

## **Quarterly Financial Information**

### **Magnesita Refratários S.A.**

June 30, 2015  
with Independent Auditor's Report

## MAGNESITA ANNOUNCES ITS 2Q15 RESULTS

**Contagem, Brazil - August 14<sup>th</sup>, 2015 - MAGNESITA REFRACTORIES S.A.** ("Magnesita" or "Company") - (BM&FBOVESPA Novo Mercado: MAGG3 | Level 1 ADR (OTCQX): MFRSY) - today announced its results for the second quarter of 2015 ("2Q15"). Comparisons are made with the second quarter of 2014 ("2Q14") and the first quarter of 2015 ("1Q15"). In addition, the Company analyzes and compares results accumulated in the first half of 2015 ("1H15") with the first half of 2014 ("1H14"), and the last twelve months ended in 2Q15 (Last Twelve Months - "LTM 2Q15") with the same period in 2014 ("LTM 2Q14"). Operational and financial information of the Company, unless otherwise stated, are presented in consolidated form, in million Reais and in accordance with Brazilian corporate law.

### KEY FINANCIAL INDICATORS

In R\$ million, unless otherwise indicated	Quarter			Var. %		Half Year		Var. %	Accumulated LTM		Var. %
	2Q15 (a)	1Q15 (b)	2Q14 (c)	a/b	a/c	1H15 (d)	1H14 (e)	d/e	2Q15 (f)	2Q14 (g)	f/g
Refractories volume ('000 tons)	239.1	255.7	267.4	-6.5%	-10.6%	494.8	521.8	-5.2%	1,007.3	1,018.5	-1.1%
Net operating revenues	790.7	806.2	720.1	-1.9%	9.8%	1,596.9	1,439.5	10.9%	3,029.4	2,822.8	7.3%
Gross profit	245.4	268.5	220.1	-8.6%	11.5%	513.9	451.2	13.9%	945.2	884.0	6.9%
Gross margin (%)	31.0%	33.3%	30.6%	-230 bp	50 bp	32.2%	31.3%	80 bp	31.2%	31.3%	-10 bp
EBIT	61.7	90.8	61.3	-32.0%	0.7%	152.6	124.6	22.4%	158.5	256.1	-38.1%
EBITDA	102.9	131.3	95.4	-21.6%	7.8%	234.2	193.9	20.8%	317.5	393.0	-19.2%
EBITDA margin (%)	13.0%	16.3%	13.2%	-330 bp	-20 bp	14.7%	13.5%	120 bp	10.5%	13.9%	-340 bp
Adjusted EBITDA <sup>1</sup>	104.6	141.5	96.9	-26.1%	8.0%	246.1	200.6	22.7%	432.3	379.1	14.0%
Adjusted EBITDA margin (%)	13.2%	17.6%	13.5%	-430 bp	-20 bp	15.4%	13.9%	150 bp	14.3%	13.4%	80 bp
Net income	12.0	-26.8	14.3	-144.6%	-16.5%	-14.9	-2.3	555.0%	-109.6	6.1	-1886.6%
Net margin (%)	1.5%	-3.3%	2.0%	480 bp	-50 bp	-0.9%	-0.2%	-80 bp	-3.6%	0.2%	-380 bp
Earnings per share (R\$/share) <sup>2</sup>	0.04	-0.10	0.05	-143.4%	-11.9%	-0.02	-0.01	42.8%	-0.38	0.02	-2176.1%

<sup>1</sup>Excluding other income and expenses

<sup>2</sup>EPS considers the weighted amount of shares in the period - shares held in treasury

### 2Q15 Earnings Conference Call: Friday, August 14<sup>th</sup>, 2015

#### In English, with simultaneous translation to Portuguese

1 pm (Brasília time) - Phone: +55 11 3193-1001 or +55 11 2828-4001 (Brazil)\*

12 pm (New York time) - Phone: +1 786 924-6977 (USA)

5 pm (London time) - Phone: +1 888 700-0802 (Other countries)

**Password: Magnesita**

\*In the above dial-in, the participant will be directed automatically to the original audio in English. In case you prefer to listen to audio in Portuguese (simultaneous translation), please ask the operator.

Webcast (English): <http://cast.comunique-se.com.br/Magnesita/2Q15>

Webcast (Portuguese): <http://cast.comunique-se.com.br/Magnesita/2Q15>

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## MESSAGE FROM THE CEO

*"We continue facing a challenging macroeconomic environment in our established markets. Record steel imports in the United States continue to suppress the local industry. Steel production declined by 9% in the second quarter, if compared to the previous year. In Brazil, after a first quarter above our expectations, economic activity in the country deteriorate abruptly and sharply , with GDP contracting, clients idling operations, strong inflationary pressures, escalating uncertainty regarding the growth as well as political instability. Finally, steel production also retreated in our main markets in Western Europe, a region facing sluggish recovery.*

*Despite our commercial efforts to gain market share in growth markets, lackluster industrial activity in our established markets led sales (in tons) to retreat 10% this quarter compared to the prior year. We are convinced this performance, lagging steel production in our established markets, was an exception. Our strategy to grow in new geographies, outside of our traditional markets, has been successful so far, with sales exceeding steel production growth. Notwithstanding the adverse macro scenario and the decline in volumes, 2nd quarter revenues amounted to R\$791 million, only 2% below the previous quarter, but 10% above the previous year. Our adjusted EBITDA<sup>1</sup> reached R\$105 million, with a 13.2% margin, compared to R\$97 million and a 13.5% margin in the previous year. These numbers reinforce the strength and resilience of our business model.*

*In the face of the adverse environment, our services business continues to post noteworthy performance, with 21% growth year-to-date and greater geographical and sector diversification. In the minerals business, thanks to operational improvements in Brumado and hard work from our commercial team, magnesite sinter sales increased 84% this year, more than offsetting the decline in talc sales, thwarted by the downturn in the Brazilian automotive industry.*

*Finally, we remain focused on operational improvements, global supply chain optimization, working capital management and cost of debt reduction. In this sense, we completed the tender offer of 77% of our Senior Notes due 2020 (Bonds 2020), totaling US\$222 million, and ensured funding of US\$150 million of new debt through bilateral contracts, with lower costs than the repurchased 2020 Bonds, reflecting our improving credit fundamentals. We remain confident in our strategic plan and will continue focused on creating value for the Company and for our shareholders. "*

Octavio Pereira Lopes

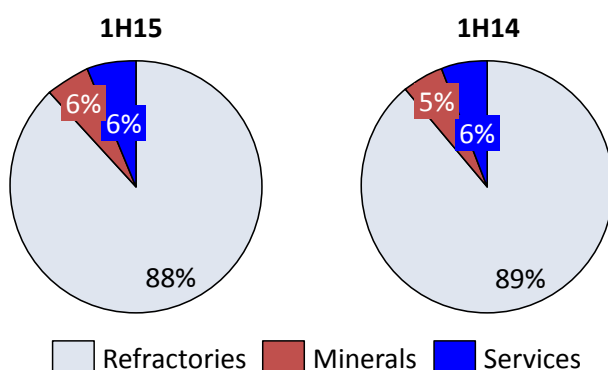
<sup>1</sup>Adjusted EBITDA = EBITDA excluding other income and expenses

## CONSOLIDATED OPERATIONAL AND FINANCIAL PERFORMANCE

### REVENUE AND VOLUME

Segment	Quarter			Var. %		Half Year		Var. %	Accumulated LTM		Var. %
	2Q15 (a)	1Q15 (b)	2Q14 (c)	a/b	a/c	1H15 (d)	1H14 (e)	d/e	2Q15 (f)	2Q14 (g)	f/g
<b>Refractory Solutions</b>											
Volume ('000 tons)	239.1	255.7	267.4	-6.5%	-10.6%	494.8	521.8	-5.2%	1,007.3	1,018.5	-1.1%
Revenues (R\$ million)	697.5	712.1	643.5	-2.0%	8.4%	1,409.7	1,284.6	9.7%	2,687.2	2,511.4	7.0%
<b>Industrial Minerals</b>											
Revenues (R\$ million)	45.2	44.1	34.3	2.5%	31.6%	89.2	73.7	21.0%	160.4	166.0	-3.4%
<b>Services</b>											
Revenues (R\$ million)	48.0	50.0	42.3	-4.0%	13.5%	98.0	81.2	20.7%	181.9	143.8	26.5%
<b>TOTAL</b>											
Revenues (R\$ million)	790.7	806.2	720.1	-1.9%	9.8%	1,597.0	1,439.5	10.9%	3,029.4	2,821.2	7.4%

Percentage of revenue by segment



### RESULT ANALYSIS BY SEGMENT

#### Refractory solutions - Total

Refractory Solutions	Quarter			Var. %		Half Year		Var. %	Accumulated LTM		Var. %
	2Q15 (a)	1Q15 (b)	2Q14 (c)	a/b	a/c	1H15 (d)	1H14 (e)	d/e	2Q15 (f)	2Q14 (g)	f/g
Volume ('000 tons)	239.1	255.7	267.4	-6.5%	-10.6%	494.8	521.8	-5.2%	1,007.3	1,018.5	-1.1%
Revenues (R\$ million)	697.5	712.1	643.5	-2.0%	8.4%	1,409.7	1,284.6	9.7%	2,687.2	2,511.4	7.0%

Refractory sales represented 88.3% of Magnesita's consolidated revenues, compared to 89.4% in the 2Q14 and 88.3% in the 1Q15. Sales reached 239 thousand tons in the 2Q15, 10.6% below the 2Q14 and 6.5% compared to the 1Q15.

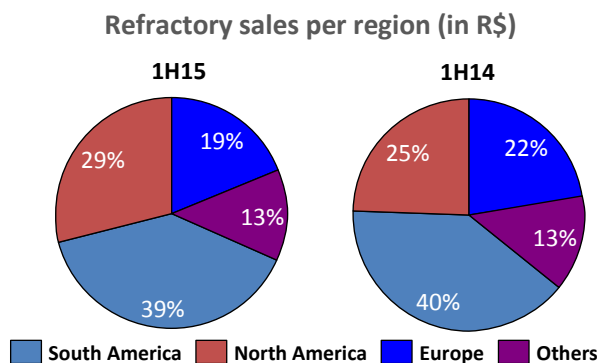
In comparison to the previous year, the variation mainly reflects the deterioration in steel production in Magnesita's established markets. In relation to the 1Q15, the drop was essentially driven by lower sales to the industrial sector, which is seasonally strong in the first quarter.

Despite lower volumes, revenue in the quarter grew 8.4% compared to the 2Q14, with positive currency translation effect on sales in foreign currencies. Compared to the 1Q15, revenue decreased by 2.0% reflecting lower volume, yet partially offset by the foreign exchange

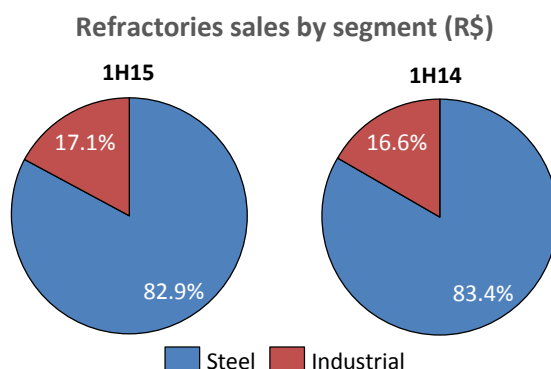
translation effect.

In the 1H15, refractory sales accounted for 88.3% of consolidated revenue, compared to 89.2% in the 1H14. In the 1H15, consolidated sales volume reached 495 thousand tons, compared to 522 thousand in the previous year. The 5.2% decrease reflects the challenging backdrop in our established markets, especially in North America, Magnesita's main market, where steel production was held back by imports. Revenue grew by 9.7% reaching R\$ 1,409.7 million, also positively affected from the foreign exchange translation.

In the last 12 months ("LTM"), sales volume decreased by 1.1%, also reflecting lower sales to the steel industry partially offset by higher sales to the industrial sector. Revenue grew by 7.0%, with the positive impact from the currency translation effect.



North America increased its share of our sales by region from 25% in the 1H14 to 29% in the 1H15, in detriment of the lower participation from Brazil and Europe.



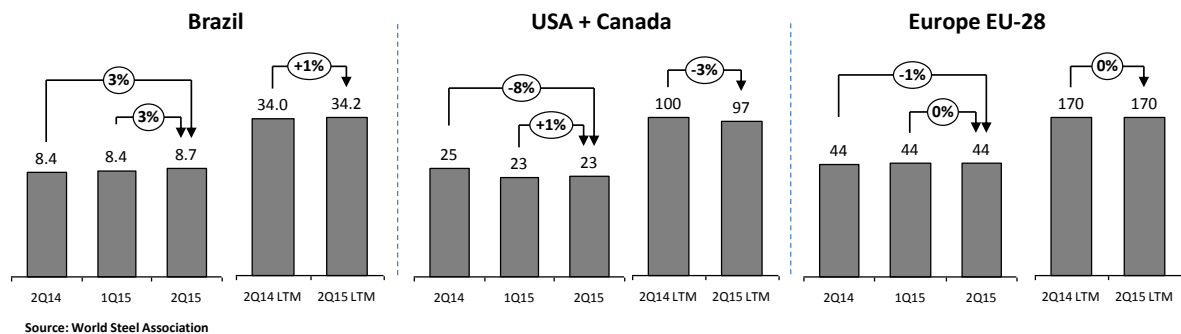
Industrial applications as a share of refractory sales by segment increased slightly from 16.6% in the 1H14 to 17.1% in the 1H15.

### ***Refractory Solutions - Steel Industry***

According to the World Steel Association, average steel production in Magnesita's established

markets decreased by 1.5% in the 2Q15 in comparison to the 2Q14. In the US, Magnesita's main market, steel production declined by 9.1% in the period, while growth in the European Union was 1.1% and 3.2% in Brazil.

#### Steel production in Magnesita's established markets (million tons)



The US steel industry continues to confront the highest level of imports in its history. Imported steel represented 32% of apparent consumption in the first half of 2015 compared to 28% in 2014. Capacity utilization in the steel industry further decreased to 72% in the quarter, compared to 76% in the previous year. Currently, the US Department of Commerce carries out investigation and analysis of dumping on the domestic industry, which if proven, could result in the creation of trade barriers.

In Brazil, despite the recessionary environment and the 9% decline in the domestic apparent steel consumption in the 1H15, steel production increased 2.0% in the 1H15 and 3.2% in the 2Q15 versus 2Q14, driven essentially by exports, which grew by 46% in the first six months of the year.

Finally, steel production in the EU-28 rose 1.1% in the quarter compared to the 2Q14. However, production decreased in important countries for Magnesita, such as Germany (-1.0%), France (-1.6%), Italy (-11.3%) and Sweden (-6.2%). In the first half, performance was similar, with 0.6% growth in the EU-28, in spite of a fall in the most relevant countries to Magnesita.

Refractory Solutions - Steel	Quarter			Var. %		Half Year		Var. %	Accumulated LTM		Var. %
	2Q15 (a)	1Q15 (b)	2Q14 (c)	a/b	a/c	1H15 (d)	1H14 (e)	d/e	2Q15 (f)	2Q14 (g)	f/g
Volume ('000 tons)	209.5	209.7	235.0	-0.1%	-10.9%	419.2	446.4	-6.1%	855.7	870.4	-1.7%
Revenues (R\$ million)	597.7	570.5	555.3	4.8%	7.6%	1,168.2	1,070.8	9.1%	2,236.4	2,093.5	6.8%

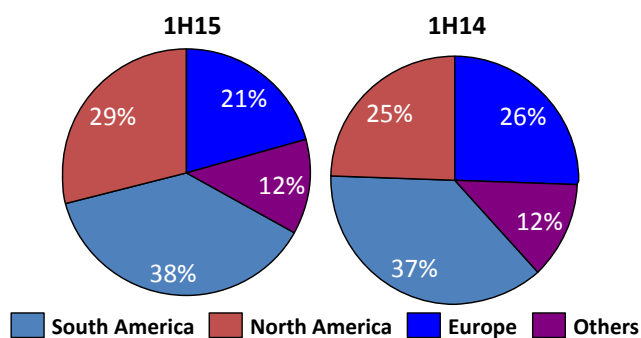
In the quarter, refractory sales to steel fell 10.9% compared to the 2Q14. Sales were strongly affected by the steel production drop in Magnesita's established markets, performing below steel production in this quarter. Compared to the previous quarter, sales to the steel industry remained stable at 210 thousand tons, in line with steel production in the established markets.

In the 1H15, sales volume to steel declined 6.1%, also impacted by lower steel production, especially in the US, which fell by 8.6% in the period. In the LTM 2Q15, sales volume was 1.7% lower than the previous trailing twelve month period. During this period, steel production in the US retreated 3.5%, yet despite this decline, sales continued to grow in North America.

In growth markets, sales volume has been somewhat exacerbated by our strategic decision to refocus our sales in mainland China and divert our efforts to markets with healthy and sustainable margins. In the 1H15, sales in China declined by 51.2%. However, excluding China, sales in growth markets increased by 3.7% in the 1H15. Sales expansion in Mexico, integrated mills in North America and Eastern Europe were the main highlights in the 1H15.

Revenue from the steel industry amounted to R\$597.7 million in the 2Q15, 7.6% and 4.8% above the 2Q14 and 1Q15, respectively, driven by foreign currency translation. Revenue grew by 9.1% and 6.8% in the 1H15 and in the LTM 2Q15, reaching R\$2,236.4 million.

**Refractory Sales to Steel segment by region (R\$)**



North America overcame Europe's share of sales per region, with its share growing to 29% participation in the 1H15, from 25% in the 1H14.

