Eternit

Eternit closes 3Q17 with 36% reduction in net debt

São Paulo, November 9, 2017 – Eternit S.A. (B3: ETER3), which was founded 77 years ago and is Brazil's leading manufacturer of roofing tiles and a manufacturer of bathroom chinaware, metal fixtures and construction solutions, announces its results for the third quarter of 2017 (3Q17). Except where stated otherwise, the operational and financial information of the Company is presented on a consolidated basis in Brazilian real, in accordance with Brazilian Corporation Law and International Financial Reporting Standards (IFRS). All comparisons in this press release are with the third quarter of 2016 (3Q16), except where stated otherwise.

3Q17

Listing Segment

Novo Mercado of B3 (BM&FBOVESPA)

Share Price (10/31/17) ETER3

EPS (R$)	1.08
EPS (US$)	0.33

Ownership (10/31/17)

Shares issued	179,000,000
Free Float	84.99%

Market Cap - (10/31/17)

R$193.3 million
US$59.0 million

Dividends to Shareholders (2017)

No dividends were distributed in the period.

Indicators - (Sep/17)

EPS (R$/share)	2.31
Price/EPS	0.49

Conference Call/Webcast

November 10, 2017

Time: 2:00 p.m. (Brasília) – 11:00 a.m. (New York) and 3:00 p.m. (London)

Dial-in:
From Brazil:
+55 (11) 3193-1001 or
+55 (11) 2820-4001

From other countries:
+1 786 924-6977
Code: **Eternit**

Webcast:
www.eternit.com.br/ir

Talk to IR

Contact the IR team:

ri@eternit.com.br

For more information, visit:
www.eternit.com.br/ri

@Eternit_RI

As a result of the economic scenario in the third quarter of 2017, the construction materials sector performed below par, according to the Brazilian Construction Materials Industry Association (ABRAMAT). During this period, the Company adjusted its operation by scaling down production and inventory levels to meet market demand.

Chrysotile sales in 3Q17 totaled 30,000 tons, down 32.2% from 3Q16, reflecting the lower share of chrysotile fiber in the industrial process in the domestic market, despite an increase of 17.9% in exports as a result of the Company's efforts to increase exports.

In the same period, sales of fiber-cement tiles totaled 168,800 tons, down 15.4% from 3Q16, due to unemployment, lower income distribution and difficulties in obtaining credit, all of which affected the construction materials sector, while concrete roofing tiles decreased 18.0% due to the shutdown of four units of our subsidiary Tégula in February 2017.

Consolidated net revenue totaled R$169.8 million in 3Q17, down 17.0% from 3Q16 due to lower sales volumes in its operating segments, neutralizing the price repositioning initiatives in the domestic market. Revenue from chrysotile exports increased 5.8% compared to 3Q16, despite the 2.5% depreciation of the US dollar against the Brazilian real and the reduction in US dollar prices.

In 3Q17, adjusted and recurring EBITDA stood at R$15.7 million, down 32.3% from 3Q16, due to the low utilization of industrial capacity (to reduce inventory levels) and low sales. To mitigate the negative impacts on EBITDA, the Company reduced its recurring operating expenses by 17.3%, in line with the structured SG&A reduction program. In 3Q17, Eternit posted recurring loss of R$8.2 million, due to the factors commented in the EBITDA section, despite the improvement in equity pickup and net financial result.

Focusing on free cash flow generation, Eternit closed 3Q17 with net debt of R$73.5 million, in addition to the amortizations made in the period.

In line with its restructuring plan, the Company seeks to maintain the level of activity of its operations in line with market demand, adjusting its operating structure and improving the profitability of its business units.

Main Indicators

Consolidated - R$ `000	3Q17	3Q16	% Chg.	2Q17	% Chg.	9M17	9M16	% Chg.
Net revenues	**169,760**	**204,493**	**(17.0)**	**163,517**	**3.8**	**500,976**	**637,123**	**(21.4)**
Gross margin	*28%*	*32%*	*- 4 p.p.*	*30%*	*- 2 p.p.*	*30%*	*33%*	*- 3 p.p.*
Operating loss/income (EBIT) [1]	(16,433)	(140)	11,664.3	(23,578)	(30.3)	(35,567)	16,789	-
Net income (loss) for the year	**(20,599)**	**(7,321)**	**181.4**	**(23,091)**	**(10.8)**	**(46,645)**	**(8,058)**	**478.9**
Recurring Net income (loss) for the year	**(8,173)**	**(2,905)**	**181.3**	**(9,282)**	**(12.0)**	**(20,410)**	**(2,636)**	**674.2**
Recurring Net margin	*-5%*	*-1%*	*- 4 p.p.*	*-6%*	*1 p.p.*	*-4%*	*0%*	*- 4 p.p.*
Earnings (loss) per share - R$	(0.1151)	(0.0409)		(0.1290)		(0.2607)	(0.0450)	
CAPEX	1,129	3,995	(71.7)	1,350	(16.4)	3,597	11,532	(68.8)
EBITDA [2]	**(7,866)**	**9,531**	**-**	**(14,175)**	**(44.5)**	**(8,406)**	**46,086**	**-**
Recurring and Adjusted EBITDA	**15,675**	**23,140**	**(32.3)**	**11,723**	**33.7**	**46,648**	**72,053**	**(35.3)**
Recurring and Adjusted EBITDA Margin	*9%*	*11%*	*- 2 p.p.*	*7%*	*2 p.p.*	*9%*	*11%*	*- 2 p.p.*

[1] *Before financial results.*

[2] *Operating income before interests, taxes, depreciation and amortization*

Economy and Market

According to Copom[1], the prospects of a gradual recovery in economic activity have grown stronger since the publication of the Inflation Report for June. Though the economy continues to witness high idleness of the factors of production, which is reflected in the unemployment rate and low industrial capacity utilization rate, GDP started growing once again, indicators of economic activity for the third quarter pointed to a favorable trend and the increase in household consumption tends to open room for fresh investments as recovery advances.

According to this scenario, GDP forecast for 2017 is 0.7%[2], and the forecast for construction GDP is -5.2%[3], which is lower than the previous forecast of -2.1%, due to weaker performance by the construction sector.

In September 2017, ABRAMAT[4] registered 0.1% growth in sales compared to September 2016 and, despite being a fraction, it is something not seen since February 2014. Sales until September 2017 decreased by 5.3% compared to the year-ago period, affected by low demand on account of high unemployment, restrictions to lending, high interest rates and low activity in new building and infrastructure works, despite the still slow recovery. As such, ABRAMAT expects a decrease of 5% in 2017.

