

Issuer Comment: Magnesita Refratarios S.A.

Moody's comments on the acquisition of LWB Refractories by Magnesita

Moody's Investors Service comments on Magnesita Refratários S.A.'s (Magnesita; Ba1 / stable outlook) announced acquisition of LWB Refractories (LWB; not rated) for a total consideration of EUR 657 million, which includes the assumption of EUR 380 million in LWB debt. The remaining amount will be financed with EUR 108 million in cash at Magnesita and EUR 169 million in Magnesita equity, representing some 11% of Magnesita's voting and total shares. The deal is subject to regulatory approval.

The deal would make Magnesita the third largest company in the global refractory industry with annual revenues of around EUR 900 million. Moody's views the announced acquisition as positive from an operational standpoint, contributing to improve its client and geographic diversification by accessing unexplored markets through LWB customers and expanding operations into North America, Europe and Asia.

The proposed deal has no immediate impact on Magnesita's Ba1 corporate family rating or stable outlook. The Ba1 rating already incorporated the likelihood of an increase in leverage caused by acquisitions and internationalization projects. Moody's estimates that Magnesita's leverage, as measured by Net Debt to EBITDA (pro-forma for LWB's acquisition), will peak at around 3.0x after the conclusion of the acquisition and Moody's expects that de-leveraging occur in the near term. Also, Magnesita's liquidity profile should remain adequate based on its robust cash position and manageable debt maturities. As of June 30, 2008, Magnesita has cash and cash equivalents of BRL 542 million and short term debt maturities of BRL 115 million.

Magnesita Refratários S.A. is Brazil's largest manufacturer of refractories used for industrial high-temperature processes such as iron and steel, cement, glass and others. Magnesita reported consolidated revenues of BRL 1,258 million (USD 707 million using the average exchange rate) in the last twelve month period ending on June 30, 2008.

LWB Refractories, based in Hilden, Germany, produces refractories and is the world's largest dolomite refractory supplier for stainless and carbon steel applications and the cement market. LWB operates production sites in Europe, Asia and USA and generates annual net revenues of around EUR 400 million and EBITDA of EUR 73 million.

Contacts

Richard Sippli/Sao Paulo
Alexander I. Carpenter/Sao Paulo

Phone

5511-3043-7300
5511-30437323

© Copyright 2008, Moody's Investors Service, Inc. and/or its licensors including Moody's Assurance Company, Inc. (together, "MOODY'S"). All rights reserved.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY COPYRIGHT LAW AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, such information is provided "as is" without warranty of any kind and MOODY'S, in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such information. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The credit ratings and financial reporting analysis observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER. Each rating or other opinion must be weighed solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security and of each issuer and guarantor of, and each provider of credit support for, each security that it may consider purchasing, holding or selling.

MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MOODY'S have, prior to assignment of any rating, agreed to pay to MOODY'S for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,400,000. Moody's Corporation (MCO) and its wholly-owned credit rating agency subsidiary, Moody's Investors Service (MIS), also maintain policies and procedures to

address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually on Moody's website at www.moody.com under the heading "Shareholder Relations - Corporate Governance - Director and Shareholder Affiliation Policy."