### ***Refractory Solutions - Industrial***

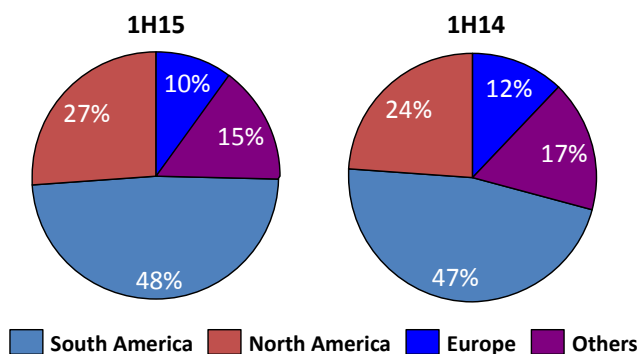
Sales to the industrial sector amounted to 30 thousand tons in the 2Q15, 8.6% lower than the 2Q14. However, volume remained nearly stable in the 1H15, reaching 75.6 thousand tons, compared to 75.4 thousand in the 1H14. Sales grew in Brazil and in the US, the two most relevant countries for Magnesita's industrial sales. In contrast, sales declined in Western Europe and South America outside Brazil.

In the LTM 2Q15, sales volume to industrial applications grew 2.4% amounting to 153 thousand tons. The main performance highlights were sales in Brazil and Mexico.

Refractory Solutions - Industrial	Quarter			Var. %		Half Year		Var. %	Accumulated LTM		Var. %
	2Q15 (a)	1Q15 (b)	2Q14 (c)	a/b	a/c	1H15 (d)	1H14 (e)	d/e	2Q15 (f)	2Q14 (g)	f/g
Volume ('000 tons)	29.6	46.0	32.4	-35.7%	-8.6%	75.6	75.4	0.3%	151.6	148.1	2.4%
Revenues (R\$ million)	99.8	141.6	88.2	-29.5%	13.1%	241.5	213.7	13.0%	450.8	417.8	7.9%

Sales revenue to industrial clients amounted to R\$99.8 million in the quarter, up 13.1% compared to the 2Q14, with foreign exchange effects more than compensating the decline in sales volume. In the 1H15 and LTM 2Q15, revenue grew by 13.0% and 7.9%, respectively, with both periods also impacted by the exchange rate translation effect and, to a lower extent, sales volume.

#### Refractory Sales to Industrial segment by region (R\$)



North America's growth was once again the highlight in sales by region.

#### Industrial Minerals

Industrial Minerals	Quarter			Var. %		Half Year		Var. %	Accumulated LTM		Var. %
	2Q15 (a)	1Q15 (b)	2Q14 (c)	a/b	a/c	1H15 (d)	1H14 (e)	d/e	2Q15 (f)	2Q14 (g)	f/g
Revenues (R\$ million)	45.2	44.1	34.3	2.5%	31.6%	89.2	73.7	21.0%	160.4	166.0	-3.4%

Mineral sales represented 5.7% of Magnesita's consolidated revenue in the 2Q15, compared to 4.8% in the 2Q14 and 5.5% in the 1Q15. Sales in the quarter reached R\$45.2 million, up 31.6% compared to the 2Q14, mainly driven by the increase in sales of magnesite sinter ("DBM") and caustic magnesite ("CCM"). As communicated earlier in the year, the expansion in DBM sales reflects the improvements in productivity in Brumado, leading to higher production volumes and surplus. The currency effect on sales in U.S. Dollar also contributed to the increase of industrial mineral revenues in the period.

Compared to the 1Q15, sales grew by 2.5%, driven by higher CCM sales and the foreign exchange effect on sales in U.S. Dollars, which offset the decrease in sales of other minerals such as DBM, talc and chromite.

In the first half, minerals sales represented 5.6% of the consolidated revenue, compared to 5.1% in the previous year. Revenue amounted to R\$89.2 million, up 21.0% compared to the 1H14. The growth was mainly driven by higher DBM sales and the exchange rate effect on



products sold in U.S. Dollar.

In the LTM 2Q15, revenue from minerals sales totaled R\$160.4 million, 3.4% below the LTM 2Q14. The slight decline mainly reflects the drop in talc sales, due to the downturn in the Brazilian automotive industry, as well as lower sales of by-products in China and Brazil.

## Services

Services	Quarter			Var. %		Half Year			Var. %		Accumulated LTM		Var. %	
	2Q15 (a)	1Q15 (b)	2Q14 (c)	a/b	a/c	1H15 (d)	1H14 (e)	d/e	d/e		2Q15 (f)	2Q14 (g)	f/g	
Revenues (R\$ million)	48.0	50.0	42.3	-4.0%	13.5%	98.0	81.2	20.7%			181.9	143.8	26.5%	

Revenues from services segment represented 6.0% of consolidated revenues in the 2Q15, compared to 5.9% in the 2Q14 and 6.2% in the 1Q15. Revenue totaled R\$48.0 million in the quarter, up 13.5% compared to the 2Q14 and 4.0% below the 1Q15. In comparison to the previous year, the growth reflects the expansion in cement and new geographies, such as South America and North America. Compared to the 1Q15, the decrease is due to the lower amount of spot services in this quarter.

In the 1H15, revenues from services represented 6.1% of consolidated revenue, versus 5.5% in the 1H14. Revenue for the period amounted to R\$98.0 million, up 20.7% over the previous year. For the LTM 2Q15, service revenue reached R\$181.9 million, up 26.5% over the LTM 2Q14. Growth over both periods was mainly driven by the expansion into the cement industry and in North America.

## GROSS PROFIT AND GROSS MARGIN

### Consolidated

Consolidated	Quarter			Var. %		Half Year			Var. %		Accumulated LTM		Var. %	
	2Q15 (a)	1Q15 (b)	2Q14 (c)	a/b	a/c	1H15 (d)	1H14 (e)	d/e	d/e		2Q15 (f)	2Q14 (g)	f/g	
Revenues (R\$ million)	790.7	806.2	720.1	-1.9%	9.8%	1,597.0	1,439.5	10.9%			3,029.4	2,821.2	7.4%	
Gross profit (R\$ million)	245.4	268.5	220.1	-8.6%	11.5%	513.9	451.2	13.9%			945.3	883.9	6.9%	
Gross margin (%)	31.0%	33.3%	30.6%	-230 bp	50 bp	32.2%	31.3%	80 bp			31.2%	31.3%	-10 bp	

### By segment

### Refractory Solutions

Refractory Solutions	Quarter			Var. %		Half Year			Var. %		Accumulated LTM		Var. %	
	2Q15 (a)	1Q15 (b)	2Q14 (c)	a/b	a/c	1H15 (d)	1H14 (e)	d/e	d/e		2Q15 (f)	2Q14 (g)	f/g	
Volume ('000 tons)	239.1	255.7	267.4	-6.5%	-10.6%	494.8	521.8	-5.2%			1,007.3	1,018.5	-1.1%	
Revenues (R\$ million)	697.5	712.1	643.5	-2.0%	8.4%	1,409.7	1,284.6	9.7%			2,687.2	2,511.4	7.0%	
Gross profit (R\$ million)	219.5	242.5	199.3	-9.5%	10.1%	461.9	411.5	12.3%			851.4	800.7	6.3%	
Gross margin (%)	31.5%	34.1%	31.0%	-260 bp	50 bp	32.8%	32.0%	70 bp			31.7%	31.9%	-20 bp	

Gross margin for the refractory segment this quarter was 31.5%, compared to 31.0% in the 2Q14 and 34.1% in the 1Q15. Despite the 10.6% decline in volume over the previous year, and consequently lower fixed costs dilution, the 50 bps margin expansion was driven by

operational improvements and the foreign exchange effect on sales in foreign currency, since Magnesita has disproportionately higher costs than revenues in Reais. Compared to the 1Q15, the decrease in margin was driven mainly by changes in sales mix, with the seasonal decline in revenues to the industrial sector.

In the first half, margin stood at 32.8%, compared to 32.0% in the 1H14. Despite the lower volume, the increase was also driven by operational improvements, currency effect and better mix. In the LTM 2Q15, refractory gross margin remained stable at 31.7% versus 31.9% in 2014.

## Industrial Minerals

Industrial Minerals	Quarter			Var. %		Half Year		Var. %	Accumulated LTM		Var. %
	2Q15 (a)	1Q15 (b)	2Q14 (c)	a/b	a/c	1H15 (d)	1H14 (e)	d/e	2Q15 (f)	2Q14 (g)	f/g
Revenues (R\$ million)	45.2	44.1	34.3	2.5%	31.6%	89.2	73.7	21.0%	160.4	166.0	-3.4%
Gross profit (R\$ million)	17.8	13.9	12.0	27.7%	48.9%	31.7	24.3	30.8%	56.1	58.2	-3.7%
Gross margin (%)	39.4%	31.6%	34.8%	780 bp	460 bp	35.6%	32.9%	270 bp	34.9%	35.1%	-10 bp

Gross margin for the minerals segment ended the quarter at 39.4% compared to 34.8% in the 2Q14 and 31.6% in the 1Q15. In comparison with the previous year, margin improvement was mainly driven by the increase of DBM sales. In relation to the 1Q15, the improvement was explained by sales mix, where despite lower absolute DBM sales, volumes of lower value-added products were negligible. Besides sales mix effect, the real devaluation also impacted positively minerals margins.

In the 1H15, gross margin increased 270 bps to 35.6%, mainly due to the 84% growth of DBM sales. In the LTM 2Q15, margin remained in line with the previous Year, at 34.9% against 35.1% in the LTM 2Q14.

## Services

Services	Quarter			Var. %		Half Year		Var. %	Accumulated LTM		Var. %
	2Q15 (a)	1Q15 (b)	2Q14 (c)	a/b	a/c	1H15 (d)	1H14 (e)	d/e	2Q15 (f)	2Q14 (g)	f/g
Revenues (R\$ million)	48.0	50.0	42.3	-4.0%	13.5%	98.0	81.2	20.7%	181.9	143.8	26.5%
Gross profit (R\$ million)	8.1	12.1	8.9	-32.8%	-8.7%	20.2	15.5	30.7%	37.8	25.0	51.1%
Gross margin (%)	16.9%	24.2%	21.1%	-730 bp	-410 bp	20.6%	19.1%	160 bp	20.8%	17.4%	340 bp

Services gross margin ended the quarter at 16.9%, versus 21.1% and 24.2% in the 2Q14 and the 1Q15, respectively. As the Company anticipated, gross margin for the 1Q15 was positively impacted by the higher amount of spot services with atypical margins carried out in that quarter. The 2Q14 also had relevant spot services, but not to the same extent as the 1Q15.

In the 1H15, margin increased by 160 bps reaching 20.6% versus 19.1% in the 1H14. In the LTM 2Q15 period, gross margin improved 340 bps reaching 20.8%, versus 17.4% in the previous year. The expansion was driven by higher spot services, besides the Company's effort on cost control, offsetting inflationary pressures in Brazil.

## SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (SG&A)

SG&A	Quarter			Var. %		Half Year			Accumulated LTM		Var. %
	2Q15 (a)	1Q15 (b)	2Q14 (c)	a/b	a/c	1H15 (d)	1H14 (e)	d/e	2Q15 (f)	2Q14 (g)	f/g
Revenues (R\$ million)	790.7	806.2	720.1	-1.9%	9.8%	1,596.9	1,439.5	10.9%	3,029.4	2,822.8	7.3%
Operating expenses	-181.6	-167.9	-157.6	8.2%	15.3%	-349.6	-320.1	9.2%	-673.1	-642.6	4.7%
% on sales	23.0%	20.8%	21.9%	210 bp	110 bp	21.9%	22.2%	-30 bp	22.2%	22.8%	-50 bp
G&A	-69.9	-61.2	-57.9	14.2%	20.6%	-131.0	-114.2	14.7%	-251.9	-241.6	4.3%
% on sales	8.8%	7.6%	8.0%	120 bp	80 bp	8.2%	7.9%	30 bp	8.3%	8.6%	-20 bp
Selling expenses	-111.8	-106.8	-99.7	4.7%	12.1%	-218.5	-205.9	6.1%	-421.1	-401.0	5.0%
% on sales	14.1%	13.2%	13.8%	89 bp	30 bp	13.7%	14.3%	-60 bp	13.9%	14.2%	-30 bp
Freight	-44.2	-45.2	-44.9	-2.2%	-1.6%	-89.4	-92.6	-3.4%	-178.2	-183.9	-3.1%
% on sales	5.6%	5.6%	6.2%	-2 bp	-65 bp	5.6%	6.4%	-80 bp	5.9%	6.5%	-60 bp
Other selling expenses	-67.6	-61.6	-54.7	9.8%	23.5%	-129.1	-113.4	13.9%	-242.9	-217.2	11.8%
% on sales	8.5%	7.6%	7.6%	91 bp	95 bp	8.1%	7.9%	20 bp	8.0%	7.7%	30 bp

In the quarter, G&A expenses totaled R\$69.9 million, up 20.6% compared to the 2Q14 and 14.2% compared to the 1Q15. In the 1H15, G&A totaled R\$131.0 million, 14.7% higher than the previous year. As a percentage of sales, G&A represented 8.2% in the 1H15 versus 7.9% in the 1H14. The increase over these periods was mainly due to the exchange rate effect on expenses in foreign currency and non-recurring expenses related to consulting services.

In the LTM 2Q15, despite a 4.3% nominal increase, expenses declined as a percentage of sales, from 8.6% to 8.3%.

Freight expenses remained stable at R\$44.2 million in the quarter, representing 5.6% of sales, compared to 5.6% in the 1Q15 and 6.2% in the 2Q14.

In the first half, despite the currency translation effect on expenses in foreign currencies, freight expenses fell 3.4%, representing 5.6% of sales versus 6.4% in the 1H14. In the LTM 2Q15, freight expenses declined to 5.9% as percentage of sales, from 6.5% in the LTM 2Q15, as the decline in bunker oil pulled international freight costs down.

Selling expenses excluding freight amounted to R\$67.6 million in the 2Q15, up 23.5% and 9.8% compared to the 2Q14 and the 1Q15, respectively. In the 1H15, selling expenses excluding freight increased 13.9% reaching R\$129.1 million. In the LTM 2Q15, there was an 11.8% increase, amounting to R\$242.9 million, representing 8.0% of sales, compared to 7.7% in the LTM 2Q14. The exchange rate effect on expenses in foreign currency with a higher amount of travel expenses and select additions to headcount have pushed fixed selling expenses higher. However, the trend in fixed cost dilution will continue going forward.

## EBITDA and adjusted EBITDA

EBITDA (R\$ million)	Quarter			Var. %		Half Year		Var. %	Accumulated LTM		Var. %
	2Q15 (a)	1Q15 (b)	2Q14 (c)	a/b	a/c	1H15 (d)	1H14 (e)	d/e	2Q15 (f)	2Q14 (g)	f/g
Operating income (EBIT)	61.7	90.8	61.3	-32.0%	0.7%	152.6	124.6	22.4%	158.5	256.1	-38.1%
Depreciation/amortization	41.2	40.5	34.1	1.6%	20.6%	81.7	69.3	17.9%	159.1	136.9	16.2%
EBITDA	102.9	131.3	95.4	-21.6%	7.8%	234.2	193.9	20.8%	317.5	393.0	-19.2%
EBITDA margin (%)	13.0%	16.3%	13.2%	-330 bp	-20 bp	14.7%	13.5%	120 bp	10.5%	13.9%	-340 bp
Other operating income/expenses	-1.7	-10.2	-1.5	-83.2%	17.2%	-11.9	-6.7	79.4%	-114.8	13.9	-925.2%
Adjusted EBITDA <sup>1</sup>	104.6	141.5	96.9	-26.1%	8.0%	246.1	200.6	22.7%	432.3	379.1	14.0%
Adjusted EBITDA margin (%)	13.2%	17.6%	13.5%	-430 bp	-20 bp	15.4%	13.9%	150 bp	14.3%	13.4%	80 bp

<sup>1</sup>Excluding other income and expenses

Adjusted EBITDA (excluding other operating income and expenses) amounted to R\$104.6 million in the 2Q15, 8.0% higher than the 2Q14 and 26.1% below the 1Q15. EBITDA margin stood at 13.2%, compared to 13.5% in the 2Q14 and 17.6% in the 1Q15. When compared to the 2Q14, EBITDA margin in the 2Q15 was negatively impacted by the increase in SG&A expenses, despite the improvement in gross margin over the previous year, from 30.6% to 31.0%. In relation to the 1Q15, the decrease reflects: i) lower participation of refractory sales to the industrial sector; ii) lower service margin and; iii) higher fixed expenses.

In the 1H15, adjusted EBITDA increased 22.7% to R\$246.1 million, with a 15.4% margin, from R\$200.6 million and 13.9% margin in the 1H14. The growth in EBITDA, along with margin expansion, was driven by: i) better sales mix; ii) expansion in service margins; iii) higher margins in minerals, due to higher DBM sales and; iv) operating leverage due to the weaker Brazilian Real.

In the LTM 2Q15, adjusted EBITDA reached R\$432.3 million, up 14.0% over the previous year. EBITDA margin increased by 80 bps, from 13.4% to 14.3%, in spite of the challenging macro environment in the Company's established markets.

## FINANCIAL INCOME / EXPENSES

Financial Result	Quarter			Var. %		Half Year		Var. %	Accumulated LTM		Var. %
	2Q15 (a)	1Q15 (b)	2Q14 (c)	a/b	a/c	1H15 (d)	1H14 (e)	d/e	2Q15 (f)	2Q14 (g)	f/g
Financial income / expenses	-52.8	-1.1	-42.1	4511.3%	25.5%	-54.0	-84.3	-36.0%	-162.7	-164.8	-1.3%
Other financial income / expenses	-1.7	-5.2	-3.3	-67.1%	-48.0%	-6.9	-2.6	167.0%	14.2	-2.2	-755.9%
Forex variation	18.5	-90.8	-3.9	-120.4%	-572.4%	-72.3	-31.2	131.5%	-131.3	-55.1	138.1%
Net financial result	-36.0	-97.2	-49.3	-62.9%	-26.9%	-133.2	-118.2	12.7%	-279.7	-222.1	25.9%

The net financial result in the quarter was a R\$36.0 million expense, down 26.9% and 62.9% compared to the 2Q14 and 1Q15, respectively. In comparison to previous quarters, the result reflects the positive non-cash exchange rate variation of R\$18.5 million caused by the BRL appreciation during the quarter.

In the 1H15, the net financial result was an R\$133.2 million expense, up 12.7% versus the previous year, mostly reflecting non-cash expenses related to exchange rate variations.

In the LTM 2Q15, the net financial result was a R\$279.7 million expense, 25.9% higher than

the 2Q14. The increase was mostly explained by the non-cash expenses related to exchange rate variations, which rose 138.1% due to the Real devaluation in the period.