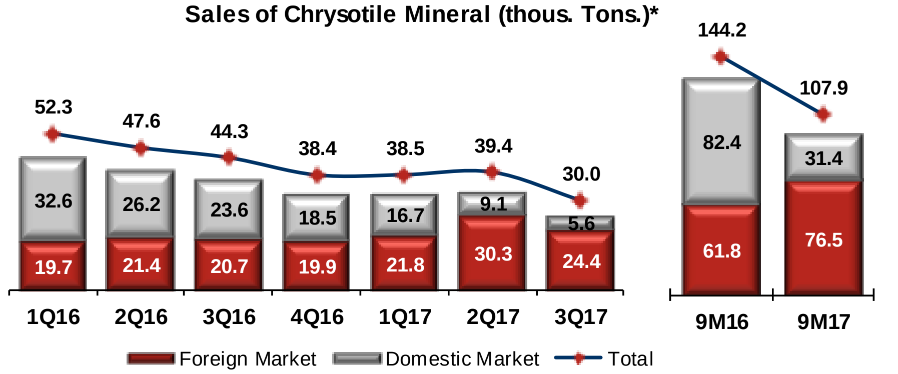
In this period, the Company adjusted its operations by scaling down its production and inventory levels to meet market demand, both in chrysotile mining and in finished products, which include the production of fiber-cement and concrete roofing tiles.

Operational and Financial Aspects

Sales

Chrysotile Mineral

In 3Q17, chrysotile mineral sales reached 30,000 tons, down 32.2% from 3Q16. Domestic sales volume dropped 76.1%, due to the lower share of chrysotile fiber in the industrial process, while exports grew 17.9%, thanks to the Company's efforts to boost exports and its commercial initiatives, especially in Asian markets.



(*) Includes intercompany sales, which accounted for 71.8% of domestic sales volume in 3Q17.

Sales in 9M17 totaled 107,900 tons, down 25.2% from 9M16, due to the factors mentioned earlier.

Fiber-cement roofing panels

Fiber-cement sales in 3Q17 stood at 168,800 tons, down 15.4% year-on-year, due to unemployment, lower income distribution and difficulties in obtaining credit, which affected the construction materials sector that is reeling under the impacts of the economic and political crisis, according to ABRAMAT.

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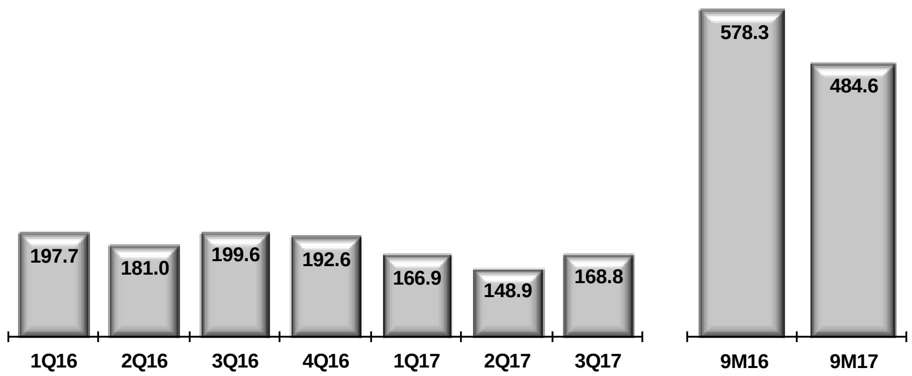
[1] Copom: Monetary Policy Committee of the Central Bank of Brazil
[2] BACEN: FOCUS readout of 11/3/2017 of the Central Bank of Brazil.
[3] BACEN: Inflation report for September 2017 of the Central Bank of Brazil.
[4] ABRAMAT: Brazilian Construction Materials Industry Association .

Sales of Fiber-cement (thous. Tons.)



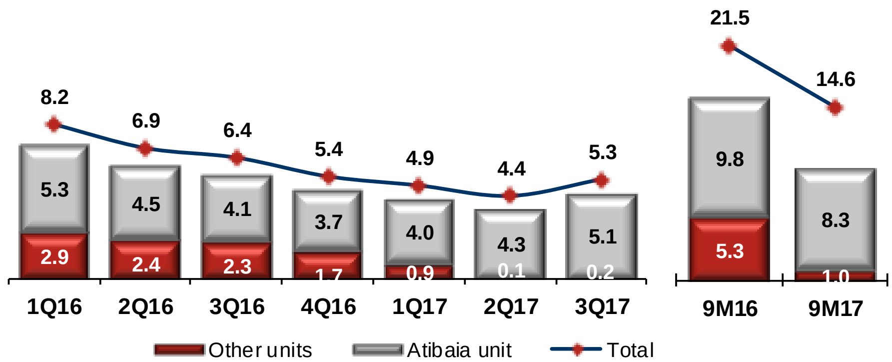
In the first nine months of 2017, sales volume decreased 16.2%, in line with the aspects mentioned above.

Concrete Roofing Tiles

In 3Q17, sales of concrete roofing tiles at the Atibaia unit totaled 5.1 million pieces, an increase of 24.6% from 3Q16, thanks to the Company's intensive efforts to leverage sales through the B2B and B2C channels.

Note that, in February 2017, the Company restructured the production units of Tégula, which has since been operating only the Atibaia unit to serve more profitable markets.

Sales of Concrete RoofingTiles (million pieces)

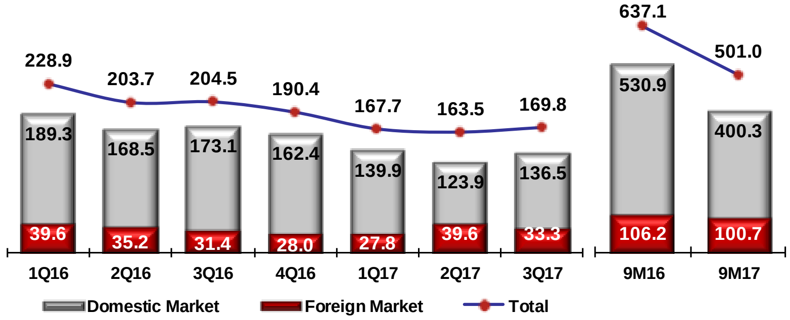


In 9M17, the sales volume of concrete roofing tiles was R$14.6 million, down 32.3% from 9M16, due to the closure of two production units and the weak performance of the construction materials sector, as well as the postponement of construction by middle and high income consumers, which mainly impacted the first half of 2017.

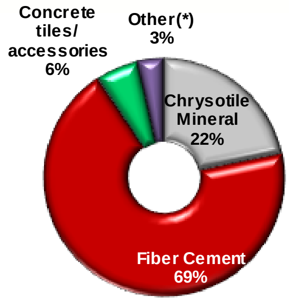
Consolidated Net Revenue

Net revenue reached R$169.8 million in the quarter, down 17.0% from 3Q16. Domestic net revenue decreased 21.1%, impacted by lower sales volumes in its operating segments, neutralizing the price repositioning initiatives in the domestic market. Revenue from the export market increased 5.8% from 3Q16 due to higher chrysotile sales, despite the 2.5% depreciation of the US dollar against the Brazilian real (comparison of average PTAX in 3Q17 and 3Q16) and the decline in prices in US dollar.

