee Benefits	357,946	280,023	179,419	153,320
Raw material and supplies	546,341	516,609	254,736	202,534
Expenses with transportation and commissions	100,858	83,732	52,291	41,058
Third-party services	111,421	63,899	79,932	42,391
Other	122,610	111,968	38,628	82,620
	<b>1,308,436</b>	<b>1,114,713</b>	<b>634,056</b>	<b>548,793</b>
Classification				
Cost of sales	988,289	841,607	473,655	406,044
Selling expenses	205,912	164,973	94,300	74,461
General and administrative expenses	110,767	104,822	62,633	64,977
Stock options	3,468	3,311	3,468	3,311
	<b>1,308,436</b>	<b>1,114,713</b>	<b>634,056</b>	<b>548,793</b>

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2014

(In thousands of reais, unless otherwise stated)

### 22 Expenses by nature (Continued)

	Consolidated		Company	
	2Q14	2Q13	2Q14	2Q13
Depreciation and amortization	34,122	29,458	14,365	13,403
Employee Benefits	193,546	145,474	94,407	79,876
Raw materials and supplies	302,108	292,557	128,229	102,916
Expenses with transportation and commissions	49,175	37,284	24,589	20,311
Third-party services	47,467	29,905	47,321	16,701
Other	31,193	42,552	12,200	43,704
	<b>657,611</b>	<b>577,230</b>	<b>321,111</b>	<b>276,911</b>
Classification				
Cost of sales	500,015	428,980	242,138	198,918
Selling expenses	99,676	90,703	44,783	42,438
General and administrative expenses	56,223	55,954	32,493	33,962
Stock options	1,697	1,593	1,697	1,593
	<b>657,611</b>	<b>577,230</b>	<b>321,111</b>	<b>276,911</b>

### 23 Expenses with employee benefits

	Consolidated		Company	
	1H14	1H13	1H14	1H13
Salaries and compensation	255,505	188,880	110,796	92,905
Social charges	70,775	63,150	48,060	40,917
Profit sharing	21,569	17,330	13,504	12,893
Retirement plan	6,629	7,352	3,591	3,294
Stock options	3,468	3,311	3,468	3,311
	<b>357,946</b>	<b>280,023</b>	<b>179,419</b>	<b>153,320</b>

	Consolidated		Company	
	2Q14	2Q13	2Q14	2Q13
Salaries and compensation	145,241	97,465	59,638	47,362
Social charges	34,807	32,750	25,219	21,590
Profit sharing	9,349	9,952	6,066	7,645
Retirement plan	2,452	3,714	1,787	1,686
Stock options	1,697	1,593	1,697	1,593
	<b>193,546</b>	<b>145,474</b>	<b>94,407</b>	<b>79,876</b>



## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2014

(In thousands of reais, unless otherwise stated)

### 24 Other operating income (expenses), net

	<b>Consolidated</b>		<b>Company</b>	
	<b>1H14</b>	<b>1H13</b>	<b>1H14</b>	<b>1H13</b>
Labor claims	<b>(11,751)</b>	(4,618)	<b>(11,751)</b>	(4,618)
Reversal of tax provisions	<b>2,213</b>	2,419	<b>2,213</b>	2,419
Electric energy sale	<b>3,690</b>	-	<b>3,690</b>	-
Assignment of payroll processing rights	-	1,067	-	1,067
Restructuring costs (i)	<b>(641)</b>	(1,967)	-	(1,967)
Net gains from (losses on) real-estate development	<b>(422)</b>	22,016	<b>(422)</b>	22,016
Employee Benefits	-	1,428	-	1,428
Other, net	<b>260</b>	2,518	<b>(1,410)</b>	176
	<b>(6,651)</b>	22,863	<b>(7,680)</b>	20,521

	<b>Consolidated</b>		<b>Company</b>	
	<b>2Q14</b>	<b>2Q13</b>	<b>2Q14</b>	<b>2Q13</b>
Labor claims	<b>(7,253)</b>	(2,953)	<b>(7,253)</b>	(2,953)
Reversal of tax provisions	<b>2,213</b>	-	<b>2,213</b>	-
Electric energy sale	<b>853</b>	-	<b>853</b>	-
Assignment of payroll processing rights	-	267	-	267
Restructuring costs	<b>176</b>	(738)	-	(738)
Net gains from (losses on) real-estate development	<b>(422)</b>	21,536	<b>(422)</b>	21,536
Employee Benefits	-	-	-	-
Other, net	<b>2,971</b>	2,556	<b>(288)</b>	466
	<b>(1,462)</b>	20,668	<b>(4,897)</b>	18,578

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)  
June 30, 2014  
(In thousands of reais, unless otherwise stated)

### 25 Earnings (loss) per share

#### (a) Basic

Basic earnings (loss) per share are calculated by dividing the income attributable to Company shareholders by the weighted average number of common shares issued in the year.