## NET INCOME

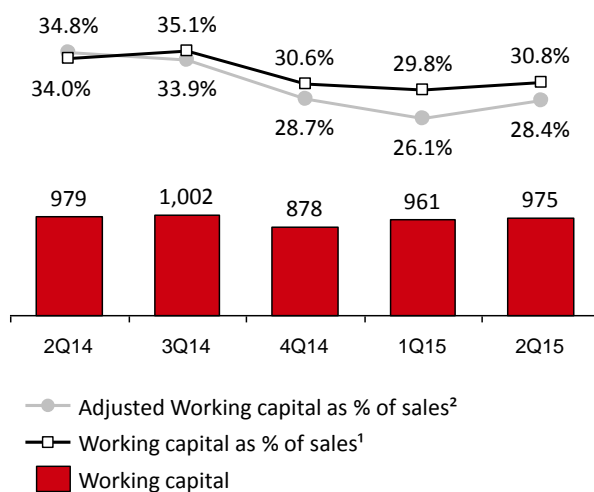
The Company recorded a net income of R\$12.0 million, 16.5% lower than the 2Q14 and reversing the R\$26.8 million loss reported in the 1Q15. In comparison with the previous year, the change was mainly due to higher income tax and social contribution expenses, despite lower cash tax expenses. Compared to the previous quarter, the improvement was due to the positive exchange rate variation in the 2Q15, as previously explained.

In the 1H15, the Company recorded a net loss of R\$14.9 million, against R\$2.3 million in the 1H14. Despite the improvement in operating income in the 1H15, losses widened due to exchange rate variations and higher income tax / social contribution. Nevertheless, the income tax / social contribution cash expense remained stable at R\$28.8 million in the 1H15, versus R\$28.5 million in the 1H14.

In the LTM comparison, the Company posted a net loss of R\$109.6 million, compared to a net income of R\$6.1 million in the LTM 2Q14. In the LTM 2Q15, the net result was negatively affected by the adjustments related to write-offs and provisions recorded in the 4Q14.

## WORKING CAPITAL

Working capital stood at R\$974.8 million at quarter-end, representing 30.8% of annualized quarterly sales, compared to 34.0% in the 2Q14 and 29.8% in the 1Q15. Despite the negative impact from the foreign exchange rate effect, the improvement over the previous year reflects the Company's continued efforts in driving working capital lower.



<sup>1</sup> Calculation considers sales x 4.

<sup>2</sup> Working capital in foreign currency adjusted by average Fx rate

## CAPITAL STRUCTURE

Net debt amounted to R\$1,709.3 million at quarter-end, compared to R\$1,484.4 million in the 2Q14 and R\$1,706.2 million in the 1Q15. In comparison to the previous year, the increase was driven exclusively by the exchange rate impact on foreign currency denominated debt. At quarter-end, approximately 70% of net debt was in foreign currency and the remaining in Reais. Cash at quarter-end amounted to R\$838.0 million, versus R\$803.5 million in the 2Q14 and R\$969.1 million in the previous quarter.

Leverage, measured by Net Debt/LTM Adjusted EBITDA, stood at 4.0x at the end of the 2Q15, compared to 3.9x in the 2Q14 and 4.0x in the 1Q15. Due to the strong Real devaluation in the recent quarters, Magnesita's leverage is still impacted by debt being marked by the closing exchange rate, while EBITDA is marked by the average for period. Translating the foreign denominated debt by the same exchange rate of the EBITDA, leverage would stand at 3.7x in the 2Q15, compared to 4.0x in 2Q14 and 1Q15 in 3.5x.

While recognizing that current leverage ratio is not ideal, Magnesita highlights the overall strength of its capital structure and very comfortable liquidity position. The R\$838.0 million cash balance in the end of the quarter was sufficient to cover the amortization needs for the next 5 years, and only 10.6% of total debt matures in the short term. In addition, the Company has a perpetual bond of US\$250 million, which represents approximately 46% of the net debt, while the remaining long-term debt has an average maturity of around 4 years. Excluding the perpetual, leverage would be 2.1x at the end of the quarter.

## CAPEX

CAPEX in the 2Q15 amounted to R\$51.4 million, up 25.2% when compared to the R\$41.0 million invested in the same period of last year. In the 1H15, CAPEX amounted to R\$85.5 million, 33.0% higher than the 1H14. The increase in both periods was mainly driven by the currency translation effect on investments in foreign currency, as well as investments in IT, safety and environment.

In the LTM 2Q15, CAPEX totaled R\$198.0 million, down 5.4% over the previous period, mainly due to the interruption of investments in mining projects and lower capex related to expansion and productivity gains, which more than offset the increase in IT investments, legal requirements and the currency translation effect on investments in foreign currency.

CAPEX	Quarter			Var. %		Half Year			Var. %		Accumulated LTM		Var. %	
	2Q15 (a)	1Q15 (b)	2Q14 (c)	a/b	a/c	1H15 (d)	1H14 (e)	d/e			2Q15 (f)	2Q14 (g)	f/g	
Maintenance	33.7	20.4	23.0	65.0%	46.5%	54.1	33.6	61.2%			122.4	101.9	20.1%	
Expansion / Productivity Gains	2.7	2.3	4.1	14.1%	-35.2%	5.0	6.2	-19.2%			14.1	39.1	-64.0%	
IT (Information Technology)	7.2	7.8	7.2	-7.5%	0.5%	15.1	10.9	38.6%			41.3	32.7	26.2%	
Legal (Safety and Environment)	5.4	2.8	0.0	91.9%	n/a	8.2	0.0	n/a			8.2	0.0	n/a	
Project Mining	2.4	0.7	6.7	226.4%	-64.4%	3.1	13.7	-77.1%			12.0	35.5	-66.1%	
<b>Total CAPEX</b>	<b>51.4</b>	<b>34.1</b>	<b>41.0</b>	<b>50.6%</b>	<b>25.2%</b>	<b>85.5</b>	<b>64.3</b>	<b>33.0%</b>			<b>198.0</b>	<b>209.3</b>	<b>-5.4%</b>	

## **CAPITAL MARKETS**

Magnesita's shares (Novo Mercado: MAGG3 | OTCQX: MFRSY) were quoted at R\$2.80 at the end of the 2Q15, appreciating 35.3% year-to-date. During the period, the Ibovespa appreciated by 6.1%, closing the quarter at 53,081 points.

The average daily trading volume in the semester was 592 thousand shares and R\$1.5 million. Magnesita's market capitalization at quarter-end was R\$793.2 million.

## **SUBSEQUENT EVENT - *2020 Senior Notes Tender Offer***

In August 2015, Magnesita announced to the market that, through its US subsidiary Magnesita Refractories Company, the Company acquired most of its long-term debt maturing in 2020. The aggregate amount of the acquisition was US\$222 million, representing approximately 77% of the outstanding 2020 Senior Notes. In connection with this acquisition, Magnesita Refractories Company amended the indenture governing the Notes, which substantially eliminated all restrictive covenants, as well as several events of default.

### ***Adjustments / changes due to a revision in accounting practices***

#### ***Discontinuation of Shanxi LWB Taigang Refractories Company Ltd. "LTR" (Note 1 of DFP from 12/31/2013)***

*Since 3Q13, Magnesita ceased to exercise control over LTR (joint venture in China). Thus, it ceased to consolidate, as well as to recognize equity in that quarter. For comparison purposes, LTR numbers for the year 2013, thus impacting the comparison with the last twelve months of the 1Q14 ("1Q14 LTM") were disregarded in the sector analysis (volume, revenues and margin by sector), to avoid distorting the comparison.*

### ***Changes in segment information***

*In the 4Q14, the Company implemented new changes in the information per segment. These adjustments are intended to better classify distributors or intermediaries with clear end segment that were not allocated consistently. Thus, historical information was also reclassified so that the comparison with the current data is consistent.*

*Given the wide range of products sold within the minerals division, from high value-added products, such as talc, to low-value products such as by-products, and the resulting high dispersion in prices of these products, the Company ceased disclosing sales volumes of the Minerals segment from the 4Q14 onwards.*

### ***Other restatements***

*In the 4Q13, the Company reassessed the presentation of international freight, which was previously deducted directly from net income and is now being resubmitted in selling expenses, and profit sharing, which was previously fully classified in general and administrative expenses, is now being resubmitted in cost of sales and services, selling expenses and general and administrative expenses.*



**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 refractory market leader in the Americas, and its products were sold to more than 100 countries in 2014.*

### **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)	06/30/15	03/31/15	06/30/14
<b>ASSETS</b>			
Current	2,609.7	2,762.5	2,364.8
Cash and cash equivalents	838.0	969.1	803.5
Accounts receivable	551.2	584.3	577.9
Inventories	1,055.1	1,039.0	773.9
Recoverable taxes	121.3	136.6	173.3
Others	44.1	33.4	36.1
Long term	4,204.5	4,200.0	3,797.9
Deferred income and social contribution taxes	37.5	38.4	9.8
Others	83.8	82.9	38.7
Investments	68.8	69.4	73.3
Property, plant and equipment	1,397.7	1,388.7	1,209.0
Intangibles	2,616.6	2,620.6	2,467.0
<b>Total Assets</b>	<b>6,814.2</b>	<b>6,962.5</b>	<b>6,162.7</b>
<b>LIABILITIES</b>			
Current	1,201.9	1,275.0	793.2
Suppliers	631.5	662.4	373.0
Loans	271.1	306.6	155.2
Salaries and social charges	133.8	128.4	96.7
Taxes and contributions	69.0	72.0	66.8
Others	96.6	105.7	101.5
Long term liabilities	2,691.4	2,765.7	2,460.1
Loans	2,276.1	2,368.8	2,132.7
Deferred tax and contributions	14.0	10.6	57.3
Severance payment	321.9	323.0	214.9
Provision for contingencies	47.5	45.3	41.3
Others	32.0	18.0	13.9
Shareholder's equity	2,920.8	2,921.9	2,909.4
Capital	2,528.1	2,528.1	2,528.1
Capital and revenue reserves	216.4	216.1	258.1
Profit reserves	23.2	23.2	119.0
Retained earnings (losses)	-15.5	-27.1	-3.1
Other comprehensive income	173.6	165.8	29.3
Shares buyback	-23.4	-2.1	-39.4
Non- controlling interests	18.3	17.9	17.4
<b>Total liabilities and Shareholder's equity</b>	<b>6,814.2</b>	<b>6,962.5</b>	<b>6,162.7</b>
Total number of shares outstanding (million)	279.9	283.0	286.9
Book Value Per Share*	10.44	10.33	10.14

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

## APPENDIX II - CONSOLIDATED INCOME STATEMENT

As per Brazilian Corporate Law (R\$ million)	Quarter			Var. %		Half Year			Var. %		Accumulated LTM		Var. %	
	2Q15 (a)	1Q15 (b)	2Q14 (c)	a/b	a/c	1H15 (d)	1H14 (e)	d/e			2Q15 (f)	2Q14 (g)	f/g	
Net operating revenues	790.7	806.2	720.1	-1.9%	9.8%	1,596.9	1,439.5	10.9%			3,029.4	2,822.8	7.3%	
Cost of goods sold	-545.4	-537.7	-500.0	1.4%	9.1%	-1,083.0	-988.3	9.6%			-2,084.2	-1,938.8	7.5%	
Gross profit	245.4	268.5	220.1	-8.6%	11.5%	513.9	451.2	13.9%			945.2	884.0	6.9%	
Gross margin (%)	31.0%	33.3%	30.6%	-230 bp	50 bp	32.2%	31.3%	80 bp			31.2%	31.3%	-10 bp	
Selling expenses	-111.8	-106.8	-99.7	4.7%	12.1%	-218.5	-205.9	6.1%			-421.1	-401.0	5.0%	
General and administrative expenses	-69.9	-61.2	-57.9	14.2%	20.6%	-131.0	-114.2	14.7%			-251.9	-241.6	4.3%	
Other operating income /expenses	-1.7	-10.2	-1.5	-83.2%	17.2%	-11.9	-6.7	79.4%			-114.8	13.9	-925.2%	
Equity pickup	-0.3	0.5	0.2	-163.1%	-238.1%	0.2	0.2	-19.3%			1.1	0.8	38.5%	
Operating profit (EBIT)	61.7	90.8	61.3	-32.0%	0.7%	152.6	124.6	22.4%			158.5	256.1	-38.1%	
Operating margin (%)	7.8%	11.3%	8.5%	-350 bp	-70 bp	9.6%	8.7%	90 bp			5.2%	9.1%	-380 bp	
Net financial result	-36.0	-97.2	-49.3	-62.9%	-26.9%	-133.2	-118.2	12.7%			-279.7	-222.1	25.9%	
Financial income / expenses	-52.8	-1.1	-42.1	4511.3%	25.5%	-54.0	-84.3	-36.0%			-162.7	-164.8	-1.3%	
Other financial income / expenses	-1.7	-5.2	-3.3	-67.1%	-48.0%	-6.9	-2.6	167.0%			14.2	-2.2	-755.9%	
Net currency variation	18.5	-90.8	-3.9	-120.4%	-572.4%	-72.3	-31.2	131.5%			-131.3	-55.1	138.1%	
Income before income tax and social contrib.	25.7	-6.4	12.0	-504.9%	114.7%	19.4	6.5	198.6%			-121.2	34.0	-456.7%	
Income tax and social contribution	-13.7	-20.5	2.4	-32.9%	-682.0%	-34.2	-8.8	290.9%			11.6	-27.8	-141.7%	
Net income (losses)	12.0	-26.8	14.3	-144.6%	-16.5%	-14.9	-2.3	555.0%			-109.6	6.1	-1886.6%	
Net margin (%)	1.5%	-3.3%	2.0%	480 bp	-50 bp	-0.9%	-0.2%	-80 bp			-3.6%	0.2%	-380 bp	
Earnings per share (R\$)	0.04	-0.10	0.05	-143.4%	-11.9%	-0.02	-0.01	42.8%			-0.38	0.02	-2176.1%	
Depreciation/amortization	41.2	40.5	34.1	1.6%	20.6%	81.7	69.3	17.9%			152.0	132.3	14.9%	
EBITDA	102.9	131.3	95.4	-21.6%	7.8%	234.2	193.9	20.8%			310.5	388.3	-20.0%	
EBITDA margin (%)	13.0%	16.3%	13.2%	-330 bp	-20 bp	14.7%	13.5%	120 bp			10.2%	13.8%	-350 bp	
Adjusted EBITDA <sup>1</sup>	104.6	141.5	96.9	-26.1%	8.0%	246.1	200.6	22.7%			432.3	379.1	14.0%	
Adjusted EBITDA margin (%)	13.2%	17.6%	13.5%	-430 bp	-20 bp	15.4%	13.9%	150 bp			14.3%	13.4%	80 bp	

<sup>1</sup> Excluding other income and expenses

### APPENDIX III - CONSOLIDATED CASH FLOW

As per Brazilian Corporate Law (R\$ million)	2Q15 (a)	1Q15 (b)	2Q14 (c)	a/b	a/c	1H15 (d)	1H14 (e)	d/e
<b>Cash flow from operating activities:</b>								
<b>Net income (losses)</b>	<b>12.0</b>	<b>-26.8</b>	<b>14.3</b>	<b>-144.6%</b>	<b>-16.5%</b>	<b>-14.9</b>	<b>-2.3</b>	<b>555.0%</b>
<b>Adjustments</b>								
Charges and monetary/exchange variations, net	-18.5	90.8	-39.7	-120.4%	-53.4%	72.3	-65.1	-211.1%
Interest charge	66.0	54.2	49.9	21.8%	32.2%	120.3	101.9	18.0%
Depreciation and depletion	39.1	38.5	32.4	1.6%	20.7%	77.6	65.9	17.9%
Intangible amortization	2.0	2.0	1.7	0.6%	19.4%	4.0	3.4	18.8%
Deferred income tax and social contribution	3.8	1.7	-19.4	125.9%	-119.6%	5.5	-19.7	-127.7%
Derivatives - fair value swap	-57.7	52.5	-3.5	-209.9%	1546.6%	-5.2	-3.5	48.6%
Stock Option	0.3	2.4	1.7	-88.0%	-82.9%	2.7	3.5	-21.7%
Minority interests	-0.3	-0.3	-0.8	23.0%	-57.7%	-0.6	-0.9	-30.4%
Equity pickup	0.3	-0.5	-0.2	-163.1%	-238.1%	-0.2	-0.2	-19.3%
Provision for losses on inventory and accounts receivable	12.9	0.1	-5.6	14713.8%	-329.2%	13.0	-5.6	-330.8%
	<b>59.8</b>	<b>214.7</b>	<b>30.9</b>	<b>-72.1%</b>	<b>93.9%</b>	<b>274.5</b>	<b>77.3</b>	<b>255.0%</b>
<b>Change in assets and liabilities</b>								
Accounts receivable	21.1	-10.1	30.9	-309.8%	-31.6%	11.1	28.2	-60.7%
Inventories	-30.8	-84.6	24.3	-63.6%	-226.6%	-115.4	-10.7	978.8%
Taxes recoverable	12.0	-12.9	3.6	-192.5%	228.3%	-1.0	12.2	-107.9%
Suppliers	-27.8	62.4	-11.1	-144.6%	151.4%	34.6	-39.1	-188.4%
Accrued taxes	-3.0	14.5	5.8	-120.6%	-151.9%	11.5	20.7	-44.6%
Dividends/interests on equity payable	0.0	0.0	-12.1	-100.1%	-100.1%	0.0	-12.1	-100.1%
Others	20.2	48.6	-11.1	-58.4%	-282.4%	68.8	-6.2	-1207.4%
	<b>-8.3</b>	<b>17.8</b>	<b>30.4</b>	<b>-146.5%</b>	<b>-127.3%</b>	<b>9.5</b>	<b>-7.0</b>	<b>-236.7%</b>
<b>Net cash provided from (used in) operating activities</b>	<b>51.5</b>	<b>232.5</b>	<b>61.3</b>	<b>-77.8%</b>	<b>-15.9%</b>	<b>284.1</b>	<b>70.3</b>	<b>303.9%</b>
<b>Cash flow from investing activities</b>								
Securities and other investments	2.8	-3.8	-0.4	-175.1%	-891.6%	-0.9	-12.2	-92.3%
Disposal of property, plant and equipment	1.0	1.6	1.5	-35.5%	-34.7%	2.6	2.9	-12.5%
Additions of fixed, investments and intangible assets	-50.8	-35.5	-38.2	43.0%	32.9%	-86.3	-63.7	35.4%
<b>Net cash provided from (used in) investing activities</b>	<b>-46.9</b>	<b>-37.7</b>	<b>-37.0</b>	<b>24.4%</b>	<b>26.8%</b>	<b>-84.6</b>	<b>-73.0</b>	<b>16.0%</b>
<b>Cash flows from financing activities</b>								
New loans and financing	10.4	0.0	16.2	-35.7%		10.4	29.6	-64.8%
Payment of loans and financing	-47.7	-157.3	-7.6	-69.7%	527.2%	-205.0	-54.4	276.6%
Payment of loans and financing - interest	-75.3	-53.3	-43.2	41.3%	74.2%	-128.5	-106.2	21.1%
Shares in treasury	-21.2	-2.2	-6.4	886.8%	229.9%	-23.4	-19.6	19.6%
<b>Net cash provided from (used in) financing activities</b>	<b>-133.8</b>	<b>-212.7</b>	<b>-41.0</b>	<b>-37.1%</b>	<b>226.1%</b>	<b>-346.5</b>	<b>-150.5</b>	<b>130.2%</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>-129.2</b>	<b>-17.9</b>	<b>-16.8</b>	<b>620.9%</b>	<b>669.9%</b>	<b>-147.1</b>	<b>-153.2</b>	<b>-4.0%</b>
Exchange variations - opening balance	-2.4	73.1	1.3	-103.3%	-281.9%	70.7	-16.3	-534.7%
<b>Opening balance of cash and equivalents</b>	<b>942.5</b>	<b>887.4</b>	<b>795.1</b>	<b>6.2%</b>	<b>18.5%</b>	<b>887.4</b>	<b>949.1</b>	<b>-6.5%</b>
<b>Closing balance - cash and equivalents</b>	<b>810.9</b>	<b>942.5</b>	<b>779.7</b>	<b>-14.0%</b>	<b>4.0%</b>	<b>810.9</b>	<b>779.7</b>	<b>4.0%</b>