Consolidated Net Revenue (R$ million)



Breakdown of Consolidated Net Revenue (3Q17)



(*) Other: metal bathroom fixtures, polythene water tanks, construction solutions, among others.

In 9M17, net revenue fell 21.4% from the same period in 2016. Exports totaled R$100.7 million, down 5.3% from 2016, while the domestic market totaled R$400.3 million, down 24.6%, as previously mentioned.

Cost of Goods Sold

In order to operate in a more competitive and efficient manner, Management has been working diligently to restructure the Company's production infrastructure and fixed costs. Recurring cost of goods sold totaled R$122.5 million in 3Q17, down 11.7% from 3Q16, due to the lower sales volume in the operating segments and the adjustment of industrial capacity to operate in line with market demand, despite inflationary pressure on costs. As a result, recurring gross margin came to 28% in 3Q17, down 4 p.p. from 3Q16.

To reconcile market demand with the reduction in current inventory levels, the Company granted holidays to all employees, which resulted in non-recurring fixed costs of around R$3.7 million in the period.

R$ ´000	3Q17	3Q16	% Chg.	2Q17	% Chg.	9M17	9M16	% Chg.
Cost of goods sold	(129.589)	(145.332)	(10,8)	(121.836)	6,4	(366.080)	(436.231)	(16,1)
Non-recurring events								
Breaking of products in the production process*	3.401	1.784	90,6	1.441	136,0	4.842	1.784	171,4
Expenses with unexpected halts**	3.742	4.906	(23,7)	5.334	(29,8)	9.076	6.431	41,1
Recurring cost of goods sold	**(122.446)**	**(138.642)**	**(11,7)**	**(115.061)**	**6,4**	**(352.162)**	**(428.016)**	**(17,7)**
Recurring gross margin	*28%*	*32%*	*- 4 p.p.*	*30%*	*- 2 p.p.*	*30%*	*33%*	*- 3 p.p.*

* Due to the use of new technologies
** Includes the depreciation of exceptional shutdown.

In 9M17, the reduction in recurring costs corresponded to 17.7% of the amount booked in 9M16, totaling R$352.2 million, as mentioned earlier. Consequently, gross margin declined 3 p.p. to end the nine-month period at 30%.

Operating Expenses

In line with its structured SG&A reduction program, in 3Q17 the Company posted a 17.3% decrease in total recurring expenses, the most significant being: (i) commissions, due to lower sales volume; (ii) marketing; and (iii) services provided as a result of contract renegotiations with suppliers.

The Company continued the restructuring process in the industrial, commercial and administrative areas, leading to non-recurring expenses of R$7.4 million with termination payments in 3Q17.

In R$ '000	3Q17	3Q16	Chg. %	2Q17	Chg. %	9M17	9M16	Chg. %
Selling expenses	(19,324)	(27,771)	(30.4)	(19,508)	(0.9)	(59,732)	(81,721)	(26.9)
General and administrative expenses*	(25,083)	(24,690)	1.6	(31,395)	(20.1)	(78,030)	(75,074)	3.9
Other operating revenues (expenses), net	(6,283)	79	-	(5,141)	22.2	(11,957)	(8,259)	44.8
Total operating expenses	**(50,690)**	**(52,382)**	**(3.2)**	**(56,044)**	**(9.6)**	**(149,719)**	**(165,054)**	**(9.3)**
Non-recurring event	0	0	0.0	0	0.0	0	0	0.0
Reestructuring	7,385	0	-	11,258	-34.4	18,643	0	-
Total recurring operating expenses	**(43,305)**	**(52,382)**	**(17.3)**	**(44,786)**	**(3.3)**	**(131,076)**	**(165,054)**	**(20.6)**

* Includes Management Compensation.

Total recurring operating expenses in 9M17 came to R$131.1 million, down 20.6% from 9M16, as mentioned earlier.

Eternit

Equity pickup

Equity pickup refers to the gain or loss from the bathroom chinaware plant in the state of Ceará, the joint venture Companhia Sulamericana de Cerâmica (CSC). In 3Q17, negative equity pickup was R$5.9 million, as against R$6.9 million in the same period last year.

The improvement reflects the industrial performance with continuous productivity gains and the acquisition of new clients, though it is still impacted by the current economic situation of the country faced by clients, who mainly consume lower value products.

In R$ '000	3Q17	3Q16	Chg. %	2Q17	Chg. %	9M17	9M16	Chg. %
Equity pickup	(5,914)	(6,919)	(14.5)	(9,215)	(35.8)	(20,744)	(19,049)	8.9
Non-recurring event								
Adjust for inventories of realizable value	-	-	-	1,907.0	(100)	1,907	-	-
Recurring Equity pickup	**(5,914)**	**(6,919)**	**(14.5)**	**(7,308)**	**(19.1)**	**(18,837)**	**(19,049)**	**(1.1)**

* The joint venture, in its ramp-up process, identified that the cost of production of some products were higher than the net realization value, leading to loss in realization.

In 9M17, negative equity pickup was R$18.8 million, compared to R$19.0 million in the same period last year, due to the aforementioned aspects.

Net Financial Result

Net financial result in the third quarter of 2017 was an expense of R$3.9 million, decreasing 31.2% from 3Q16, mainly due to the net effect of exchange variation on the Company's foreign currency operations and lower financial charges due to the reduction in debt on account of lower interest rates.

In R$ '000	3Q17	3Q16	Chg. %	2Q17	Chg. %	9M17	9M16	Chg. %
Financial expenses	(10,736)	(10,252)	4.7	(9,463)	13.5	(31,048)	(57,636)	(46.1)
Financial income	6,792	4,518	50.3	5,049	34.5	18,142	42,081	(56.9)
Net financial result	**(3,944)**	**(5,734)**	**(31.2)**	**(4,414)**	**(10.6)**	**(12,906)**	**(15,555)**	**(17.0)**

In 9M17, the net financial result decreased by 17.0% from the same period in 2016, due to lower interest on debt, which was offset by the higher impact of exchange variation.

The hedging strategy for foreign exchange risk consists of obtaining a natural hedge, that is, the pursuit of a monthly balance between assets and liabilities in foreign currency among the Group companies.

EBITDA

In 3Q17, adjusted and recurring EBITDA stood at R$15.7 million, down 32.3% from 3Q16 due to the low utilization of industrial capacity (to reduce inventory levels) and low sales, especially chrysotile in the domestic market. To mitigate the negative impacts on EBITDA, the Company reduced its recurring operating expenses by 17.3%, in line with the structured SG&A reduction program. As a result, adjusted and recurring EBITDA margin contracted by 2 p.p. from 3Q16 to end the quarter at 9%. In the nine-month period, margin fell 2 p.p. to 9%.