	Consolidated	
	1H14	1H13
Basic		
Basic numerator		
Net income (loss) attributable to controlling shareholders	(3,133)	47,062
Basic denominator		
Weighted average number of outstanding shares	286,945	291,501
Basic earnings (loss) per share (in R\$)	(0.01)	0.16

#### (b) Diluted

Diluted earnings (loss) 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 type 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	
	1H14	1H13
Diluted		
Basic numerator		
Net income (loss) attributable to controlling shareholders	(3,133)	47,062
Basic denominator		
Weighted average number of outstanding shares	286,945	291,501
Adjustments to stock options	-	11,802
Weighted average number of shares for diluted earnings	286,945	303,303
Diluted earnings (loss) per share (in R\$)	(0.01)	0.16

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)

June 30, 2014

(In thousands of reais, unless otherwise stated)

### 26 Net sales and service revenue

	Consolidated		Company	
	1H14	1H13	1H14	1H13
Gross sales and service revenue				
In Reais	<b>683,199</b>	653,601	<b>649,177</b>	638,135
In other currencies	<b>935,943</b>	795,626	<b>198,731</b>	162,966
	<b>1,619,142</b>	1,449,227	<b>847,908</b>	801,101
Deductions from sales	<b>(179,630)</b>	(176,361)	<b>(170,818)</b>	(168,611)
Net sales and service revenue	<b>1,439,512</b>	1,272,866	<b>677,090</b>	632,490

	Consolidated		Company	
	2Q14	2Q13	2Q14	2Q13
Gross sales and service revenue				
In Reais	<b>339,568</b>	326,459	<b>325,127</b>	318,078
In other currencies	<b>469,439</b>	413,854	<b>101,287</b>	82,619
	<b>809,007</b>	740,313	<b>426,414</b>	400,697
Deductions from sales	<b>(88,859)</b>	(89,860)	<b>(84,573)</b>	(85,239)
Net sales and service revenue	<b>720,148</b>	650,453	<b>341,841</b>	315,458

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)  
June 30, 2014  
(In thousands of reais, unless otherwise stated)

### 27 Commitments assumed

#### Input supply agreements

The Company has a commitment involving agreements for the supply of electric power to its industrial activities, effective up to 2021. As at June 30, 2014, the Company was compliant 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:

		<b>Company and Consolidated - 2014</b>
Less than 1 year		<b>24,240</b>
From 1 to 4 years		<b>61,560</b>
Over 4 years		<b>58,800</b>
		<b>144,600</b>

#### 27.2 Operating lease liabilities

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 June 30, 2014, the commitment in connection with future consideration for these operating leases had the following payment terms:

		<b>Company and Consolidated - 2014</b>
Less than 1 year		<b>15,164</b>
From 1 to 5 years		<b>35,849</b>
		<b>51,013</b>

## Magnesita Refratários S.A.

Notes to quarterly information (Continued)  
June 30, 2014  
(In thousands of reais, unless otherwise stated)

### 28 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:

	<u>Consolidated</u> <u>06/30/2014</u>	<u>Company</u> <u>06/30/2014</u>
Amount insured	3,387,644	1,757,525
Loss of profits	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.

### 29 Key management personnel compensation

In the first half of 2014, compensation paid to key management personnel (Board members and Executive Officers) in the form of management fees amounted to R\$ 3,784 (R\$ 4,249 in the first half of 2013). Additionally, the fair value of the stock options granted in the amount of R\$ 3,468 (R\$ 3,311 in the 1st half of 2013) is recorded in net income for the period.

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

Pursuant to Official Circular Letter CVM/SNC/SEP/No. 003/2011, the Company presented notes considered relevant within the context of the "Basic Conceptual Pronouncement - Conceptual Framework for the Preparation and Presentation of Financial Statements". All missing or misstated information that could influence the economic decisions of users was properly disclosed in this interim financial information, which should be read jointly with the financial statements as at December 31, 2013.

Please find below the exact location of the explanatory notes not repeated in this interim financial information either due to redundancy or relevance:

Note 14 – Receivables for sale of property  
Note 16 - Investment property  
Note 19 - Impairment test of nonfinancial assets  
Note 21 – Other taxes payable  
Note 30 - Financial income (expenses)  
Note 33 - Noncash transactions

## **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 13, 2014, received the Management Report and the quarterly information for the last period ended and approved the Executive Board accounts.

Contagem, August 13, 2014.

Fersen Lamas Lambranhó - Chairman  
Thiago Emanuel Rodrigues - Vice Chairman  
Eduardo Alcalay  
Nelson Rozental  
Robert Frank Agostinelli  
Eduardo Fontana D'Ávila  
Bernardo Guimarães Rodarte  
Eduardo Romeu Ferraz

## **Opinion of the Supervisory Board**

The Supervisory Board of Magnesita Refratários S.A. ("Company"), in performing its legal and corporate functions, has reviewed the Management Report, Executive Board accounts, Company's reviewed consolidated quarterly information and the independent auditor's conclusion thereon for the period ended June 30, 2014. The Supervisory Board has also analyzed the technical feasibility study that supports the expected generation of future taxable profits and, in compliance with the provisions of article 163, items II, III and VII of Law No. 6404/76, and articles 2, item II, and 4, both in CVM Rule No. 371/02, hereby fully approves these documents.

Contagem, August 13, 2014.

Pedro Wagner Pereira Coelho  
Alexei Ribeiro Nunes  
Sergio Antonio Cordeiro de Oliveira  
Ricardo Scalzo  
Marina de Queiroz Ferreira Fernandes

## 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 June 30, 2014;
- we have analyzed, discussed and agreed with the terms of the independent auditor's review report on the quarterly information (Company and Consolidated) for the period ended June 30, 2014.

Contagem, August 13, 2014.

Octávio Cortes Pereira Lopes  
Chief Executive Officer

Eduardo Guardiano Leme Gotilla  
Deputy financial officer and officer in charge of Investor Relations

Officer 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  
Wellington Calazant  
Accountant - CRC-MG 58.254/O-8