## APPENDIX IV - HISTORICAL INFORMATION BY SEGMENT

Refractory Solutions - Total	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15
Volume ('000 ton)	245.3	251.3	236.5	260.2	254.4	267.4	261.5	251.0	255.7	239.1
Revenues (R\$ million)	544.3	562.4	576.6	650.1	641.1	643.5	634.9	642.6	712.1	697.5
Gross Profit (R\$ million)	192.8	195.2	186.2	203.0	212.2	199.3	206.0	183.5	242.5	219.5
Gross Margin (%)	35.4%	34.7%	32.3%	31.2%	33.1%	31.0%	32.4%	28.5%	34.1%	31.5%
Refractory Solutions - Steel	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15
Volume ('000 ton)	198.6	216.4	205.8	218.2	211.4	235.0	219.9	216.6	209.7	209.5
Revenues (R\$ million)	427.4	468.0	492.8	529.9	515.6	555.3	523.6	544.6	570.5	597.7
Refractory Solutions - Industrial	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15
Volume ('000 ton)	46.7	34.9	30.7	42.0	43.0	32.4	41.6	34.4	46.0	29.6
Revenues (R\$ million)	117.0	94.3	83.9	120.2	125.5	88.2	111.3	98.0	141.6	99.8
Minerals	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15
Revenues (R\$ million)	28.5	38.1	38.3	53.9	39.4	34.3	38.9	32.3	44.1	45.2
Gross Profit (R\$ million)	11.8	18.0	15.7	18.3	12.3	12.0	13.5	10.8	13.9	17.8
Gross Margin (%)	41.5%	47.2%	40.9%	34.0%	31.2%	34.8%	34.8%	33.4%	31.6%	39.4%
Services	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15
Revenues (R\$ million)	28.8	29.3	30.5	32.1	38.9	42.3	40.9	43.0	50.0	48.0
Gross Profit (R\$ million)	3.3	4.3	4.5	5.0	6.6	8.9	10.5	7.1	12.1	8.1
Gross Margin (%)	11.4%	14.5%	14.8%	15.6%	16.9%	21.1%	25.6%	16.4%	24.2%	16.9%
CONSOLIDATED	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15
Revenues (R\$ million)	601.7	629.7	645.5	736.1	719.4	720.1	714.7	717.8	806.2	790.7
Gross Profit (R\$ million)	208.0	217.4	206.4	226.3	231.1	220.1	230.0	201.3	268.5	245.4
Gross Margin (%)	34.6%	34.5%	32.0%	30.7%	32.1%	30.6%	32.2%	28.0%	33.3%	31.0%

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A free translation from Portuguese into English of Independent Auditor's Review Report on Individual and Consolidated Interim Financial Information prepared in Brazilian currency in accordance with CPC 21 (R1) and International Standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, and presented in accordance with the rules issued by the Brazilian Securities and Exchange Commission (CVM), applicable to the preparation of Quarterly Financial Information (ITR)

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

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

### Introduction

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

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

### Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



## **Conclusion**

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

## **Other matters**

### **Statements of value added**

We have also reviewed the individual and consolidated statements of value added (SVA) for the six-month period ended June 30, 2015, prepared under the responsibility of Company management, the presentation of which in the interim information is required by the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to preparation of Quarterly Information (ITR), and as supplementary information under the IFRS, which do not require SVA presentation. These statements have been subject to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that they are not prepared, in all material respects, consistently with the overall individual and consolidated interim financial information.

Belo Horizonte, August 5, 2015.

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

Tomas Menezes  
Accountant CRC-1MG090648/O-0

Luciana Ferreira Barbosa  
Accountant CRC-1MG068775/O-9

## Individual financial statements / Balance sheets - Assets

(In thousands of reais)

Account code	Account description	Current quarter 06/30/2015	Prior year 12/31/2014
1	Total assets	5,050,433	4,833,790
1.01	Current assets	1,120,524	1,011,008
1.01.01	Cash and cash equivalents	323,646	102,766
1.01.02	Short-term investments	27,044	26,100
1.01.02.01	Short-term investments at fair value	27,044	26,100
1.01.02.01.01	Trading securities	27,044	26,100
1.01.03	Receivables	347,620	485,198
1.01.03.01	Trade accounts receivable	345,866	482,511
1.01.03.01.01	Domestic trade accounts receivable	130,378	128,493
1.01.03.01.02	Foreign trade accounts receivable	215,988	360,987
1.01.03.01.03	Allowance for doubtful accounts	(17,099)	(19,692)
1.01.03.01.04	Unbilled measurements	16,599	12,723
1.01.03.02	Other accounts receivable	1,754	2,687
1.01.03.02.01	Receivables for sale of property	1,754	2,687
1.01.04	Inventories	356,009	318,461
1.01.06	Taxes recoverable	41,245	54,606
1.01.06.01	Current taxes recoverable	41,245	54,606
1.01.06.01.01	Income taxes recoverable	18,575	4,216
1.01.06.01.02	Other taxes recoverable	22,670	50,390
1.01.07	Prepaid expenses	6,178	-
1.01.08	Other current assets	18,782	23,877
1.01.08.03	Other	18,782	23,877
1.02	Noncurrent assets	3,929,909	3,822,782
1.02.01	Long-term receivables	139,544	129,232
1.02.01.03	Receivables	6,159	6,410
1.02.01.03.02	Other accounts receivable	6,159	6,410
1.02.01.06	Deferred taxes	-	485
1.02.01.08	Receivables from related parties	60,742	58,052
1.02.01.08.02	Receivables from subsidiaries	60,742	58,052
1.02.01.09	Other noncurrent assets	72,643	64,285
1.02.01.09.04	Judicial deposits	16,468	15,007
1.02.01.09.05	Other	56,175	49,278
1.02.02	Investments	1,954,067	1,894,130
1.02.02.01	Equity interest	1,893,234	1,833,297
1.02.02.01.02	Investments in subsidiaries	1,892,865	1,832,935
1.02.02.01.04	Other equity interests	369	362
1.02.02.02	Investment properties	60,833	60,833
1.02.03	Property, plant and equipment	753,900	714,613
1.02.03.01	Property, plant and equipment in use	572,226	519,699
1.02.03.03	Construction in progress	181,674	194,914
1.02.04	Intangible assets	1,082,398	1,084,807
1.02.04.01	Intangible assets	1,082,398	1,084,807
1.02.04.01.02	Software and other items	38,744	41,153
1.02.04.01.03	Goodwill	1,043,654	1,043,654

## Individual financial statements / Balance sheets – Liabilities

(In thousands of reais)

Account code	Account description	Current quarter 06/30/2015	Prior year 12/31/2014
2	Total liabilities	5,050,433	4,833,790
2.01	Current liabilities	613,234	563,391
2.01.01	Labor and social charges	68,738	58,227
2.01.01.01	Social charges	39,733	33,031
2.01.01.02	Labor charges	29,005	25,196
2.01.02	Trade accounts payable	197,021	167,983
2.01.02.01	Domestic trade accounts payable	181,004	98,502
2.01.02.02	Foreign trade accounts payable	16,017	69,481
2.01.03	Tax liabilities	18,649	18,793
2.01.03.01	Federal tax liabilities	8,558	9,397
2.01.03.01.02	Other federal tax liabilities	8,558	9,397
2.01.03.02	State tax liabilities	9,655	8,825
2.01.03.03	Local tax liabilities	436	571
2.01.04	Loans and financing	179,607	205,238
2.01.04.01	Loans and financing	179,607	205,238
2.01.04.01.01	In local currency	162,917	197,027
2.01.04.01.02	In foreign currency	16,690	8,211
2.01.05	Other liabilities	149,219	113,150
2.01.05.02	Other	149,219	113,150
2.01.05.02.01	Dividends and interest on equity (IOE) payable	352	353
2.01.05.02.05	Accounts payable for investment acquisition	21,035	23,140
2.01.05.02.06	Accounts payable – forfeiting transactions	93,672	58,171
2.01.05.02.07	Other liabilities	34,160	31,486
2.02	Noncurrent liabilities	1,534,738	1,394,031
2.02.01	Loans and financing	1,380,120	1,266,849
2.02.01.01	Loans and financing	1,380,120	1,266,849
2.02.01.01.01	In local currency	604,470	602,799
2.02.01.01.02	In foreign currency	775,650	664,050
2.02.02	Other liabilities	107,239	88,640
2.02.02.02	Other	107,239	88,640
2.02.02.02.03	Post-employment obligations	92,739	88,640
2.02.02.02.04	Other liabilities	14,500	-
2.02.03	Deferred taxes	5,251	-
2.02.03.01	Deferred income and social contribution taxes	5,251	-
2.02.04	Provisions	42,128	38,542
2.02.04.01	Provisions for tax, social security, labor and civil contingencies	42,128	38,542
2.02.04.01.01	Provisions for tax contingencies	12,434	12,149
2.02.04.01.02	Provisions for social security and labor contingencies	28,649	26,266
2.02.04.01.04	Provisions for civil contingencies	1,045	127
2.03	Equity	2,902,461	2,876,368
2.03.01	Paid-in capital	2,528,146	2,528,146
2.03.02	Capital reserves	192,976	213,649
2.03.02.02	Special goodwill reserve from merger	88,874	88,874
2.03.02.04	Stock options granted	46,571	43,855
2.03.02.05	Treasury shares	(23,389)	-
2.03.02.07	Special reserve - Law No. 8200/91	5,973	5,973

## Individual financial statements / Balance sheets – Liabilities

(In thousands of reais)

Account code	Account description	Current quarter 06/30/2015	Prior year 12/31/2014
2.03.02.08	Share issue reserve	92,173	92,173
2.03.02.09	Share issue cost	(17,226)	(17,226)
2.03.04	Income reserves	23,199	23,199
2.03.04.01	Legal reserve	8,290	8,290
2.03.04.05	Retained earnings reserve	14,909	14,909
2.03.05	Retained earnings/(Accumulated losses)	(15,454)	0
2.03.08	Other comprehensive income (loss)	173,594	111,374

## Individual financial statements / Statements of operations

(In thousands of reais)

Account code	Account description	Current quarter	YTD – current year	Same quarter of prior year	YTD – prior year
		04/01/2015 to 06/30/2015	01/01/2015 to 06/30/2015	04/01/2014 to 06/30/2014	01/01/2014 to 06/30/2014
3.01	Sales and service revenue	339,996	732,490	341,841	677,090
3.02	Cost of sales	(236,084)	(497,483)	(242,138)	(473,655)
3.03	Gross profit	103,912	235,007	99,703	203,435
3.04	Operating income/(expenses)	(66,984)	(173,253)	(59,685)	(152,719)
3.04.01	Selling expenses	(40,779)	(82,388)	(44,783)	(94,300)
3.04.02	General and administrative expenses	(37,092)	(69,289)	(34,190)	(66,101)
3.04.04	Other operating income	7,473	13,966	4,116	7,051
3.04.05	Other operating expenses	(8,743)	(15,398)	(9,013)	(14,731)
3.04.06	Equity pickup	12,157	(20,144)	24,185	15,362
3.05	Income before financial income/(expenses) and taxes	36,928	61,754	40,018	50,716
3.06	Financial income (expenses)	(24,226)	(71,472)	(31,061)	(61,580)
3.06.01	Financial income	(5,177)	135,476	(12,163)	(23,452)
3.06.01.01	Monetary and exchange gains	(13,231)	70,294	(15,786)	(35,955)
3.06.01.02	Gains from short-term investments	7,829	64,332	3,195	11,556
3.06.01.03	Other income	225	850	428	947
3.06.02	Financial expenses	(19,049)	(206,948)	(18,898)	(38,128)
3.06.02.01	Monetary and exchange losses	26,319	(122,107)	10,833	25,260
3.06.02.02	Interest on loans	(40,382)	(79,063)	(28,100)	(60,694)
3.06.02.03	Other	(4,986)	(5,778)	(1,631)	(2,694)
3.07	Income before income taxes	12,702	(9,718)	8,957	(10,864)
3.08	Income and social contribution taxes	(1,056)	(5,736)	4,594	7,731
3.08.01	Current	2,177	0	0	0
3.08.02	Deferred	(3,233)	(5,736)	4,594	7,731
3.09	Net income/(loss) from continuing operations	11,646	(15,454)	13,551	(3,133)
3.11	Income/loss for the period	11,646	(15,454)	13,551	(3,133)
3.99	Earnings per share (Reais / share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares (ON)	0.04	-0.06	0.04	-0.01

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

Account code	Account description	Current quarter 04/01/2015 to 06/30/2015	YTD – current year 01/01/2015 to 06/30/2015	Same quarter of prior year 04/01/2014 to 06/30/2014	YTD – prior year 01/01/2014 to 06/30/2014
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares (ON)	0.04	-0.06	0.04	-0.01

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

Account code	Account description	Current quarter	YTD – current year	Same quarter of prior year	YTD – prior year
		04/01/2015 to 06/30/2015	01/01/2015 to 06/30/2015	04/01/2014 to 06/30/2014	01/01/2014 to 06/30/2014
4.01	Net income/(loss) for the period	11,646	(15,454)	13,551	(3,133)
4.02	Other comprehensive income (loss)	7,796	62,220	(47,792)	(93,168)
4.02.01	Exchange gains/(losses) ( subsidiaries abroad	7,796	62,220	(47,792)	(93,168)
4.03	Comprehensive income (loss) for the period	19,442	46,766	(34,241)	(96,301)

## Individual Financial Statements / Cash flow statements - Indirect method

(In thousands of reais)

Account code	Account description	YTD – current year 01/01/2015 to 06/30/2015	YTD – prior year 01/01/2014 to 06/30/2014
6.01	Net cash from operating activities	407,919	7,549
6.01.01	Cash from operations	172,506	37,910
6.01.01.01	Income/(loss) for the year	(15,454)	(3,133)
6.01.01.02	Interest charges	79,063	61,736
6.01.01.03	Monetary restatements and exchange rate fluctuations, net	51,813	(30,118)
6.01.01.04	Depreciation	32,641	25,859
6.01.01.05	Amortization	3,670	3,191
6.01.01.06	Equity pickup	20,144	(15,362)
6.01.01.07	Deferred income and social contribution taxes	5,736	(7,731)
6.01.01.08	Stock options	2,716	3,468
6.01.01.09	Derivative instruments - swap fair value	(5,211)	-
6.01.01.10	Provision for obsolete inventories	(19)	-
6.01.01.11	Allowance for doubtful accounts	(2,593)	-
6.01.02	Changes in assets and liabilities	235,413	(30,361)
6.01.02.01	Trade accounts receivable	190,263	6,625
6.01.02.02	Inventories	(37,529)	(5,289)
6.01.02.03	Taxes recoverable	13,360	7,069
6.01.02.04	Trade accounts payable	17,854	(28,844)
6.01.02.05	Taxes payable	(144)	879
6.01.02.06	Dividends/interest on equity	-	(11,716)
6.01.02.07	Obligations arising from purchases of raw materials	35,501	-
6.01.02.08	Other	16,108	915
6.02	Net cash from investing activities	(58,537)	(241,958)
6.02.01	Disposal of PP&E, investments and intangible assets	134	6
6.02.02	Additions to PP&E and intangible assets	(58,828)	(43,273)
6.02.03	Capital contribution in subsidiary	(720)	(187,772)
6.02.04	Marketable securities	(944)	(12,228)
6.02.05	Receivables for sale of property, plant and equipment	1,184	1,309
6.02.06	Dividends received	637	-
6.03	Net cash from financing activities	(128,502)	(77,476)
6.03.01	Loans and financing raised	10,430	12,184
6.03.02	Repayment of loans and financing	(50,268)	(6,719)
6.03.03	Interest paid - loans and financing	(65,275)	(63,385)
6.03.04	Treasury shares	(23,389)	(19,556)
6.05	Increase (decrease) in cash and cash equivalents	220,880	(311,885)
6.05.01	Cash and cash equivalents – opening balance	102,766	719,976
6.05.02	Cash and cash equivalents – closing balance	323,646	408,091