Reconciliation of consolidated EBITDA - (R$'000)	3Q17	3Q16	% Chg.	2Q17	Var. %	9M17	9M16	% Chg.
Net (loss) income	**(20,599)**	**(7,321)**	**181.4**	**(23,091)**	**(10.8)**	**(46,645)**	**(8,058)**	**478.9**
Income tax and social contributions	222	1,447	(84.7)	(4,901)	-	(1,828)	9,292	-
Net financial Income	3,944	5,734	(31.2)	4,414	(10.6)	12,906	15,555	(17.0)
Depreciation and amortization	8,567	9,671	(11.4)	9,403	(8.9)	27,161	29,297	(7.3)
EBITDA[1]	**(7,866)**	**9,531**	**-**	**(14,175)**	**(44.5)**	**(8,406)**	**46,086**	**-**
Equity pickup	5,914	6,919	(14.5)	9,215	(35.8)	20,744	19,049	8.9
Non-recurring events								
Reestructuring	7,385	-	-	11,258	(34.4)	18,643	-	-
Breaking of products in the production process	3,401	1,784	90.6	1,441	136.0	4,842	1,784	171.4
Expenses with unexpected halts*	2,541	4,906	(48.2)	3,984	(36.2)	6,525	5,134	27.1
Provisions for labor contingencies	4,300	-	-	-	-	4,300	-	-
Recurring and Adjusted EBITDA[2]	**15,675**	**23,140**	**(32.3)**	**11,723**	**33.7**	**46,648**	**72,053**	**(35.3)**

* Due to the use of new technologies.
** Not including the depreciation value of a non-scheduled maintenance shutdown.

[1] Consolidated EBITDA includes the results from the joint venture Companhia Sulamericana de Cerâmica (CSC), in accordance with the equity method of accounting and non-recurring events, in compliance with Instruction 527 of October 4, 2012, issued by the Securities and Exchange Commission of Brazil (CVM).

[2] Adjusted and recurring EBITDA is an indicator used by the Company's Management to analyze the operational and financial performance of the Company's wholly-owned businesses, excluding equity pickup, due to the fact that CSC is a joint venture and its information is not consolidated, as well as non-recurring events.

Net Loss/Income

In 3Q17, Eternit posted recurring loss of R$8.2 million, due to the factors commented in the EBITDA section, despite the improvement in equity pickup and net financial result. Recurring net margin fell by 4 p.p. to end the period at -5%.

Consolidated Net income (loss) for the year (R$'000)	3Q17	3Q16	% Chg.	2Q17	Var. %	9M17	9M16	% Chg.
Net Icome (loss)	(20,599)	(7,321)	181.4	(23,091)	(10.8)	(46,645)	(8,058)	478.9
Non-recurring events	-	-	-	-	-	-	-	-
Reestructuring	7,385	-	-	11,258	(34.4)	18,643	-	-
Breaking of products in the production process	3,401	1,784	90.6	1,441	136.0	4,842	1,784	171.4
Expenses with unexpected halts*	3,742	4,906	(23.7)	5,334	(29.8)	9,076	6,431	41.1
Adjust for inventories of realizable value	-	-	-	1,907	(100.0)	1,907	-	-
Provisions for labor contingencies	4,300	-	-	-	-	4,300	-	-
Effect of Income and social contributions taxes*	(6,402)	(2,275)	181.4	(6,131)	4.4	(12,533)	(2,793)	348.7
Recurring Net income (loss) for the year	**(8,173)**	**(2,905)**	**181.3**	**(9,282)**	**(12.0)**	**(20,410)**	**(2,636)**	**674.2**

* Impact on Income Tax/Social Contribution on non-recurring events, not considering the adjustment for inventory realization, which refers to the joint venture CSC.

In 9M17, recurring loss totaled R$20.4 million, with recurring net margin of -4%, compared to net income of R$2.6 million and net margin of 0% in 9M16.

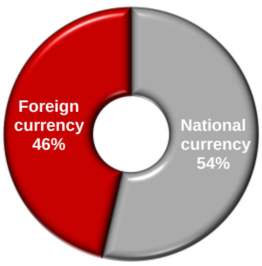
Debt

The Company ended 3Q17 with net debt of R$73.5 million, down 37.0% from December 31, 2016, due to amortization of ACE[5], NCE[6] and FINIMP[7], in the amount of R$24.2 million, and the increase in cash available by R$18.8 million in the period comparison.

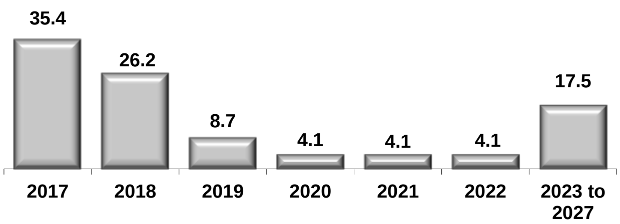
Cash, cash equivalents and investments totaled R$26.7 million, with investments remunerated at an average weighted rate of 106.7% of the variation in the CDI[8].

DEBT - R$ ´000	09/30/17	12/31/16	% Chg.	06/30/17	% Chg.
Short- term gross debt	60,459	69,288	-12.7%	76,980	-21.5%
Long-term gross debt	39,683	55,079	-28.0%	46,459	-14.6%
Total gross debt	**100,142**	**124,367**	**-19.5%**	**123,439**	**-18.9%**
Cash and cash equivalents	(5,651)	(5,143)	9.9%	(4,295)	31.6%
Short-term investments (same cash equivalents)	(21,033)	(2,708)	676.7%	(4,551)	362.2%
Net debt	**73,458**	**116,516**	**-37.0%**	**114,593**	**-35.9%**
Recurring and adjusted EBITDA (last 12 months)	55,998	78,785	-28.9%	61,073	-8.3%
Net debt / Recurring and adjusted EBITDA x	**1.31**	**1.48**		**1.88**	
Net debt / Equity	**17.8%**	**25.3%**	**-**	**16.9%**	**-**

Origin of Debt (%)



Repayment Schedule (R$ '000)



[5] ACE: Advances on Foreign Exchange Contracts
[6] NCE: Export Credit Note
[7] FINIMP: Import financing
[8] CDI: Interbank Deposit Certificates

In 3Q17, 100% of the foreign currency debt was naturally hedged by accounts receivable in foreign currency on chrysotile exports.

Of the amortization flow expected in 2017, 95% is linked to export accounts receivable.

Capex

The Capex of Eternit and its subsidiaries was R$1.1 million in 3Q17 and R$3.6 million in 9M17, down 71.7% and 68.8%, respectively, from the same periods in 2016, and the funds were allocated to maintenance and modernization of the Group's industrial facilities.

Capital Markets

Eternit has been a listed company since 1948 and since 2006 its stock has been traded on the Novo Mercado, the highest corporate governance segment of the São Paulo Stock Exchange (B3) under the stock ticker ETER3.

With highly fragmented ownership and no shareholders' agreement or controlling group, the Company's shareholder base had a high concentration of individual investors, who accounted for 82.0% of the shareholder base on September 30, 2017, while foreign investors accounted for 4.2% and legal entities, clubs, investment funds and foundations accounted for 13.8%. In September 2017, only three shareholders held more than 5% interest in the capital stock, with an aggregate interest of 33.4%, while the Executive Board held 0.2% interest in capital stock.

On September 30, 2017, Eternit stock was quoted at R$1.14/share, while the Company's market capitalization was R$204.1 million. Visit the Company's IR website for more information.

Shareholder Remuneration

The Bylaws of Eternit establish a minimum mandatory dividend of 25% on the year's net income after deductions required by law and the Bylaws. In view of the results registered in 3Q17, there was no distribution of earnings in the period. Note that the Company's dividend policy, as determined in the Bylaws, remains unchanged, but fresh distributions will be made once positive results are recorded.

Legal issues involving chrysotile mineral

Public-Interest Civil Action of the State of Bahia

The Company is the defendant in a Public-Interest Civil Action ("ACP") filed by the Labor Prosecution Office ("MPT"), which is currently in progress at the 2nd Labor Court of Simões Filho, State of Bahia.

The Public-Interest Civil Action deals with working conditions and the use of asbestos at its unit in Simões Filho and includes several claims, the most important of which are:

(i) compulsory replacement of asbestos within 10 days, which was not granted until the present moment; and

(ii) payment of collective pain and suffering in the amount of R$225 million, which will be decided at the time of the ruling.

The Company has submitted its defense and is waiting for the Federal Prosecution Office to respond and the Court to establish the date for a new hearing.

Public-Interest Civil Action in Vitória da Conquista/BA

Subsidiary SAMA S.A. – Minerações Associadas ("SAMA"), was notified, on August 22, 2017, of the judgment of the 1st Federal Court of the Judicial Subsection of Vitória da Conquista, Bahia, upholding the Public-Interest Civil Action ("ACP") filed by the Federal Prosecution Office and the Prosecution Office of the State of Bahia against SAMA, the cities of Bom Jesus da Serra, Caetanos and Poções, the State of Bahia and the Federal Government.

The ACP refers to the São Felix mine, where SAMA officially ended its activities in 1967 – more than 40 years before the filing of said claim. The lower court conviction involves:

(i) indemnification for collective pain and suffering in the amount of R$500 million; and

(ii) indemnification for individual damages allegedly suffered by 11 people identified through an expert analysis, including: (a) payment of R$150 thousand for individual pain and suffering; (b) inclusion in health plan; (c) supply of necessary medicines and equipment to treat the disease; (d) payment of material damages that may be proved; and (e) payment of a pension equivalent to one and a half minimum wage per month, for the rest of their lives.

The judgment, which granted interlocutory relief regarding items (b), (c) and (e) above, also determined:

(iii) the disclosure of the order and reasons of the judgment; and

(iv) that non-current assets be made unavailable and the blocking of SAMA's profits.

In light of the judgment, the elements of evidence presented in the process and preliminary, harmful and important issues under dispute, Eternit informs that the likelihood of a successful outcome in relation to the ACP was maintained as possible by its legal advisors.

Similarly, the assessment of the likelihood of loss to the full extent of the judgment is considered remote. In this regard, Eternit believes it important to present the assessment of its legal advisors, which states the following:

(i) the amount set as collective pain and suffering by the judgment is not compatible with the parameters established by our Courts and with the evidence in the records; also

(ii) the payment related to collective pain and suffering will not be made by SAMA now since the judgment is subject to appeal including supersedeas; and

(iii) the amounts in the judgment related to individual damages did not take into consideration past transactions, ratified by courts, with most of the people identified in the expert analysis as being eligible to receive them.

Finally, Eternit highlights that SAMA's operations at the site were duly regulated, recognized as legal and formally terminated in compliance with the applicable laws of Brazil at the time.

Therefore, the Company informs that it will take all applicable legal measures to reverse the decision in Higher courts.

Consumer Public-Interest Civil Action of Rio de Janeiro

The Court of Appeals of the State of Rio de Janeiro ("TJRJ") in the records of Consumer Public-Interest Civil Action filed by the State Public Prosecutor ("MPERJ") amended the trial court's ruling, determining, among the most important points, the following:

(i) that it refrains from manufacturing and selling, in the State of Rio de Janeiro, products containing asbestos; and

(ii) payment of indemnity for collective pain and suffering, in the amount of R$1 million, plus interest and inflation adjustment.

Eternit clarifies that an appeal may be filed against the decision, since it is not final.

The Company also informs that it will take all legal measures within its power to have the decision overturned in higher courts.

Clarifications on the judgment of ADIs 4066 and 3937

At the judgment session that ended on August 24, 2017, the plenary session of the Federal Supreme Court ("STF") analyzed the Direct Claims of Unconstitutionality ("ADI") no. 4066 and 3937 regarding the legality of using chrysotile asbestos.

Regarding ADI 4066, five judges voted for upholding the claim and consequently declaring the Federal Law 9,055/95 ("Federal Law") unconstitutional and four judges voted against the claim and consequently considering the Federal Law constitutional. According to Article 97 of the Brazilian Constitution, a law can be declared unconstitutional only if it has the votes of at least six of the 11 Supreme Court judges, which was not the case. Hence, the Federal Law was not considered unconstitutional.

The Plenary Session of the STF also judged ADI 3937, which analyzes the constitutionality of São Paulo State Law 12,684/2007. In this case, the claim was upheld by majority vote. Consequently, the State Law, which prohibits the use of asbestos in the State of São Paulo, was considered constitutional. Due to the incidental argument of unconstitutionality, i.e. a claim whose subject-matter was not the Federal Law, but only the State Law, its effects are restricted to the State of São Paulo.

The STF will further continue the analysis and vote on the constitutionality of other State (ADI 3356, ADI 3357, ADI 3470 and ADI 3406) and Municipal (ADPF 109) Laws, which fully or partially prohibit or ban the use of asbestos as raw material within certain geographical boundaries.

Furthermore, given the different interpretations of the result of the STF's judgment of ADIs no. 4066 and no. 3937 reported in the media regarding the legality of using chrysotile asbestos, the Company clarifies that the prohibition of asbestos applies only to the State of São Paulo and not throughout Brazil.

As such, said decision did not cause any impact on the Company's operations, since Eternit already complies with Law 12,684/2007 of the State of São Paulo, which prohibits the use of asbestos in the state. In other states, operations were not affected and continue in accordance with the laws in force.

Eternit will be able to issue a more comprehensive statement after examining the appellate decisions, which have not yet been made public or published in the official registers.