## Individual financial statements / Statements of changes in equity (SCE) - 01/01/2015 to 06/30/2015

(In thousands of reais)

Account code	Account description	Paid-in capital	Capital reserves, stock options granted and treasury shares	Income reserves	Retained earnings/ (Accumulated losses)	Other comprehensive income (loss)	Equity
5.01	Opening balances	2,528,146	213,649	23,199	-	111,374	2,876,368
5.03	Adjusted opening balances	2,528,146	213,649	23,199	-	111,374	2,876,368
5.04	Capital transactions with shareholders	-	(20,673)	-	-	-	(20,673)
5.04.03	Stock options granted and recognized	-	2,716	-	-	-	2,716
5.04.04	Treasury shares purchased	-	(23,389)	-	-	-	(23,389)
5.05	Total comprehensive income/(loss)	-	-	-	(15,454)	62,220	46,766
5.05.01	Net income/(loss) for the period	-	-	-	(15,454)	-	(15,454)
5.05.02	Other comprehensive income (loss)	-	-	-	-	62,220	62,220
5.05.02.06	Exchange gains from (losses on) foreign investments	-	-	-	-	62,220	62,220
5.07	Closing balances	2,528,146	192,976	23,199	(15,454)	173,594	2,902,461

## Individual financial statements / Statements of changes in equity (SCE) - 01/01/2014 to 06/30/2014

(In thousands of reais)

Account code	Account description	Paid-in capital	Capital reserves, stock options granted and treasury shares	Income reserves	Retained earnings/ (Accumulated losses)	Other comprehensive income (loss)	Equity
5.01	Opening balances	2,528,146	234,794	119,008	-	122,492	3,004,440
5.03	Adjusted opening balances	2,528,146	234,794	119,008	-	122,492	3,004,440
5.04	Capital transactions with shareholders	-	(16,088)	-	-	-	(16,088)
5.04.03	Stock options granted and recognized	-	3,468	-	-	-	3,468
5.04.04	Treasury shares purchased	-	(19,556)	-	-	-	(19,556)
5.05	Total comprehensive income/(loss)	-	-	-	(3,133)	(93,168)	(96,301)
5.05.01	Net income/(loss) for the period	-	-	-	(3,133)	-	(3,133)
5.05.02	Other comprehensive income (loss)	-	-	-	-	(93,168)	(93,168)
5.05.02.06	Exchange gains from (losses on) foreign investments	-	-	-	-	(93,168)	(93,168)
5.07	Closing balances	2,528,146	218,706	119,008	(3,133)	29,324	2,892,051

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

<b>Account code</b>	<b>Account description</b>	<b>YTD – current year 01/01/2015 to 06/30/2015</b>	<b>YTD – prior year 01/01/2014 to 06/30/2014</b>
7.01	Turnover	959,738	877,170
7.01.01	Sales	908,494	847,908
7.01.02	Other turnover	13,966	1,565
7.01.03	Turnover from construction of own assets	34,685	27,697
7.01.04	Allowance for/reversal of doubtful accounts	2,593	-
7.02	Bought-in inputs	(641,784)	(619,496)
7.02.01	Cost of sales	(448,433)	(436,004)
7.02.02	Bought-in materials, energy and services and others	(193,351)	(183,492)
7.03	Gross value added	317,954	257,674
7.04	Retention	(36,311)	(29,050)
7.04.01	Depreciation, amortization and depletion	(36,311)	(29,050)
7.05	Net value added generated	281,643	228,624
7.06	Value added received in transfer	115,332	(8,090)
7.06.01	Equity pickup	(20,144)	15,362
7.06.02	Financial turnover	135,476	(23,452)
7.07	Total value added payable	396,975	220,534
7.08	Payment of value added	396,975	220,534
7.08.01	Personnel	169,271	167,287
7.08.02	Taxes, charges and contributions	29,260	11,234
7.08.03	Debt remuneration	213,898	45,146
7.08.03.01	Interest	79,063	60,694
7.08.03.02	Rents	6,950	7,018
7.08.03.03	Other	127,885	(22,566)
7.08.04	Equity remuneration	(15,454)	(3,133)
7.08.04.03	Retained earnings (accumulated losses) for the period	(15,454)	(3,133)

## Consolidated financial statements - Balance sheets - Assets

(In thousands of reais)

Account code	Account description	Current quarter 06/30/2015	Prior year 12/31/2014
1	Total assets	6,814,164	6,608,145
1.01	Current assets	2,609,668	2,556,562
1.01.01	Cash and cash equivalents	810,931	887,374
1.01.02	Short-term investments	27,044	26,100
1.01.02.01	Short-term investments at fair value	27,044	26,100
1.01.02.01.01	Trading securities	27,044	26,100
1.01.03	Receivables	552,999	518,241
1.01.03.01	Trade accounts receivable	551,245	515,554
1.01.03.01.01	Domestic trade accounts receivable	146,400	144,192
1.01.03.01.02	Foreign trade accounts receivable	391,336	382,490
1.01.03.01.03	Allowance for doubtful accounts	(28,119)	-23,851
1.01.03.01.04	Unbilled measurements	41,628	12,723
1.01.03.02	Other accounts receivable	1,754	2,687
1.01.03.02.01	Receivables for sale of property	1,754	2,687
1.01.04	Inventories	1,055,082	948,377
1.01.06	Taxes recoverable	121,300	131,118
1.01.06.01	Current taxes recoverable	121,300	131,118
1.01.06.01.01	Income taxes recoverable	42,863	34,876
1.01.06.01.02	Other taxes recoverable	78,437	96,242
1.01.07	Prepaid expenses	16,273	6,868
1.01.08	Other current assets	26,039	38,484
1.01.08.03	Other	26,039	38,484
1.02	Noncurrent assets	4,204,496	4,051,583
1.02.01	Long-term receivables	121,365	104,627
1.02.01.03	Receivables	6,159	6,410
1.02.01.03.02	Other accounts receivable	6,159	6,410
1.02.01.06	Deferred taxes	37,537	32,795
1.02.01.06.01	Deferred income and social contribution taxes	37,537	32,795
1.02.01.09	Other noncurrent assets	77,669	65,422
1.02.01.09.04	Judicial deposits	17,590	16,126
1.02.01.09.05	Other	60,079	49,296
1.02.02	Investments	68,798	68,053
1.02.02.01	Equity interest	7,965	7,220
1.02.02.01.04	Other equity interests	7,965	7,220
1.02.02.02	Investment properties	60,833	60,833
1.02.03	Property, plant and equipment	1,397,690	1,310,611
1.02.03.01	Property, plant and equipment in use	1,179,756	1,087,137
1.02.03.03	Construction in progress	217,934	223,474
1.02.04	Intangible assets	2,616,643	2,568,292
1.02.04.01	Intangible assets	64,269	59,403
1.02.04.02	Goodwill	2,552,374	2,508,889

## Consolidated financial statements / Balance sheets – Liabilities

(In thousands of reais)

Account code	Account description	Current quarter 06/30/2015	Prior year 12/31/2014
2	Total liabilities	6,814,164	6,608,145
2.01	Current liabilities	1,201,927	1,146,659
2.01.01	Labor and social charges	133,790	103,571
2.01.01.01	Social charges	41,076	40,438
2.01.01.02	Labor charges	92,714	63,133
2.01.02	Trade accounts payable	435,323	419,216
2.01.02.01	Domestic trade accounts payable	162,508	102,472
2.01.02.02	Foreign trade accounts payable	272,815	316,744
2.01.03	Tax liabilities	68,982	57,501
2.01.03.01	Federal tax liabilities	42,885	33,430
2.01.03.01.01	Income and social contribution taxes payable	23,030	12,650
2.01.03.01.02	Other federal tax liabilities	19,855	20,780
2.01.03.02	State tax liabilities	25,661	23,500
2.01.03.03	Local tax liabilities	436	571
2.01.04	Loans and financing	271,119	305,220
2.01.04.01	Loans and financing	271,119	305,220
2.01.04.01.01	In local currency	162,917	197,061
2.01.04.01.02	In foreign currency	108,202	108,159
2.01.05	Other liabilities	292,713	261,151
2.01.05.02	Other	292,713	261,151
2.01.05.02.01	Dividends and interest on equity (IOE) payable	660	642
2.01.05.02.05	Accounts payable for investment acquisition	21,035	23,140
2.01.05.02.06	Accounts payable – forfeiting transactions	196,154	166,519
2.01.05.02.07	Other liabilities	74,864	70,850
2.02	Noncurrent liabilities	2,691,448	2,568,609
2.02.01	Loans and financing	2,276,113	2,203,939
2.02.01.01	Loans and financing	2,276,113	2,203,939
2.02.01.01.01	In local currency	604,470	602,799
2.02.01.01.02	In foreign currency	1,671,643	1,601,140
2.02.02	Other liabilities	353,867	317,005
2.02.02.02	Other	353,867	317,005
2.02.02.02.04	Post-employment obligations	321,904	300,169
2.02.02.02.05	Other liabilities	31,963	16,836
2.02.03	Deferred taxes	13,997	8,339
2.02.03.01	Deferred income and social contribution taxes	13,997	8,339
2.02.04	Provisions	47,471	39,326
2.02.04.01	Provisions for tax, social security, labor and civil contingencies	47,471	39,326
2.02.04.01.01	Provisions for tax contingencies	15,841	12,933
2.02.04.01.02	Provisions for social security and labor contingencies	28,770	26,266
2.02.04.01.04	Provisions for civil contingencies	2,860	127
2.03	Consolidated equity	2,920,789	2,892,877
2.03.01	Paid-in capital	2,528,146	2,528,146
2.03.02	Capital reserves	192,976	213,649
2.03.02.02	Special goodwill reserve from merger	88,874	88,874
2.03.02.04	Stock options granted	46,571	43,855
2.03.02.05	Treasury shares	(23,389)	-

**Consolidated financial statements / Balance sheets – Liabilities****(In thousands of reais)**

<b>Account code</b>	<b>Account description</b>	<b>Current quarter 06/30/2015</b>	<b>Prior year 12/31/2014</b>
2.03.02.07	Special reserve - Law No. 8200/91	5,973	5,973
2.03.02.08	Share issue reserve	92,173	92,173
2.03.02.09	Share issue cost	(17,226)	(17,226)
2.03.04	Income reserves	23,199	23,199
2.03.04.01	Legal reserve	8,290	8,290
2.03.04.05	Retained earnings reserve	14,909	14,909
2.03.05	Retained earnings/(Accumulated losses)	(15,454)	-
2.03.08	Other comprehensive income (loss)	173,594	111,374
2.03.09	Noncontrolling interests	18,328	16,509

## Consolidated Financial Statements / Statements of Operations

(In thousands of reais)

Account code	Account description	Current quarter 04/01/2015 to 06/30/2015	YTD – current year 01/01/2015 to 06/30/2015	Same quarter of prior year 04/01/2014 to 06/30/2014	YTD – prior year 01/01/2014 to 06/30/2014
3.01	Sales and service revenue	790,748	1,596,910	720,148	1,439,512
3.02	Cost of sales	(545,352)	(1,083,013)	(500,015)	(988,289)
3.03	Gross profit	245,396	513,897	220,133	451,223
3.04	Operating income/(expenses)	(183,656)	(361,344)	(158,840)	(326,580)
3.04.01	Selling expenses	(111,781)	(218,542)	(99,676)	(205,912)
3.04.02	General and administrative expenses	(69,861)	(131,048)	(57,920)	(114,235)
3.04.04	Other operating income	7,068	17,898	7,780	13,530
3.04.05	Other operating expenses	(8,781)	(29,828)	(9,242)	(20,181)
3.04.06	Equity pickup	(301)	176	218	218
3.05	Income before financial income/(expenses) and taxes	61,740	152,553	61,293	124,643
3.06	Financial income (expenses)	(36,026)	(133,190)	(49,316)	(118,158)
3.06.01	Financial income	(1,957)	170,161	(10,921)	(18,945)
3.06.01.01	Monetary and exchange gains	(20,517)	87,673	(16,350)	(38,870)
3.06.01.02	Gains from short-term investments	8,770	66,267	4,211	13,127
3.06.01.03	Other income	9,790	16,221	1,218	6,798
3.06.02	Financial expenses	(34,069)	(303,351)	(38,395)	(99,213)
3.06.02.01	Monetary and exchange losses	39,045	(159,973)	12,428	7,636
3.06.02.02	Interest on loans	(61,616)	(120,259)	(46,319)	(97,467)
3.06.02.03	Other	(11,498)	(23,119)	(4,504)	(9,382)
3.07	Income before income taxes	25,714	19,363	11,977	6,485
3.08	Income and social contribution taxes	(13,736)	(34,215)	2,360	(8,753)
3.08.01	Current	(9,948)	(28,750)	(17,007)	(28,480)
3.08.02	Deferred	(3,788)	(5,465)	19,367	19,727
3.09	Net income/(loss) from continuing operations	11,978	(14,852)	14,337	(2,268)
3.11	Consolidated income/(loss) for the period	11,978	(14,852)	14,337	(2,268)
3.11.01	Attributable to controlling shareholders	11,646	(15,454)	13,551	(3,133)
3.11.02	Attributable to noncontrolling shareholders	332	602	786	865
3.99	Earnings per share (Reais / share)				

**Consolidated Financial Statements / Statements of Operations****(In thousands of reais)**

<b>Account code</b>	<b>Account description</b>	<b>Current quarter 04/01/2015 to 06/30/2015</b>	<b>YTD – current year 01/01/2015 to 06/30/2015</b>	<b>Same quarter of prior year 04/01/2014 to 06/30/2014</b>	<b>YTD – prior year 01/01/2014 to 06/30/2014</b>
3.99.01	Basic earnings per share				
3.99.01.01	Common shares (ON)	0.04	-0.06	0.04	-0.01
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares (ON)	0.04	-0.06	0.04	-0.01



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

Account code	Account description	Current quarter 04/01/2015 to 06/30/2015	YTD – current year 01/01/2015 to 06/30/2015	Same quarter of prior year 04/01/2014 to 06/30/2014	YTD – prior year 01/01/2014 to 06/30/2014
4.01	Consolidated net income for the period	11,978	(14,852)	14,337	(2,268)
4.02	Other comprehensive income (loss)	7,878	63,437	(50,418)	(96,125)
4.02.01	Exchange gains/(losses) - subsidiaries located abroad	7,878	63,437	(50,418)	(96,125)
4.03	Consolidated comprehensive income/(loss) for the period	19,856	48,585	(36,081)	(98,393)
4.03.01	Attributable to controlling shareholders	19,442	46,766	(34,241)	(96,301)
4.03.02	Attributable to noncontrolling shareholders	414	1,819	(1,840)	(2,092)

## Consolidated Financial Statements / Cash Flow Statements - Indirect Method

(In thousands of reais)

Account code	Account description	Current quarter 06/30/2015	Prior year 12/31/2014
6.01	Net cash from operating activities	284,085	70,343
6.01.01	Cash from operations	274,538	77,327
6.01.01.01	Net income/(loss) for the year	(14,852)	(2,268)
6.01.01.02	Monetary restatements and exchange rate fluctuations, net	72,300	(65,098)
6.01.01.03	Interest charges	120,259	101,903
6.01.01.04	Depreciation and depletion	77,634	65,869
6.01.01.05	Amortization of intangible assets	4,030	3,391
6.01.01.06	Deferred income and social contribution taxes	5,465	(19,727)
6.01.01.07	Stock options	2,716	3,468
6.01.01.08	Noncontrolling interest	(602)	(865)
6.01.01.09	Allowance for doubtful accounts	4,268	(983)
6.01.01.10	Provision for obsolete inventories	8,707	(4,638)
6.01.01.11	Financial instruments - swap fair value	(5,211)	(3,507)
6.01.01.12	Equity pickup	(176)	(218)
6.01.02	Changes in assets and liabilities	9,547	(6,984)
6.01.02.01	Trade accounts receivable	11,066	28,174
6.01.02.02	Inventories	(115,411)	(10,698)
6.01.02.03	Taxes recoverable	(965)	12,178
6.01.02.04	Trade accounts payable	4,922	(39,094)
6.01.02.05	Taxes payable	11,480	20,738
6.01.02.06	Obligations arising from purchases of raw materials	29,635	-
6.01.02.07	Dividends payable	18	(12,069)
6.01.02.08	Other	68,802	(6,213)
6.02	Net cash from investing activities	(84,645)	(72,990)
6.02.01	Disposal of PP&E, investments and intangible assets	1,376	1,618
6.02.02	Additions to PP&E and intangible assets	(86,261)	(63,689)
6.02.03	Marketable securities	(944)	(12,228)
6.02.04	Receivables for sale of property, plant and equipment	1,184	1,309
6.03	Net cash from financing activities	(346,537)	(150,535)
6.03.01	Loans and financing raised	10,430	29,613
6.03.02	Repayment of loans and financing	(205,044)	(54,442)
6.03.03	Interest paid - loans and financing	(128,534)	(106,150)
6.03.04	Treasury shares	(23,389)	(19,556)
6.04	Exchange gain/(loss) on cash and cash equivalents	70,654	(16,253)
6.05	Increase (decrease) in cash and cash equivalents	(76,443)	(169,435)
6.05.01	Cash and cash equivalents – opening balance	887,374	949,097
6.05.02	Cash and cash equivalents – closing balance	810,931	779,662

## Consolidated financial statements / Statements of changes in equity (SCE) - 01/01/2015 to 06/30/2015

(In thousands of reais)

Account code	Account description	Paid-in capital	Capital reserves, stock options granted and treasury shares	Income reserves	Retained earnings/ (Accumulated losses)	Other comprehensive income (loss)	Equity	Noncontrolling interest	Consolidated equity
5.01	Opening balances	2,528,146	213,649	23,199	-	111,374	2,876,368	16,509	2,892,877
5.03	Adjusted opening balances	2,528,146	213,649	23,199	-	111,374	2,876,368	16,509	2,892,877
5.04	Capital transactions with shareholders	-	(20,673)	-	-	-	(20,673)	-	(20,673)
5.04.03	Stock options granted and recognized	-	2,716	-	-	-	2,716	-	2,716
5.04.04	Treasury shares purchased	-	(23,389)	-	-	-	(23,389)	-	(23,389)
5.05	Total comprehensive income/(loss)	-	-	-	(15,454)	62,220	46,766	1,819	48,585
5.05.01	Net income/(loss) for the period	-	-	-	(15,454)	-	(15,454)	602	(14,852)
5.05.02	Other comprehensive income (loss)	-	-	-	-	62,220	62,220	1,217	63,437
5.05.02.06	Exchange gains from (losses on) foreign investments	-	-	-	-	62,220	62,220	1,217	63,437
5.07	Closing balances	2,528,146	192,976	23,199	-15,454	173,594	2,902,461	18,328	2,920,789