Replacement of asbestos in fibercement tiles

Regardless of the legal issue, Eternit has been gradually preparing its fiber-cement roofing panel units to manufacture asbestos-free products and already complies with this requirement in the states where there exists a legal restriction, by supplying roofing panels made from synthetic fibers. Since 2015, the Company has been producing polypropylene fibers at its plant in Manaus, Amazonas, and has sufficient installed capacity to meet its own needs and those of third parties.

The chrysotile asbestos fibers produced by SAMA have gradually been routed to the export market, serving clients in other countries where the product is also allowed, such as the United States, India and several Asian countries.

Outlook and Management Comments

According to the Inflation report for September 2017 released by the Central Bank of Brazil (BACEN), the trend of economic activity indicators shows the consolidation of the stabilization of Brazilian economy, as well as the gradual recovery of economic activity, despite the high idleness of production factors, reflected in the low utilization of industrial capacity and, most of all, unemployment rate. In line with this scenario, the 2017 GDP forecast is 0.7%, according to the Market Readout dated November 3, 2017, and the forecast for construction GDP is -2.1%, according to the Inflation report.

For the construction materials industry, ABRAMAT maintained its forecast of a 5% decline in 2017, indicating that recovery will be gradual, given that the main causes of low demand are still present, such as high unemployment levels, difficulty in obtaining credit, high interest rates and sluggish construction activity on new buildings and infrastructure, reflecting the continuation of negative economic and political factors, as well as high unemployment, fear of unemployment and difficult access to credit by families and companies.

The Company operates in the construction materials sector, whose performance depends on the construction industry, which is an important sector for Brazil's economic activity. Note the following challenges posed for the country and the Company's industry, which impact our business and the demand for products in our portfolio mainly used in self-managed construction: competitiveness of Brazil's industry in light of the infrastructure bottlenecks, tax aspects and appreciation of the US dollar, employment generation and better distribution of income, sustainable economic policies, and an increase in consumer and business confidence.

In line with its restructuring plan, the Company seeks to maintain the level of operations in line with market demand, adjusting its operating structure and improving the profitability of the business units.

In all operating segments, efforts remain focused on recovering operating margin, on constantly reducing operating costs and expenses, especially during times of low installed capacity utilization, and on adequately pricing its products for higher profitability.

In the fiber-cement segment, Eternit is working to increase its market share in specific regions, besides increasing the number of points of sale to consolidate its leadership in all the regions of Brazil. In this regard, the market already seems to be recovering and the Company is starting to rebuild its plant infrastructure to ramp up production.

In the concrete roofing tiles segment, the focus is on redesigning the “Architects Club” program to establish a direct relationship with architects and leverage sales through the Business to Consumer (B2C) channel.

In mining operations, the Company is intensifying its focus on the export market to compensate for the contraction in the domestic market, by increasing sales to existing clients and prospecting new markets.

The Manaus (AM) plant already produces and sells polypropylene fibers for industrial-scale application in fiber-cement. Eternit has gradually increased the utilization rate by offering its product to third parties, including manufacturers of fiber-cement roofing tiles and possibly other segments in the construction materials sector, in both Brazil and abroad.

The chinaware unit (CSC) improved its product portfolio targeted at the medium and medium-luxury segments in order to increase business profitability and serve new clients in the Northern and Northeastern regions, besides tapping export markets to help dilute fixed costs.

As for other businesses, the Company will also focus on expanding other products, such as construction solutions, polythene water tanks and metals for kitchens and bathrooms.

With regard to legal aspects involving chrysotile mineral, the Company expects the courts to consider the technical and scientific evidence in the ongoing lawsuits and, if necessary, it will take all applicable legal measures.

Eternit remains closely watchful of the developments and impacts of the current macroeconomic scenario, operating with financial discipline and actively working on reducing its debt and working capital needs to focus on business sustainability. In line with the restructuring plan, Management seeks to launch a new phase at Eternit, marked by modernity, innovation and care in its relations with all stakeholders.

Conference Call / Webcast (in Portuguese with simultaneous translation into English)

The Executive Board of **Eternit** invites you all to participate in the announcement of its results for the third quarter of 2017.

Presentation: Luís Augusto Barcelos Barbosa, Chief Executive Officer, and Rodrigo Lopes da Luz, Adm., Financial and Investor Relations Officer.
Date: Friday, November 10, 2017
Time: 2:00 p.m. - Brasília / 11:00 a.m. - New York / 4:00 p.m. - London

The presentation, which is accompanied by slides, can be viewed online by registering at **www.choruscall.com.br/eternit/3q17.htm** or on Eternit's investor relations website: **www.eternit.com.br/ir**

To listen to the presentation by phone, dial **+55 (11) 3193-1001 or 2820-4001** in Brazil and **+1 786 924-6977** in other countries - Access code for participants: **Eternit**

Eternit

Investor Relations		
Rodrigo Lopes da Luz Paula D. A. Barhum Macedo	rodrigo.luz@eternit.com.br paula.barhum@eternit.com.br	+55 (11) 3194-3881

Eternit

ETERNIT S.A.

Balance Sheet

Corporate Law (R$ '000)

ASSETS	Parent Company		Consolidated	
	09/30/17	12/31/16	09/30/17	12/31/16
Current	**173,612**	**208,911**	**320,672**	**356,975**
Cash and cash equivalents	3,287	3,365	5,651	5,143
Short-term investments	5,259	32	21,033	2,708
Accounts receivable	65,110	84,835	135,781	158,663
Inventories	64,142	93,582	127,502	160,867
Taxes recoverable	9,665	9,289	16,337	17,899
Related parties	22,582	14,819	2,771	718
Other current assets	2,771	2,193	7,324	5,686
Noncurrent assets held for sale	**796**	**796**	**4,273**	**5,291**
Noncurrent assets held for sale	796	796	4,273	5,291
Non-current	**433,337**	**470,282**	**452,792**	**485,473**
Judicial deposits	8,627	14,384	20,597	22,264
Taxes recoverable	24,530	24,335	31,652	24,746
Deferred income and social contribution taxes	47,024	42,315	78,181	72,655
Related parties	6,727	27,982	5,902	15,985
Other noncurrent assets	616	1,078	2,047	2,545
Investments	203,237	203,707	-	3,546
Property, Plant and Equipment (PP&E)	137,651	150,412	290,103	317,716
Intangible assets	4,925	6,069	24,310	26,016
Total assets	**606,949**	**679,193**	**773,464**	**842,448**

LIABILITIES AND EQUITY	Parent Company		Consolidated	
	09/30/17	12/31/16	09/30/17	12/31/16
Current liabilities	**68,049**	**93,885**	**150,047**	**169,036**
Trade accounts payable	18,797	20,602	28,990	33,566
Loans and financing	5,632	10,876	60,459	69,288
Derivative financial instruments	225	383	225	687
Related parties	8,898	25,393	-	-
Personnel expenses	13,129	12,413	22,420	23,388
Dividends and interest on equity	250	426	250	426
Provision for post-employment benefits	3,184	3,184	5,115	5,115
Taxes, charges and contributions payable	10,601	14,030	14,912	22,260
Other current liabilities	6,421	6,578	13,684	12,784
Non-Current	**125,788**	**125,675**	**210,288**	**213,763**
Loans and financing	302	3,814	39,683	55,079
Related parties	34,090	36,012	-	-
Taxes, charges and contributions payable	542	1,746	3,739	4,699
Provision for tax, civil and labor risks	46,343	46,975	94,789	90,003
Provision for post-employment benefits	37,972	37,128	50,632	50,104
Deferred income tax and social contributions	-	-	14,906	13,878
Provision for decommissioning of mine	6,539	-	6,539	-
Equity	**413,112**	**459,633**	**413,129**	**459,649**
Capital	334,251	334,251	334,251	334,251
Capital reserve	19,460	19,460	19,460	19,460
Treasury shares	(174)	(174)	(174)	(174)
Income reserves	118,345	118,221	118,345	118,221
Accumulated loss	(46,645)	-	(46,645)	0
Other comprehensive income	(12,125)	(12,125)	(12,125)	(12,125)
Equity attributable to controlling interests	**413,112**	**459,633**	**413,112**	**459,633**
Noncontrolling interests	-	-	17	16
Total liablities and equity	**606,949**	**679,193**	**773,464**	**842,448**

ETERNIT S.A. (PARENT COMPANY)

Income Statements

Corporate Law

R$ ´000	3Q17	3Q16	% Chg.	2Q17	% Chg.	9M17	9M16	% Chg.
Net operating revenue	**106,266**	**126,110**	**(15.7)**	**96,037**	**10.7**	**312,262**	**373,936**	**(16.5)**
Cost of goods sold	(90,908)	(103,305)	(12.0)	(82,024)	10.8	(260,632)	(297,060)	(12.3)
Gross profit	**15,358**	**22,805**	**(32.7)**	**14,013**	**9.6**	**51,630**	**76,876**	**(32.8)**
Gross margin	***14%***	***18%***	***- 4 p.p.***	***15%***	***- 415 p.p.***	***17%***	***21%***	***- 4 p.p.***
Operating income (expenses)[1]	**(22,125)**	**(30,306)**	**(27.0)**	**(29,644)**	**(25.4)**	**(75,808)**	**(91,143)**	**(16.8)**
Selling expenses	(9,570)	(16,826)	(43.1)	(9,879)	(3.1)	(30,764)	(46,875)	(34.4)
General and administrative expenses[2]	(10,294)	(12,094)	(14.9)	(13,480)	(23.6)	(34,258)	(35,492)	(3.5)
Other operating income (expenses), net	(2,261)	(1,386)	63.1	(6,285)	(64.0)	(10,786)	(8,776)	22.9
Operating income (expenses) before equity pick	**(6,767)**	**(7,501)**	**(9.8)**	**(15,631)**	**(56.7)**	**(24,178)**	**(14,267)**	**69.5**
EBIT margin	***-6%***	***-6%***	***-***	***-16%***	***16 p.p.***	***-8%***	***-4%***	***- 4 p.p.***
Equity pickup	(10,180)	(20)	50,871.8	(10,398)	(2.1)	(20,060)	6,797	-
Financial income (expenses), net	**(2,220)**	**(2,407)**	**(7.8)**	**(2,481)**	**(10.5)**	**(7,116)**	**(4,628)**	**53.8**
Financial expenses	(3,371)	(4,458)	(24.4)	(3,677)	(8.3)	(11,342)	(22,944)	(50.6)
Financial income	1,151	2,051	(43.9)	1,196	(3.8)	4,226	18,316	(76.9)
Income (loss) before income and social contribu	**(19,167)**	**(9,928)**	**93.1**	**(28,510)**	**(32.8)**	**(51,354)**	**(12,098)**	**324.5**
Current (loss) income and social contributions t	-	-	-	-	-	-	-	-
Deferred (loss) income and social contributions	(1,432)	2,608	-	5,419	-	4,709	4,042	16.5
Net income (loss) for the year	**(20,599)**	**(7,320)**	**181.4**	**(23,091)**	**(10.8)**	**(46,645)**	**(8,056)**	**479.0**
Net margin	***-19%***	***-6%***	***- 13 p.p.***	***-24%***	***- 1276 p.p.***	***-15%***	***-2%***	***- 13 p.p.***
EBITDA	**(13,364)**	**(3,792)**	**252.4**	**(22,422)**	**(40.4)**	**(33,312)**	**3,589**	**-**
EBITDA margin	***-13%***	***-3%***	***- 10 p.p.***	***-23%***	***- 977 p.p.***	***-11%***	***1%***	***- 12 p.p.***

ETERNIT S.A. (CONSOLIDATED)