**Consolidated financial statements / Statements of changes in equity (SCE) - 01/01/2014 to 06/30/2014****(In thousands of reais)**

<b>Account code</b>	<b>Account 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	234,794	119,008	-	122,492	3,004,440	19,486	3,023,926
5.03	Adjusted 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)
5.04.03	Stock options granted and recognized	-	3,468	-	-	-	3,468	-	3,468
5.04.04	Treasury shares purchased	-	(19,556)	-	-	-	(19,556)	-	(19,556)
5.05	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)
5.05.02.06	Exchange gains from (losses on) foreign investments	-	-	-	-	(93,168)	(93,168)	(2,957)	(96,125)
5.07	Closing balances	2,528,146	218,706	119,008	(3,133)	29,324	2,892,051	17,394	2,909,445

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

<b>Account code</b>	<b>Account description</b>	<b>Current quarter 06/30/2015</b>	<b>Prior year 12/31/2014</b>
7.01	Turnover	1,825,194	1,647,807
7.01.01	Sales	1,776,879	1,619,142
7.01.02	Other turnover	17,898	968
7.01.03	Turnover from construction of own assets	34,685	27,697
7.01.04	Allowance for/reversal of doubtful accounts	(4,268)	-
7.02	Bought-in inputs	(1,186,093)	(1,088,598)
7.02.01	Cost of sales	(787,668)	(747,563)
7.02.02	Bought-in materials, energy and services and others	(398,425)	(341,035)
7.03	Gross value added	639,101	559,209
7.04	Retention	(81,514)	(69,260)
7.04.01	Depreciation, amortization and depletion	(81,514)	(69,260)
7.05	Net value added generated	557,587	489,949
7.06	Value added received in transfer	170,337	(18,727)
7.06.01	Equity pickup	176	218
7.06.02	Financial turnover	170,161	(18,945)
7.07	Total value added payable	727,924	471,222
7.08	Payment of value added	727,924	471,222
7.08.01	Personnel	342,716	308,515
7.08.02	Taxes, charges and contributions	89,350	58,383
7.08.03	Debt remuneration	310,710	106,592
7.08.03.01	Interest	120,259	69,260
7.08.03.02	Rents	7,359	7,379
7.08.03.03	Other	183,092	29,953
7.08.04	Equity remuneration	(14,852)	(2,268)
7.08.04.03	Retained earnings (accumulated losses) for the period	(15,454)	(3,133)
7.08.04.04	Noncontrolling interest in retained earnings	602	865

## Notes

### 1. Operations

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

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

### 2. Approval of the financial statements

These financial statements were approved for disclosure by Company’s Board of Directors at August 5, 2015.

### 3. Summary of significant accounting practices

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

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

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

#### 3.1. Basis of preparation and presentation of quarterly information

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

## Notes

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

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

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

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

## 4. Financial risk management

### 4.1. Financial risk factors

#### a) Liquidity risk

The excess cash held by operational entities, in addition to the balance required for managing working capital, is managed by the Treasury department. The treasury invests the excess cash in checking accounts bearing interests, time deposits, short-term deposits and marketable securities, by choosing instruments with adequate maturity or sufficient liquidity to provide enough margin as determined by the above-mentioned estimates. As at June 30, 2015, Magnesita Group had R\$837,975 (R\$913,474 as at December 31, 2014) in cash and cash equivalents and marketable securities, which are expected to generate immediate cash inflows to manage liquidity risk.

#### b) Market risk

##### i) *Currency risk*

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

**Notes**

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

	<b>Consolidated</b>							
	<b>In thousands of reais - 06/30/2015</b>				<b>In thousands of reais - 12/31/2014</b>			
	<b>USD</b>	<b>€</b>	<b>Other currencies</b>	<b>Total</b>	<b>USD</b>	<b>€</b>	<b>Other currencies</b>	<b>Total</b>
Assets and liabilities in foreign currency								
Cash and banks	<b>508,947</b>	<b>69,077</b>	<b>34,196</b>	<b>612,220</b>	596,495	154,536	38,354	789,385
Trade accounts receivable, net of allowance for doubtful accounts	<b>245,018</b>	<b>182,986</b>	<b>21,575</b>	<b>449,579</b>	208,031	73,942	64,084	346,057
Trade accounts payable, obligations arising from purchases of raw materials	<b>(330,603)</b>	<b>(130,663)</b>	<b>(72,880)</b>	<b>(534,146)</b>	(173,412)	(70,504)	(18,715)	(262,631)
Loans and financing	<b>(1,698,437)</b>	<b>(12,103)</b>	<b>(67,332)</b>	<b>(1,777,872)</b>	(1,649,767)	(10,816)	(56,571)	(1,717,154)
Derivative financial instruments	<b>617,027</b>	<b>(611,816)</b>	-	<b>5,211</b>	399,658	(395,733)	-	3,925
Other monetary assets (liabilities), net - abroad	<b>(25,468)</b>	<b>(10,789)</b>	<b>(24,091)</b>	<b>(60,348)</b>	(7,080)	(5,223)	(26,858)	(39,161)
Net exposure	<b>(683,516)</b>	<b>(513,308)</b>	<b>(108,532)</b>	<b>(1,305,356)</b>	(626,075)	(253,798)	294	(879,579)

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

The sensitivity analysis of currency risk considered the scenario with the exchange rate for the period ended June 30, 2015 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, 2015.



**Notes**

This analysis leads to the following:

Description	Probable scenario	Scenario I	Scenario II
Currency risk exposure (increase in USD)	(683,516)	(683,516)	(683,516)
USD rate at 06/30/2015	<b>3.1026</b>	<b>3.1026</b>	<b>3.1026</b>
Currency risk exposure (translation into USD)	(220,304)	(220,304)	(220,304)
Estimated FX rate based on probable scenario	3.1026	3.8783	4.6539
Rate difference	-	0.7757	1.5513
Effect on financial expenses (in Reais)	-	(170,890)	(341,758)
Currency risk exposure (increase in Euro)	(513,308)	(513,308)	(513,308)
Euro rate at 06/30/2015	<b>3.4603</b>	<b>3.4603</b>	<b>3.4603</b>
Currency risk exposure (translation into Euro)	(148,342)	(148,342)	(148,342)
Estimated FX rate based on probable scenario	3.4603	4.3254	5.1905
Rate difference	-	0.8651	1.7302
Effect on financial expenses (in Reais)	-	(128,331)	(256,661)

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

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

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

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

## Notes

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

	Consolidated				Company			
	06/30/2015	%	12/31/2014	%	06/30/2015	%	12/31/2014	%
Loans and financing								
CDI	623,893	24.5	633,422	25.2	623,893	40.0	633,422	43.0
	623,893	24.5	633,422	25.2	623,893	40.0	633,422	43.0
Other loans not subject to interest rate risk								
Loans at fixed rates	1,013,701	39.8	907,843	36.2	935,834	60.0	838,665	57.0
Long-term fixed debt bonds	909,638	35.7	967,894	38.6	-	-	-	-
	1,923,339	75.5	1,875,737	74.8	935,834	60.0	838,665	57.0
	2,547,232	100	2,509,159	100	1,559,727	100	1,472,087	100

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

	Consolidated				Company			
	06/30/2015	%	12/31/2014	%	06/30/2015	%	12/31/2014	%
CDI								
CDB and fixed income transactions	341,064	92.7	89,697	77.5	318,206	92.2	72,490	73.5
Marketable securities	27,044	7.3	26,100	22.5	27,044	7.8	26,100	26.5
	368,108	100	115,797	100	345,250	100	98,590	100

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

## Notes

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

	<b>Consolidated 06/30/2015</b>
	<b>CDI</b>
Cash equivalents and marketable securities	<b>368,108</b>
Export credit notes	<b>(210,388)</b>
Debentures	<b>(398,723)</b>
Bank credit bill	<b>(14,782)</b>
Total liability exposure	<b>(623,893)</b>
Net exposure	<b>(255,785)</b>

The table below shows the incremental loss that would have been recognized in the statement of operations for the period ended June 30, 2015. The sensitivity analysis of interest rate risk considered the scenario with the exchange rate for the period ended June 30, 2015 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, 2015. This analysis leads to the following:

<b>Description</b>	<b>Probable scenario</b>	<b>Scenario I</b>	<b>Scenario II</b>
CDI risk exposure (rate increase)	(255,785)	(255,785)	(255,785)
Cumulative CDI rate at 06/30/2015	<b>11.76%</b>	<b>11.76%</b>	<b>11.76%</b>
Interest rate based on probable scenario	11.76%	14.70%	17.64%
Rate difference	-	2.94%	5.88%
Effect on financial expenses	-	(7,520)	(15,040)

### 4.2. Capital management

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

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

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

Debt equity ratio is as under:

	<b>Consolidated</b>		<b>Company</b>	
	<b>06/30/2015</b>	<b>12/31/2014</b>	<b>06/30/2015</b>	<b>12/31/2014</b>
Total loans, financing and derivative financial instruments	<b>2,547,232</b>	2,509,159	<b>1,559,727</b>	1,472,087
Less: cash and cash equivalents, marketable securities and derivative financial instruments	<b>(837,975)</b>	(913,474)	<b>(350,690)</b>	(128,866)
Total	<b>1,709,257</b>	1,595,685	<b>1,209,037</b>	1,343,221
Total equity	<b>2,920,789</b>	2,892,877	<b>2,902,461</b>	2,876,368
Total capital	<b>4,630,046</b>	4,488,562	<b>4,111,498</b>	4,219,589
Financial leverage ratio	<b>37%</b>	36%	<b>29%</b>	32%

## Notes

### 4.3. Fair value estimate

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

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

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

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

## 5. Derivative financial instruments

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

Description	Maturity month/year	Notional value	Consolidated	
			06/30/2015	12/31/2014
			Fair value R\$	Fair value R\$
Exchange rate hedging:				
Swap	03/30/2015			
Long position		US\$ 150,000	-	3,925
Short position		Euro 118,110		
Futures position				
Long position		US\$ 196,750	-	-
Short position		Euro 175,000		

The effect of R\$55,336 was recognized in 2015 profit or loss, under financial income (R\$3,507 at June 30, 2014).

## Notes

### 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, 2015						
Cash and cash equivalents and marketable securities						
- Cash and banks	469,867	-	469,867	5,440	-	5,440
- CDB and fixed income transactions	341,064	-	341,064	318,206	-	318,206
Marketable securities	27,044	-	27,044	27,044	-	27,044
Trade accounts receivable	-	551,245	551,245	-	345,866	345,866
Other accounts receivable (except prepayments)	-	7,913	7,913	-	7,913	7,913
Judicial deposits	-	17,590	17,590	-	16,468	16,468
	837,975	576,748	1,414,723	350,690	370,247	720,937
	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, 2014						
Cash and cash equivalents and marketable securities						
- Cash and banks	797,677	-	797,677	30,276	-	30,276
- CDB and fixed income transactions	89,697	-	89,697	72,490	-	72,490
Marketable securities	26,100	-	26,100	26,100	-	26,100
Trade accounts receivable	-	515,554	515,554	-	482,511	482,511
Other accounts receivable (except prepayments)	-	9,097	9,097	-	9,097	9,097
Judicial deposits	-	16,126	16,126	-	15,007	15,007
Derivative financial instruments	3,925	-	3,925	3,925	-	3,925
	917,399	540,777	1,458,176	132,791	506,615	639,406

**Notes**

	<b>Consolidated</b>	<b>Company</b>
	<b>Financial liabilities</b>	<b>Financial liabilities</b>
	<b>not for trading</b>	<b>not for trading</b>
Liabilities		
June 30, 2015		
Loans and financing and debt bonds	2,547,232	1,559,727
Trade accounts payable, obligations arising from purchases of raw materials, contractors and freight	631,477	290,693
	<b>3,178,709</b>	<b>1,850,420</b>
	<b>Consolidated</b>	<b>Company</b>
	<b>Financial liabilities</b>	<b>Financial liabilities</b>
	<b>not for trading</b>	<b>not for trading</b>
Liabilities		
December 31, 2014		
Loans and financing and debt bonds	2,509,159	1,472,087
Trade accounts payable, obligations arising from purchases of raw materials, contractors and freight	585,735	226,154
	<b>3,094,894</b>	<b>1,698,241</b>

**6.1. Fair value**

	<b>Consolidated - At 06/30/2015</b>	
	<b>Book value</b>	<b>Fair value</b>
Cash and banks	469,867	469,867
CDB and fixed income transactions	341,064	341,064
Marketable securities	27,044	27,044
Trade accounts receivable	551,245	551,245
Other accounts receivable (except prepayments)	7,913	7,913
Judicial deposits	17,590	17,590
	<b>1,414,723</b>	<b>1,414,723</b>
Loans and financing and debt bonds	2,547,232	2,548,202
Trade accounts payable, obligations arising from purchases of raw materials, contractors and freight	631,477	631,477
	<b>3,178,709</b>	<b>3,179,679</b>

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

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

**7. Cash and cash equivalents**

	<b>Consolidated</b>		<b>Company</b>	
	<b>06/30/2015</b>	<b>12/31/2014</b>	<b>06/30/2015</b>	<b>12/31/2014</b>
Cash and banks	469,867	797,677	5,440	30,276
CDB and fixed income transactions	341,064	89,697	318,206	72,490
	<b>810,931</b>	<b>887,374</b>	<b>323,646</b>	<b>102,766</b>

At June 30, 2015, in Consolidated, a portion of cash and cash equivalents amounts to R\$612,220 in foreign currency (December 31, 2014 - R\$789,385).

## Notes

### 8. Trade accounts receivable

	Consolidated		Company	
	06/30/2015	12/31/2014	06/30/2015	12/31/2014
Trade accounts receivable - in reais	146,400	156,774	130,378	141,075
Trade accounts receivable - in other currencies	391,336	369,908	68,955	51,169
Receivables from subsidiaries	-	-	147,033	297,236
Provision for impairment losses	(28,119)	(23,851)	(17,099)	(19,692)
Notes receivable, net	509,617	502,831	329,267	469,788
Unbilled measurements	41,628	12,723	16,599	12,723
Trade accounts receivable	551,245	515,554	345,866	482,511

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

The aging list of notes receivable is as follows:

	Consolidated		Company	
	06/30/2015	12/31/2014	06/30/2015	12/31/2014
Falling due:				
Within 90 days - Third parties	379,512	339,065	84,077	93,122
Within 90 days - Intercompany	-	-	48,769	69,777
Above 90 days - Third parties	93,617	65,801	84,017	55,088
Above 90 days - Intercompany	-	-	656	16,157
Overdue:				
Within 30 days - Third parties	53,149	62,107	7,830	18,113
Within 30 days - Intercompany	-	-	6,939	30,714
Above 30 days - Third parties	53,086	72,432	40,008	38,644
Above 30 days - Intercompany	-	-	90,669	180,588
(-) Provision for impairment losses	(28,119)	(23,851)	(17,099)	(19,692)
	551,245	515,554	345,866	482,511

Changes in the provision for impairment losses were as follows:

	Consolidated	Company
At December 31, 2014	(23,851)	(19,692)
Additions	(1,895)	-
Write-offs	4,507	4,507
Exchange gains/(losses)	(6,880)	(1,914)
At June 30, 2015	(28,119)	(17,099)

### 9. Inventories

	Consolidated		Company	
	06/30/2015	12/31/2014	06/30/2015	12/31/2014
Finished goods	521,293	472,525	94,734	106,570
Work in process	39,974	38,787	25,621	23,879
Raw materials	437,447	379,670	194,883	148,392
Materials and supplies (replacement materials and other)	94,183	86,504	45,535	44,403
Provision for losses	(37,815)	(29,109)	(4,764)	(4,783)
	1,055,082	948,377	356,009	318,461

**Notes**

Changes in the provision for impairment losses were as follows:

	<b>Consolidated</b>	<b>Company</b>
Balance at 12/31/2014	<b>(29,109)</b>	<b>(4,783)</b>
Additions	<b>(5,903)</b>	-
Write-offs	<b>838</b>	<b>19</b>
Exchange gains/(losses)	<b>(3,641)</b>	-
Balance at 06/30/2015	<b>(37,815)</b>	<b>(4,764)</b>

**10. Other taxes recoverable**

	<b>Consolidated</b>			
	<b>06/30/2015</b>		<b>12/31/2014</b>	
	<b>Current</b>	<b>Noncurrent</b>	<b>Current</b>	<b>Noncurrent</b>
Indirect taxes	<b>76,534</b>	<b>60,079</b>	93,383	49,296
Taxes on goods shipped on consignment	<b>1,799</b>	-	2,757	-
Other	<b>104</b>	-	102	-
	<b>78,437</b>	<b>60,079</b>	96,242	49,296

	<b>Company</b>			
	<b>06/30/2015</b>		<b>12/31/2014</b>	
	<b>Current</b>	<b>Noncurrent</b>	<b>Current</b>	<b>Noncurrent</b>
Indirect taxes	<b>20,792</b>	<b>56,175</b>	47,545	49,278
Taxes on goods shipped on consignment	<b>1,774</b>	-	2,743	-
Other	<b>104</b>	-	102	-
	<b>22,670</b>	<b>56,175</b>	50,390	49,278

**11. Income and social contribution taxes**a) Tax credits

Tax credits by nature of temporary additions are as follows:

	<b>Consolidated</b>		<b>Company</b>	
	<b>06/30/2015</b>	<b>12/31/2014</b>	<b>06/30/2015</b>	<b>12/31/2014</b>
Tax credits on temporary additions				
Provision for contingencies	<b>20,656</b>	21,617	<b>20,656</b>	21,617
Post-employment obligations	<b>75,855</b>	70,210	<b>31,531</b>	30,138
Provision for bonuses	<b>8,187</b>	5,967	<b>8,187</b>	5,967
Accelerated depreciation	<b>846</b>	438	-	-
Other	<b>28,187</b>	38,447	<b>4,327</b>	9,592
	<b>133,731</b>	136,679	<b>64,701</b>	67,314
Tax credits on income and social contribution tax losses	<b>394,708</b>	385,591	<b>359,756</b>	352,516
Tax credit on shareholder merger	<b>27,858</b>	32,952	<b>27,858</b>	32,952
Total tax credits	<b>556,297</b>	555,222	<b>452,315</b>	452,782

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.