Income Statements

Corporate Law

R$ ´000	3Q17	3Q16	% Chg.	2Q17	% Chg.	9M17	9M16	% Chg.
Net operating revenue	**169,760**	**204,493**	**(17.0)**	**163,517**	**3.8**	**500,976**	**637,123**	**(21.4)**
Cost of goods sold	(129,589)	(145,332)	(10.8)	(121,836)	6.4	(366,080)	(436,231)	(16.1)
Gross profit	**40,171**	**59,161**	**(32.1)**	**41,681**	**(3.6)**	**134,896**	**200,892**	**(32.9)**
Recurring gross profit	**47,314**	**65,851**	**(28.2)**	**48,456**	**(2.4)**	**148,814**	**209,107**	**(28.8)**
Gross margin	***24%***	***29%***	***- 5 p.p.***	***25%***	***- 1 p.p.***	***27%***	***32%***	***- 7 p.p.***
Recurring gross margin	***28%***	***32%***	***- 4 p.p.***	***30%***	***- 2 p.p.***	***30%***	***33%***	***- 3 p.p.***
Operating income (expenses)[1]	**(50,690)**	**(52,382)**	**(3.2)**	**(56,044)**	**(9.6)**	**(149,719)**	**(165,054)**	**(9.3)**
Selling expenses	(19,324)	(27,771)	(30.4)	(19,508)	(0.9)	(59,732)	(81,721)	(26.9)
General and administrative expenses[2]	(25,083)	(24,690)	1.6	(31,395)	(20.1)	(78,030)	(75,074)	3.9
Other operating income (expenses), net	(6,283)	79	-	(5,141)	22.2	(11,957)	(8,259)	44.8
Operating income (expenses) before equity pick	**(10,519)**	**6,779**	**-**	**(14,363)**	**(26.8)**	**(14,823)**	**35,838**	**-**
EBIT margin	***-6%***	***3%***	***- 9 p.p.***	***-9%***	***3 p.p.***	***-3%***	***6%***	***- 9 p.p.***
Equity pickup	(5,914)	(6,919)	(14.5)	(9,215)	(35.8)	(20,744)	(19,049)	8.9
Operating income (expenses) before financial e›	***(16,433)***	***(140)***	**11,664.3**	***(23,578)***	**(30.3)**	***(35,567)***	***16,789***	**-**
Financial income (expenses), net	**(3,944)**	**(5,734)**	**(31.2)**	**(4,414)**	**(10.6)**	**(12,906)**	**(15,555)**	**(17.0)**
Financial expenses	(10,736)	(10,252)	4.7	(9,463)	13.5	(31,048)	(57,636)	(46.1)
Financial income	6,792	4,518	50.3	5,049	34.5	18,142	42,081	(56.9)
Income (loss) before income and social contribu	**(20,377)**	**(5,874)**	**246.9**	**(27,992)**	**(27.2)**	**(48,473)**	**1,234**	**-**
Current (loss) income and social contributions t	619	(3,314)	-	(284)	-	(3,697)	(13,120)	(71.8)
Deferred (loss) income and social contributions	(841)	1,867	-	5,185	-	5,525	3,828	44.3
Net income (loss) for the year	**(20,599)**	**(7,321)**	**181.4**	**(23,091)**	**(10.8)**	**(46,645)**	**(8,058)**	**478.9**
Recurring Net income (loss) for the year	**(8,173)**	**(2,905)**	**181.3**	**(9,282)**	**(12.0)**	**(20,410)**	**(2,636)**	**674.2**
Recurring Net margin	***-5%***	***-1%***	***- 4 p.p.***	***-6%***	***1 p.p.***	***-4%***	***0%***	***- 4 p.p.***
Earnings (loss) per share, basic and diluted - R$	(0.1151)	(0.0409)		(0.1290)		(0.2607)	(0.0450)	
EBITDA	**(7,866)**	**9,531**	**-**	**(14,175)**	**(44.5)**	**(8,406)**	**46,086**	**-**
EBITDA margin	***-5%***	***5%***	***- 10 p.p.***	***-9%***	***4 p.p.***	***-2%***	***7%***	***- 9 p.p.***
Recurring and Adjusted EBITDA	**15,675**	**23,140**	**(32.3)**	**11,723**	**33.7**	**46,648**	**72,053**	**(35.3)**
Recurring and Adjusted EBITDA Margin	***9%***	***11%***	***- 2 p.p.***	***7%***	***2 p.p.***	***9%***	***11%***	***- 2 p.p.***

(*) Adjusted EBIT due to the result of the joint venture Companhia Sulamerica de Cerâmica

[1] It does not include equity pickup , presented separately from total operating income (expenses)

[2] Includes Management Compensation.

ETERNIT S.A.

STATEMENTS OF CASH FLOW

Corporate Law

R$ '000 - Accumulated	Parent Company		Consolidated	
	09/30/17	09/30/16	09/30/17	09/30/16
Cash flows from operating activities				
Loss (income) before income and social contribution taxes	**(51,354)**	**(12,098)**	**(48,473)**	**1,234**
Adjustments to reconcile pre-tax income (loss) to net cash generated by operating activities:				
Equity pickup	20,060	(6,797)	20,744	19,049
Depreciation and amortization	10,926	11,058	27,161	29,297
Gain (loss) on disposal of property, plant and equipment and intangible assets	19	(5)	520	(3,118)
Write-off of judicial deposits	2,063	-	2,645	-
Allowance for doubtful accounts	1,253	1,996	2,121	3,179
Provision for impairment of net realizable value	294	(524)	(137)	(85)
Estimated impairment losses	-	-	(100)	-
Provision for tax, civil and labor risks	2,334	1,571	7,759	4,924
Provision for post-employment benefits	3,232	3,401	4,364	4,750
Provision for decommissioning of mine	-	-	1,028	934
Provision for restructuring	5,571	-	18,643	-
Financial charges, and monetary and exchange variations	1,993	(574)	3,244	(2,001)
Short-term investment yield	(201)	(38)	(715)	(669)
Net changes in prepaid expenses	2,519	4,785	4,252	5,622
	(1,291)	**2,775**	**43,056**	**63,116**
Decrease (increase) in operating assets:				
Accounts receivable	18,472	(9,607)	21,256	7,816
Related parties	(11,050)	(3,233)	(2,053)	(2,301)
Inventories	32,143	8,062	33,530	16,784
Taxes recoverable	5,507	1,745	3,932	6,653
Judicial deposits	728	(3,543)	(4,222)	(4,019)
Dividends and interest on equity received	13,195	36,316	-	-
Other assets	(2,619)	(2,326)	(5,095)	3
Increase (decrease) in operating liabilities				
Trade accounts payable	(1,805)	(6,298)	(4,576)	(9,074)
Related parties	(19,463)	13,158	-	-
Taxes, charges and contributions payable	(4,295)	(4,271)	(7,026)	(10,095)
Personnel expenses	716	2,226	(968)	3,039
Payment of dividends and interest on equity	(1)	(6,876)	(1)	(6,876)
Post-employment benefits	(2,388)	(2,063)	(3,836)	(3,669)
Restructuring expenses	(4,659)	-	(16,173)	-
Other liabilities	(157)	(2,049)	892	(3,924)
Cash provided by operating activities	**23,033**	**24,016**	**58,716**	**57,453**
Interest paid	(549)	(799)	(6,090)	(5,554)
Income and social contribution taxes paid	-	-	(8,147)	(11,173)
Net cash provided by operating activities	**22,484**	**23,217**	**44,479**	**40,726**
Cash flow from investing activities				
Intercompanies loans	8,953	(15,546)	10,753	(15,146)
Amount received on disposal of PP&E items	48	23	456	3,376
Additions to PP&E and intangible assets	(2,981)	(7,219)	(3,597)	(11,532)
Additions to investments	(10,660)	-	(10,659)	-
Short-term investments	(68,900)	(21,200)	(114,749)	(110,588)
Redemption of short-term investments	63,871	22,944	97,102	121,701
Net cash used in investing activities	**(9,669)**	**(20,998)**	**(20,694)**	**(12,189)**
Cash flows from financing activities				
Loans and financing raised	-	1,962	94,390	59,442
Repayment of loans and financing	(8,888)	(5,845)	(117,667)	(90,965)
Intercompanies loans	(4,005)	-	-	-
Net cash used in financing activities	**(12,893)**	**(3,883)**	**(23,277)**	**(31,523)**
Increase (Decrease) in cash and cash equivalents	**(78)**	**(1,664)**	**508**	**(2,986)**
At beginning of period	3,365	2,850	5,143	5,578
At end of period	3,287	1,186	5,651	2,592
Decrease (Increase) in cash and cash equivalents	**(78)**	**(1,664)**	**508**	**(2,986)**