## Notes

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

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

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

	<b>Consolidated</b>	<b>Company</b>
1 year	49,348	23,771
2 years	36,835	28,911
3 years	71,056	63,132
4 years	40,009	32,985
From 5 years onwards	359,049	303,516
Balance at 06/30/2015	<b>556,297</b>	<b>452,315</b>

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\$208,149), 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, amounting to R\$133,374. No deferred tax assets were recognized on these losses since they may not be used to offset taxable income of other Group companies and since they were generated in deficient subsidiaries some time ago. 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\$33,343.

Noncurrent liabilities are as follows:

	<b>Consolidated</b>		<b>Company</b>	
	<b>06/30/2015</b>	<b>12/31/2014</b>	<b>06/30/2015</b>	<b>12/31/2014</b>
Deferred taxes on tax amortization of goodwill	441,239	435,564	432,494	427,225
Deferred taxes on accelerated tax depreciation	59,827	70,130	-	-
Deferred taxes on net fair value gains	18,525	18,525	18,525	18,525
Other	13,166	6,547	6,547	6,547
	<b>532,757</b>	<b>530,766</b>	<b>457,566</b>	<b>452,297</b>

## Notes

### a) Reconciliation of income tax and social contribution tax expenses

	Consolidated		Company	
	06/30/2015	06/30/2014	06/30/2015	06/30/2014
Income (loss) before income and social contribution taxes	<b>19,363</b>	6,485	<b>(9,718)</b>	(10,864)
Combined statutory rate - %	<b>34%</b>	34%	<b>34%</b>	34%
Tax benefit at statutory rate	<b>(6,583)</b>	(2,205)	<b>3,304</b>	3,694
Income and social contribution taxes on				
Equity pickup	<b>60</b>	-	<b>(6,849)</b>	5,223
Effect of different rates used by the subsidiaries located in other jurisdictions	<b>(1,764)</b>	(7,927)	-	-
Effect of the limited interest deductibility rule - Germany	<b>917</b>	(4,814)	-	-
Tax effect of local adjustments to income tax of Germany, referring to Bond transfer	<b>(13,907)</b>	-	-	-
Effect of unrecognized deferred income tax on subsidiaries abroad (i)	<b>(8,792)</b>	(6,867)	-	-
Other permanent differences, net	<b>(4,146)</b>	13,060	<b>(2,191)</b>	(1,186)
Income and social contribution tax expenses	<b>(34,215)</b>	(8,753)	<b>(5,736)</b>	7,731
Current	<b>(28,750)</b>	(28,480)	-	-
Deferred	<b>(5,465)</b>	19,727	<b>(5,736)</b>	7,731

(i) Unrecognized deferred income tax particularly on subsidiaries in China, as described in Note 11 (a).

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

	Consolidated		Company	
	06/30/2015	12/31/2014	06/30/2015	12/31/2014
Deferred tax assets	<b>556,297</b>	555,222	<b>452,315</b>	452,782
Deferred tax (liabilities)	<b>(532,757)</b>	(530,766)	<b>(457,566)</b>	(452,297)
Deferred tax assets (liabilities)	<b>23,540</b>	24,456	<b>(5,251)</b>	485
Reflected on the balance sheet				
Assets	<b>37,537</b>	32,795	-	485
Liabilities	<b>(13,997)</b>	(8,339)	<b>(5,251)</b>	-
Net	<b>23,540</b>	24,456	<b>(5,251)</b>	485

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

	Consolidated	Company
Balance at December 31, 2014 - Assets (liabilities)	24,456	485
Tax income/(expenses) recognized in the statement of operations	(5,465)	(5,736)
Exchange gains/(losses)	4,549	-
Balance at June 30, 2015 - Assets (liabilities)	<b>23,540</b>	<b>(5,251)</b>

### e) Law No. 12973/13

The Company prepared studies on the effects that could result from application of the provisions of Law No. 12973 and concluded that there are no significant effects on its quarterly financial information at June 30, 2015 and financial statements at December 31, 2014.

## Notes

### 12. Investments in subsidiaries and jointly-controlled entities

#### a) Investment information

##### *Book value - Company*

	Equity interest %	Equity	Net income (loss)	Total assets	Liabilities	Interest 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	-	(7,180)	14,574	14,574	-	(7,180)
Magnesita Finance Ltd. (*) Capital worth 489,077 thousand EUROS and 2,204 units of interest	100	1,318,527	(20,826)	2,645,224	1,326,697	-	(738)
Magnesita Grundstücks Beteiligungs GmbH Capital worth 25 thousand EUROS and 1 unit of interest	100	415	-	448	33	-	-
Magnesita Insider Refratários Ltda. Capital worth R\$64,490 thousand and 944,900 units of interest	100	70,919	3,299	83,841	12,922	15,510	4,631
MAG-Tec Ltda. Capital worth R\$200 thousand and 800,000 units of interest	100	245	-	284	40	-	-
RASA - Refractories Argentinos S.A. I. C. y M. Capital worth ARS 1,000 thousand and 1,000,000 shares	100	(5,665)	(1,092)	134,027	139,692	71,720	(376)
Refractários Magnesita Colômbia S.A Capital worth COP 11,673,200 thousand and 1,167,320,000 units of interest	100	35,820	6,600	51,013	15,193	35,036	9,012
Refractários Magnesita Peru S.A.C. Capital worth PEN 6,890 thousand and 1,000 units of interest	100	16,066	1,054	16,959	893	10,489	1,054
Refractários Magnesita Uruguay S.A. Capital worth UYU 450 thousand and 450,000 units of interest	100	817	3	2,457	1,640	-	4
Reframec Manutenção e Montagem de Refratários Ltda. Capital worth R\$1,786 and 1,786,000 units of interest	63	12,720	4,208	19,338	6,618	25,924	6,617
Dalian Magnesita Refractories Co. Limited Capital worth US\$ 13,550 and 1 unit of interest	100	(2,367)	(6,210)	110,446	112,813	56,616	(6,210)
Total in 2015		<b>1,447,497</b>	<b>(20,144)</b>				
Total in 2014		<b>1,413,893</b>	<b>(23,017)</b>				

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

#### *Goodwill*

	<u>Goodwill on acquisition</u>
Of subsidiary Magnesita Finance Ltd.	423,999
Of subsidiary Reframec Manutenção e Montagem de Refratários Ltda.	21,369
Total at 06/30/2015	<b>445,368</b>
Total in 2014	<b>419,042</b>

**Notes****b) Changes in equity interests**

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

	<b>2015</b>
Balance at beginning of year	<b>1,833,297</b>
Equity pickup	<b>(20,144)</b>
Exchange rate fluctuation - investments (i)	<b>35,894</b>
Exchange rate fluctuation - goodwill (ii)	<b>26,326</b>
Capital payment in subsidiary (iii)	<b>720</b>
Dividends received	<b>(637)</b>
Other	<b>17,778</b>
Balance at end of year	<b>1,893,234</b>

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

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

(iii) Capital payment in subsidiary Magnesita Finance Ltd.

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

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

	<b>Balances</b>			<b>Transactions</b>	
	<b>Receivables</b>	<b>Trade accounts payable</b>	<b>Credits (debits)</b>	<b>Sales</b>	<b>Purchase of products</b>
Magnesita Insider Refratários Ltda. (i)	545	6,335	(611)	2,486	7,027
Dalian Magnesita Refractories Co. Limited	-	-	37,442	-	-
RASA - Refractories Argentinos S.A. I. C. y M.					
(ii)	91,202	-	-	10,934	-
Iliama II Trading (Sociedade Unipessoal) Lda.	-	-	13,933	-	-
Refratários Magnesita Colômbia S.A. (iii)	1,083	-	-	5,200	-
Refratários Magnesita Peru S.A.C. (iii)	168	-	-	3,178	-
Refratários Magnesita Chile (iii)	3,742	-	-	4,139	-
LWB companies (i)	50,293	7,661	9,998	140,216	-
Other	-		(20)		2,073
At June 30, 2015	<b>147,033</b>	<b>13,996</b>	<b>60,742</b>	<b>166,153</b>	<b>9,100</b>
At December 31, 2014	284,514	9,475	58,052	307,531	14,184

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

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

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

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

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

## Notes

### 13. Property, plant and equipment

	Consolidated						Annual weighted average depreciation rate %
	06/30/2015			12/31/2014			
	Cost	Accumulated depreciation	Net value	Cost	Accumulated depreciation	Net value	
Land	93,041	-	93,041	84,566	-	84,566	Based on volume 4
Mineral deposits	100,575	(20,385)	80,190	64,258	(15,122)	49,136	
Buildings and improvements	661,143	(287,832)	373,311	610,605	(257,763)	352,842	
Machinery, facilities and equipment, including IT equipment	1,843,506	(1,247,167)	596,339	1,690,798	(1,124,947)	565,851	7
Transportation equipment	17,863	(16,484)	1,379	16,767	(15,638)	1,129	6
Furniture, fixtures and other	79,888	(44,392)	35,496	73,517	(39,904)	33,613	9
Construction in progress	217,934	-	217,934	223,474	-	223,474	
Total property, plant and equipment	3,013,950	(1,616,260)	1,397,690	2,763,985	(1,453,374)	1,310,611	

	Company						Annual weighted average depreciation rate %
	06/30/2015			12/31/2014			
	Cost	Accumulated depreciation	Net value	Cost	Accumulated depreciation	Net value	
Land (i)	12,107	-	12,107	12,126	-	12,126	Based on volume 4
Mineral deposits	58,336	(8,619)	49,717	28,067	(5,458)	22,609	
Buildings and improvements (i)	241,821	(103,371)	138,450	234,962	(100,319)	134,643	
Machinery, facilities and equipment, including IT equipment	983,208	(627,805)	355,403	936,502	(603,271)	333,231	10
Transportation equipment	11,376	(11,368)	8	11,376	(11,367)	9	20
Furniture, fixtures and other	34,879	(18,338)	16,541	34,316	(17,235)	17,081	10
Construction in progress	181,674	-	181,674	194,914	-	194,914	
Total property, plant and equipment	1,523,401	(769,501)	753,900	1,452,263	(737,650)	714,613	

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

## Notes

Changes in property, plant and equipment were as follows:

	<b>Consolidated</b>	<b>Company</b>
At December 31, 2014	1,310,611	714,613
Additions	86,137	58,712
Write-offs	(1,376)	(139)
Depreciation	(77,634)	(32,641)
Transfer to intangible assets	(7,441)	(1,145)
Provision for environmental remediation	14,500	14,500
Exchange rate fluctuation (foreign assets)	72,893	-
At June 30, 2015	<b>1,397,690</b>	<b>753,900</b>

## 14. Intangible assets

	Consolidated						Annual amortization rate - %
	06/30/2015			12/31/2014			
	Cost	Accumulated amortization	Net value	Cost	Accumulated amortization	Net value	
Software and other items	159,446	(95,177)	64,269	146,787	(86,686)	60,101	12 to 20
Goodwill on acquisition of investments							
Magnesita S.A.	1,316,509	(272,855)	1,043,654	1,316,509	(272,855)	1,043,654	
LWB	1,450,117	(2,602)	1,447,515	1,405,934	(2,602)	1,403,332	
Insider Insumos Refratários para Siderurgia Ltda.	40,536	(699)	39,837	40,536	(699)	39,837	
Reframec Montagens e Manutenção de Refratários Ltda.	21,368	-	21,368	21,368	-	21,368	
Total intangible assets	2,987,976	(371,333)	2,616,643	2,931,134	(362,842)	2,568,292	
	Company						
	06/30/2015			12/31/2014			
	Cost	Accumulated amortization	Net value	Cost	Accumulated amortization	Net value	Annual amortization rate - %
Software and other items	95,028	(56,284)	38,744	93,767	(52,614)	41,153	12 to 20
Goodwill on acquisition of investments							
Magnesita S.A.	1,316,509	(272,855)	1,043,654	1,316,509	(272,855)	1,043,654	
Total intangible assets	1,411,537	(329,139)	1,082,398	1,410,276	(325,469)	1,084,807	

## Notes

Changes in intangible assets were as follows:

	<b>Consolidated</b>	<b>Company</b>
At December 31, 2014	2,568,292	1,084,807
Additions	123	116
Transfers of PP&E	7,441	1,145
Exchange gains/(losses)	44,817	-
Amortization	(4,030)	(3,670)
At June 30, 2015	<b>2,616,643</b>	<b>1,082,398</b>

### 15. Obligations arising from purchases of raw materials

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

Such purchases are negotiated with payment due dates consistent with the use of these raw materials. Company's suppliers, in turn, discount the notes with first-tier financial institutions by means of a trade finance transaction called forfaiting, which basically consists of selling these receivables, without legal recourse, at interest rates between 1.5% and 2%. Accordingly, at June 30, 2015, the financial liability is due to financial institutions, and the balances related to these purchases corresponded to R\$93,672 in Company and R\$196,154 in Consolidated, with average payment period around 360 days.

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

**Notes****16. Loans and financing**

<b>Consolidated</b>				
	<b>Currency</b>	<b>Average annual interest rate</b>	<b>06/30/2015</b>	<b>12/31/2014</b>
Export credit notes	R\$	CDI+1.10%	<b>210,388</b>	209,854
Perpetual debt bonds	US\$	8.63%	<b>792,340</b>	664,209
(-) Unamortized transaction costs	-	-	<b>(11,927)</b>	(9,567)
Long-term debt bonds	US\$	7.88%	<b>909,638</b>	968,815
(-) Unamortized transaction costs	-	-	-	(921)
BNDES Revitaliza - Export	R\$	8.00%	<b>66,881</b>	101,660
Debentures	R\$	112% CDI	<b>401,356</b>	401,162
(-) Unamortized transaction costs	-	-	<b>(2,633)</b>	(2,249)
CCB	R\$	CDI+1.28%	<b>14,782</b>	16,467
Property, plant and equipment financing				
In local currency - FNE	R\$	7.03%	<b>68,139</b>	75,564
In local currency - FINEP		7.03%	<b>10,447</b>	-
Advances on export invoices	US\$	63.9% CDI	-	8,188
Other	US\$	7.25%	<b>8,386</b>	8,555
Other	€	5.31%	<b>12,103</b>	10,816
Other	¥	-	<b>67,332</b>	56,571
Other	R\$	-	-	35
			<b>2,547,232</b>	<b>2,509,159</b>
		Current	<b>271,119</b>	305,220
		Noncurrent	<b>2,276,113</b>	2,203,939

<b>Company</b>				
	<b>Currency</b>	<b>Average annual interest rate</b>	<b>06/30/2015</b>	<b>12/31/2014</b>
Export credit notes	R\$	CDI+1.10%	<b>210,388</b>	209,854
Perpetual debt bonds	US\$	8.63%	<b>792,340</b>	664,209
(-) Unamortized transaction costs	-	-	<b>(1,973)</b>	(2,768)
BNDES Revitaliza - Export	R\$	8.00%	<b>66,881</b>	101,660
Debentures	R\$	112% CDI	<b>401,356</b>	401,162
(-) Unamortized transaction costs	-	-	<b>(2,633)</b>	(2,249)
CCB	R\$	CDI+1.28%	<b>14,782</b>	16,467
Property, plant and equipment financing				
In local currency - FNE	R\$	7.03%	<b>68,139</b>	75,564
In local currency - FINEP	R\$	7.03%	<b>10,447</b>	-
Advances on export invoices			-	8,188
			<b>1,559,727</b>	<b>1,472,087</b>
		Current	<b>179,607</b>	205,238
		Noncurrent	<b>1,380,120</b>	1,266,849



**Notes**a) Perpetual debt bonds

In 2012, the Company issued US\$ 250 million in perpetual debt bonds in US dollars by means of its wholly-owned subsidiary Magnesita Finance Ltd. Such bonds consist of unsecured and unsubordinated obligations of Magnesita Finance Ltd. and are fully and unconditionally guaranteed by the Company and its significant subsidiaries. At June 30, 2015, perpetual debt bonds in long-term total R\$792,340.

b) Long-term debt bonds

In 2010, the Company issued US\$ 400 million in long-term debt bonds in US dollars by means of its wholly-owned subsidiary Rearden G Holdings Eins GmbH. Such bonds consist of unsecured and unsubordinated obligations of Rearden G Holdings Eins GmbH and are fully and unconditionally guaranteed by the Company and its significant subsidiaries. Long-term debt bonds have incurrence covenants, which may restrict Company's ability to take out new debts should net debt/EBITDA be above 3.75. At June 30, 2015, long-term debt bonds total R\$909,638. All covenants were met.

c) Export credit notes

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

- Creditor: Banco do Brasil S.A.
- Amount: R\$200,000
- Term: seven years
- Grace period: three years
- Annual interest: CDI + 1.50% until September 4, 2012 and CDI + 1.10% thereafter

Export credit notes have covenants that are similar to the covenants of long-term debt bonds. All covenants were met.

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

d) Debentures

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

Unamortized transaction costs refer to commission paid upon contract renegotiation and will be amortized over the terms of the related contract term. The covenants (Net debt / EBITDA adjusted up to 3.75) were met.

**Notes**e) Maturity

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

	<b>Consolidated</b>	<b>Company</b>
Within 180 days	173,845	170,355
From 180 to 360 days	97,274	9,252
2016	77,907	75,003
2017	289,809	287,534
From 2018 onwards	1,908,397	1,017,583
	<u>2,547,232</u>	<u>1,559,727</u>

**17. Provision for contingencies**

	<b>Consolidated</b>		<b>Company</b>	
	<b>06/30/2015</b>	<b>12/31/2014</b>	<b>06/30/2015</b>	<b>12/31/2014</b>
Tax - Provision	<b>15,840</b>	12,933	<b>12,434</b>	12,149
Tax - Judicial deposit	<b>(8,527)</b>	(8,345)	<b>(7,885)</b>	(7,749)
Labor - Provision	<b>27,049</b>	24,653	<b>26,927</b>	24,653
Labor - Judicial deposit	<b>(7,061)</b>	(5,803)	<b>(6,605)</b>	(5,280)
Civil - Provision	<b>2,860</b>	127	<b>1,045</b>	127
Social security - Provision	<b>1,722</b>	1,613	<b>1,722</b>	1,613
Social security - Judicial deposit	<b>(2,002)</b>	(1,978)	<b>(1,978)</b>	(1,978)
	<u><b>29,881</b></u>	<u>23,200</u>	<u><b>25,660</b></u>	<u>23,535</u>
Noncurrent - Provision	<b>47,471</b>	39,326	<b>42,128</b>	38,542
Noncurrent - Judicial deposit	<b>(17,590)</b>	(16,126)	<b>(16,468)</b>	(15,007)
	<u><b>29,881</b></u>	<u>23,200</u>	<u><b>25,660</b></u>	<u>23,535</u>

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

Significant contingent liabilities with provisioned amounts are as follows:

<b>Description</b>	<b>Position</b>	<b>06/30/2015 Balance</b>	<b>12/31/2014 Balance</b>
INSS deficiency notice amounting to R\$26,677 of 06/30/2008 drawn up without observing the five-year laches	Pending judgment	<b>1,722</b>	1,613
Referring to the lawfulness statement for Brumado IPI matching credit as a reimbursement of Contribution Taxes on Gross Revenue for Social Integration Program and for Social Security Financing (PIS/COFINS) levied on acquisitions of raw material in the domestic market	Appeal	<b>9,238</b>	9,069
Financial compensation on the tax base of Mineral Resource Exploration offset	Injunction	<b>2,354</b>	2,238

For labor claims, the Company sets up a provision considering real chances of success of the requests made in each case. Significant requests made in these labor claims are as follows: equal pay, compensation for occupational disease, accident at work, hazard pay and overtime.

Proceedings of a tax, civil and labor nature whose likelihood of loss is estimated as possible based on the opinion of Company legal advisors did not change significantly in the course of litigation and remain consistent with the discussion and rationale presented in Note 22 of Company financial statements for the year ended December 31, 2014, filed with the CVM.

## Notes

### 18. Post-employment obligations

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

Description	Region			Company South America	Consolidated
	Europe	United States	China		
Defined benefit plan	148,256	74,686	-	92,739	315,681
Seniority bonus	6,223	-	-	-	6,223
At June 30, 2015	<b>154,479</b>	<b>74,686</b>	<b>-</b>	<b>92,739</b>	<b>321,904</b>
At December 31, 2014	141,754	69,775	-	88,640	300,169

#### Company

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

For 2015, budgeted expenses to fund the Defined Contribution Plan ("CD") amount to R\$8,199 and will be charged to financial expenses. At June 30, 2015, the Defined Contribution Plan had 7,158 active members (December 31, 2014 - 7,096).

At June 30, 2015, the Defined Benefit Plan (DB) had 284 (December 31, 2014 - 273) inactive members, retirees and pensioners, and 990 (December 31, 2014 - 1,462) members waiting for the Defined Benefit.

#### Subsidiaries

##### i) *Defined Contribution Plans*

The general characteristics and conditions of the defined contribution plans in the US and UK, as well as the assumptions used for the purpose of calculating the plan obligations, remain unchanged and consistent with those presented in Note 23 of Company's financial statements for the year ended December 31, 2014, filed with the CVM.

In 2015, the total cost of these Plans amounted to R\$7,049 (R\$5,190 in 2014), calculated in accordance with the rates defined in the related rules.

## Notes

### ii) *Defined benefit plans*

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

	Europe		United States	
	06/30/2015	12/31/2014	06/30/2015	12/31/2014
Present value of actuarial liabilities	(154,479)	(141,754)	(511,154)	(437,126)
Fair value of assets	-	-	436,468	367,351
Actuarial liabilities	(154,479)	(141,754)	(74,686)	(69,775)
Active members	281	281	218	218
Assisted members	1,076	1,076	544	544
Terminated members, eligible for the Plan	236	236	442	442

## 19. Equity

### a) Capital

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

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

In a meeting held on March 20, 2015, the Board of Directors approved the Company's 3<sup>rd</sup> Share Buyback Program, beginning on March 23, 2015 and ending on March 21, 2016. Magnesita may acquire up to 16,291,946 common shares, representing 10.00% of total outstanding shares.

Share buyback transactions are conducted at market prices quoted on BM&FBOVESPA - Bolsa de Valores, Mercadorias e Futuros S.A., observing legal and regulatory provisions regarding black-out and lock-out periods, especially those defined in article 12 of CVM Rule No. 476, dated January 16, 2009 and in article 48 of CVM Rule No. 400 dated December 29, 2003. As a result of the Company's 3<sup>rd</sup> Share Buyback Program, by June 30, 2015, the Company had acquired 8,283,900 shares, for R\$23,389.

## Notes

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

3 <sup>rd</sup> Share Buyback Program							
Period	Type	Number of buyback shares	Buyback trading price (R\$)			Closing market quote <sup>1</sup> (R\$)	Market value (in thousands of reais)
			Minimum	Weighted average	Maximum		
1 <sup>st</sup> half 2015	Common shares	8,283,900	2.29	2.82	3.25	2.80	23,195

1) Stock exchange closing price disclosed by BM&FBOVESPA - Bolsa de Valores, Mercadorias e Futuros S.A., referring to Magnesita common shares, traded under ticker symbol MAGG3, based on the last trading price of June 2015.

At June 30, 2015, the Company had 8,283,900 treasury common shares, representing 2.92% of total shares issued by the Company, which were recorded at R\$23,389.

### 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 2015, the reserves were matched against expenses recognized in profit or loss for the year, totaling R\$2,716 (2014 - R\$6,140).

### c) Income reserve

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

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

### d) Other comprehensive income (loss)

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

## Notes

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

	<b>Company</b>
Balance at December 31, 2014	<b>111,374</b>
Exchange gains from (losses on) foreign investments	<b>35,894</b>
Exchange gains from (losses on) goodwill abroad	<b>26,326</b>
Balance at June 30, 2015	<b>173,594</b>

## 20. Segment information

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

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

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

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

	<b>Consolidated - 06/30/2015</b>			
	<b>Refractories</b>	<b>Minerals</b>	<b>Services</b>	<b>Total</b>
Net sales and service revenue	1,409,989	89,241	97,680	1,596,910
Cost of sales	(948,377)	(57,335)	(77,301)	(1,083,013)
Gross profit	461,612	31,906	20,379	513,897

	<b>Consolidated - 06/30/2014</b>			
	<b>Refractories</b>	<b>Minerals</b>	<b>Services</b>	<b>Total</b>
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

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

	Consolidated - 06/30/2015					
	South America	Europe	North America	Asia	Eliminations	Total
Net sales and service revenue	864,360	398,187	478,953	101,789	(246,379)	1,596,910

	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

There is no concentration of sales to specific customers.

## Notes

### 21. Stock option plan

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

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

In the first half of 2015, share-based payment expenses were recognized totaling R\$2,716 (R\$3,468 in the first half of 2014). Future expenses to be recognized total R\$1,822.

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

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

### 22. Expenses by nature

	Consolidated		Company	
	1 <sup>st</sup> half 2015	1 <sup>st</sup> half 2014	1 <sup>st</sup> half 2015	1 <sup>st</sup> half 2014
Depreciation and amortization	81,664	69,260	36,311	29,050
Employee benefits	403,771	357,946	188,743	179,419
Raw materials and supplies	578,325	546,341	261,518	254,736
Expenses with transportation and commissions	104,939	100,858	46,729	52,291
Third-party services	92,868	111,421	63,313	79,932
Other	171,036	122,610	52,546	38,628
	<b>1,432,603</b>	<b>1,308,436</b>	<b>649,160</b>	<b>634,056</b>
Classification				
Cost of sales	1,083,013	988,289	497,483	473,655
Selling expenses	218,542	205,912	82,388	94,300
General and administrative expenses	128,332	110,767	66,573	62,633
Stock options	2,716	3,468	2,716	3,468
	<b>1,432,603</b>	<b>1,308,436</b>	<b>649,160</b>	<b>634,056</b>

## Notes

	Consolidated		Company	
	Q2 2015	Q2 2014	Q2 2015	Q2 2014
Depreciation and amortization	41,155	34,122	18,821	14,365
Employee benefits	204,951	193,546	94,955	94,407
Raw materials and consumables	297,906	302,108	129,252	128,229
Expenses with transportation and commissions	52,346	49,175	22,812	24,589
Third-party services	52,564	47,467	36,851	47,321
Other	78,072	31,193	11,264	12,200
	<b>726,994</b>	<b>657,611</b>	<b>313,955</b>	<b>321,111</b>
Classification				
Cost of sales	545,352	500,015	236,084	242,138
Selling expenses	111,781	99,676	40,779	44,783
General and administrative expenses	69,571	56,223	36,802	32,493
Stock options	290	1,697	290	1,697
	<b>726,994</b>	<b>657,611</b>	<b>313,955</b>	<b>321,111</b>

## 23. Expenses with employee benefits

	Consolidated		Company	
	1 <sup>st</sup> half 2015	1 <sup>st</sup> half 2014	1 <sup>st</sup> half 2015	1 <sup>st</sup> half 2014
Salaries and compensation	278,976	255,505	116,304	110,796
Social charges	86,307	70,775	50,862	48,060
Stock options	2,716	3,468	2,716	3,468
Profit sharing	26,364	21,569	15,364	13,504
Retirement plan	9,408	6,629	3,497	3,591
	<b>403,771</b>	<b>357,946</b>	<b>188,743</b>	<b>179,419</b>

	Consolidated		Company	
	Q2 2015	Q2 2014	Q2 2015	Q2 2014
Salaries and compensation	145,225	145,241	60,409	59,638
Social charges	43,637	34,807	26,441	25,219
Stock options	290	1,697	290	1,697
Profit sharing	11,132	9,349	6,153	6,066
Retirement plan	4,667	2,452	1,662	1,787
	<b>204,951</b>	<b>193,546</b>	<b>94,955</b>	<b>94,407</b>

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

	Consolidated		Company	
	1 <sup>st</sup> half 2015	1 <sup>st</sup> half 2014	1 <sup>st</sup> half 2015	1 <sup>st</sup> half 2014
Labor claims	(10,148)	(11,751)	(10,148)	(11,751)
Reversal of provisions for tax contingencies	2,087	2,213	1,761	2,213
Electric energy sale	5,867	3,690	5,867	3,690
Gains (losses) on real estate ventures	(864)	(422)	(864)	(422)
Other, net	(8,872)	(381)	1,952	(1,410)
	<b>(11,930)</b>	<b>(6,651)</b>	<b>(1,432)</b>	<b>(7,680)</b>

	Consolidated		Company	
	Q2 2015	Q2 2014	Q2 2015	Q2 2014
Labor claims	(5,474)	(7,253)	(5,474)	(7,253)
Reversal of provisions for tax contingencies	1,771	2,213	1,761	2,213
Electric energy sale	111	853	111	853
Gains (losses) on real estate ventures	52	(422)	52	(422)
Other, net	1,827	3,147	2,280	(288)
	<b>(1,713)</b>	<b>(1,462)</b>	<b>(1,270)</b>	<b>(4,897)</b>



## Notes

### 25. Financial income (expenses)

Financial income and expenses are as follows:

	Consolidated		Company	
	1 <sup>st</sup> half 2015	1 <sup>st</sup> half 2014	1 <sup>st</sup> half 2015	1 <sup>st</sup> half 2014
Financial income				
- Monetary restatements and exchange rate fluctuations	87,673	(38,870)	70,294	(35,955)
- Gains from short-term investments	66,267	13,127	64,332	11,556
- Other income	16,221	6,798	850	947
	170,161	(18,945)	135,476	(23,452)
Financial expenses				
- Monetary restatements and exchange rate fluctuations	(159,973)	7,636	(122,107)	25,260
- Interest on loans	(120,259)	(97,467)	(79,063)	(60,694)
- Other	(23,119)	(9,832)	(5,778)	(2,694)
	(303,351)	(99,663)	(206,948)	(38,128)
Financial income (expenses), net	(133,190)	(118,608)	(71,472)	(61,580)

Financial income and expenses are as follows:

	Consolidated		Company	
	Q2 2015	Q2 2014	Q2 2015	Q2 2014
Financial income				
- Monetary restatements and exchange rate fluctuations	(20,517)	(16,350)	(13,231)	(15,786)
- Gains from short-term investments	8,770	4,211	7,829	3,195
- Other income	9,790	1,218	225	428
	(1,957)	(10,921)	(5,177)	(12,163)
Financial expenses				
- Monetary restatements and exchange rate fluctuations	39,045	12,428	26,319	10,833
- Interest on loans	(61,616)	(46,319)	(40,382)	(28,100)
- Other	(11,498)	(4,504)	(4,986)	(1,631)
	(34,069)	(38,395)	(19,049)	(18,898)
Financial income (expenses), net	(36,026)	(49,316)	(24,226)	(31,061)

### 26. Earnings (loss) per share

#### a) Basic

	Consolidated	
	1 <sup>st</sup> half 2015	1 <sup>st</sup> half 2014
Basic		
Basic numerator		
Net loss attributable to controlling shareholders	(15,454)	(3,133)
Basic denominator		
Weighted average number of outstanding shares	279,902	286,945
Basic loss per share (in R\$)	(0.06)	(0.01)

**Notes****b) Diluted**

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

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

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

	<b>Consolidated</b>	
	<b>1<sup>st</sup> half 2015</b>	<b>1<sup>st</sup> half 2014</b>
Diluted		
Diluted numerator		
Net loss attributable to controlling shareholders	<b>(15,454)</b>	(3,133)
Diluted denominator		
Weighted average number of outstanding shares	<b>279,902</b>	286,945
Weighted average number of shares for diluted earnings	<b>279,902</b>	286,945
Diluted loss per share (in R\$)	<b>(0.06)</b>	(0.01)

In the first half of 2015, the Company had 24,460 options that were not diluted due to loss presented in the year.

**27. Net sales and service revenue**

	<b>Consolidated</b>		<b>Company</b>	
	<b>1<sup>st</sup> half 2015</b>	<b>1<sup>st</sup> half 2014</b>	<b>1<sup>st</sup> half 2015</b>	<b>1<sup>st</sup> half 2014</b>
Gross sales and service revenue				
In reais	<b>710,351</b>	683,199	<b>670,769</b>	649,177
In other currencies	<b>1,066,528</b>	935,943	<b>237,724</b>	198,731
	<b>1,776,879</b>	1,619,142	<b>908,493</b>	847,908
Deductions from sales	<b>(179,969)</b>	(179,630)	<b>(176,003)</b>	(170,818)
Net sales and service revenue	<b>1,596,910</b>	1,439,512	<b>732,490</b>	677,090

	<b>Consolidated</b>		<b>Company</b>	
	<b>Q2 2015</b>	<b>Q2 2014</b>	<b>Q2 2015</b>	<b>Q2 2014</b>
Gross sales and service revenue				
In reais	<b>335,725</b>	339,568	<b>316,980</b>	325,127
In other currencies	<b>543,241</b>	469,439	<b>107,435</b>	101,287
	<b>878,966</b>	809,007	<b>424,415</b>	426,414
Deductions from sales	<b>(88,218)</b>	(88,859)	<b>(84,419)</b>	(84,573)
Net sales and service revenue	<b>790,748</b>	720,148	<b>339,996</b>	341,841

## Notes

### 28. Commitments

#### 28.1. Input supply agreements

The Company has a commitment arising from electric power supply agreements related to its industrial activities, effective up to 2021. At June 30, 2015, the Company was in compliance with such agreements.

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

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

	<b>Company and Consolidated - 2015</b>
Less than one year	<b>24,240</b>
More than one year and less than four years	<b>54,327</b>
More than four years	<b>43,680</b>
	<b>122,247</b>

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, 2015, the commitment in connection with future consideration for these operating leases had the following payment terms:

	<b>Company and Consolidated - 2015</b>
Less than one year	<b>11,279</b>
More than one year and less than five years	<b>24,570</b>
	<b>35,849</b>

### 29. 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:

	<b>Consolidated</b>	<b>Company</b>
	<b>06/30/2015</b>	<b>06/30/2015</b>
Amount insured	<b>3,387,644</b>	<b>1,757,525</b>
Loss of profit	<b>973,033</b>	<b>92,937</b>
Civil liability	<b>325,887</b>	<b>25,000</b>

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.

**Notes****30. Key management personnel compensation**

In the first half of 2015, compensation paid to key management personnel (Board members and Executive Officers) in the form of management fees amounted to R\$3,256 (first half of 2014 - R\$3,784). Additionally, the fair value of the stock options granted in the amount of R\$2,716 (first half of 2014 - R\$3,468) is recorded in net income for the period.

**31. Subsequent events**

In August 2015, as announced in the market in July 2015 and through its US subsidiary Magnesita Refractories Company, the Company acquired part of its long-term debt securities maturing in 2020. The aggregate amount of the acquisition was US\$ 222,176, representing approximately 77% of total outstanding long-term debt securities. Together with this acquisition, Magnesita Refractories Company amended the long-term debt security indenture, eliminating substantially all restrictive covenants, as well as various early maturity events.

## **Pronouncement of the Board of Directors**

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

Contagem, August 5, 2015.

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

## **Opinion of the Supervisory Board**

On August 6, 2015, full members of the Supervisory Board of Magnesita Refratários S.A. (the “Company”) held a meeting at 2 p.m., by means of conference call, attended by Mr. Eduardo Guardiano Leme Gotilla, Company’s CFO, and Mr. Welder Ferreira Santos, Company’s Tax Officer.

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

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

Contagem, August 6, 2015.

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

## Representation

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

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

Contagem, August 5, 2015.

Octávio Cortes Pereira Lopes  
CEO

Eduardo Guardiano Leme Gotilla  
CFO and Investor Relations Officer

Officers with no specific title:

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

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

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