Eternit

Eternit reduces net debt by 41% in 4Q17

São Paulo, April 27, 2018 – Eternit S.A. (B3: ETER3) – under Court-supervised Reorganization, which was founded 78 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 fourth quarter of 2017 (4Q17). 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 fourth quarter of 2016 (4Q16), except where stated otherwise.

4Q17

Listing Segment

Novo Mercado of B3

Share Price (Mar. 29, 2018) ETER3

R$/share	0.85
US$/share	0.26

Shareholder Base (03/29/18)

Issued shares	179,000,000
Free Float	99.56%

Market Cap (Mar. 29, 2018)

R$ 152.2 million
US$ 45.8 million

Dividends to Shareholders (2017)

No dividends were distributed in the period.

Indicators - (Dec/17)

EPS (R$/share)	0.96
Price/VPA	0.96

Conference Call / Webcast

May 4, 2018

Time: 10:00 a.m. (Brasília) – 09:00 a.m. (New York) and 2:00 p.m. (London)

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In view of the economic scenario in 2017, the construction materials sector continued to register negative results though the decline in sales slowed down, 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 4Q17 totaled 36,400 tons, down 5.3% from 4Q16, reflecting the lower use of asbestos in tile production in the domestic market, while exports grew 61.2% as a result of the Company's strategy to direct its production abroad and commercial initiatives, especially in Asian markets.

In the same period, sales of fiber-cement tiles totaled 153,800 tons, down 20.3% from the same period last year, due to the weak performance of the construction materials industry, reflecting the reduction in the unemployment rate, the main factor responsible for the postponement of renovations; while sales of concrete roofing tiles from the Atibaia unit increased 21.0% from 2016 despite the weak performance of the construction materials industry coupled with the postponement of construction works by middle- and high-income consumers, which mainly impacted the first half of 2017.

Consolidated net revenue in 4Q17 amounted to R$164.7 million, down 13.4% from 4Q16, affected by lower sales volumes in its operating segments, fully neutralizing the price repositioning initiatives for fiber-cement roofing panels in the domestic market. Chrysotile export revenues rose 38.7% from 4Q16, reflecting the efforts to route its production to export markets and the sale of a more premium mix, despite the 1.5% depreciation of the US dollar against the Brazilian real.

In 4Q17, adjusted and recurring EBITDA was -R$2.9 million, due to due to a temporary provision of labor contingencies and inventory losses in the amount of R$9.8 million, in addition to low capacity utilization (to reduce inventory levels) and lower sales, especially chrysotile in the domestic market. To mitigate the negative impacts on EBITDA, the Company reduced its recurring operating expenses by 43.3%, in line with the structured SG&A reduction program. In the same period, Eternit posted recurring loss of R$66.0 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 4Q17 with net debt of R$68.7 million, in addition to the amortizations made in the period, reduction of 41%.

As a subsequent event, on April 16, 2018, the request for Judicial Recovery was approved by the courts and ratified at the Extraordinary General Meeting on April 11, 2018. The request is a precautionary measure in order to safeguard the Company's operation, continuity of its restructuring process and allow the continuity of its activities.

Main Indicators

Consolidated - R$ `000	4Q17	4Q16	% Chg.	3Q17	% Chg.	2017	2016	% Chg.
Net revenues	**164,763**	**190,351**	**(13.4)**	**169,760**	**(2.9)**	**665,739**	**827,474**	**(19.5)**
Gross margin	*22%*	*30%*	*- 8 p.p.*	*28%*	*- 6 p.p.*	*28%*	*32%*	*- 4 p.p.*
Operating loss/income (EBIT) [1]	(192,937)	(24,023)	703.1	(16,433)	1,074.1	(228,504)	(7,234)	3,058.8
Net income (loss) for the year	**(229,744)**	**(29,624)**	**675.5**	**(20,599)**	**1,015.3**	**(276,389)**	**(37,682)**	**633.5**
Recurring Net income (loss) for the year	**(65,966)**	**(6,053)**	**989.7**	**(8,173)**	**707.2**	**(88,282)**	**(8,690)**	**916.0**
Recurring Net margin	*-40%*	*-3%*	*- 37 p.p.*	*-5%*	*- 35 p.p.*	*-13%*	*-1%*	*- 12 p.p.*
Earnings (loss) per share - R$	(1.2839)	(0.1656)		(0.1151)		(1.5446)	(0.2106)	
CAPEX	6,762	4,168	62.3	1,350	400.9	10,359	15,700	(34.0)
EBITDA [2]	**(184,491)**	**(14,748)**	**1,151.0**	**(7,866)**	**2,245.4**	**(192,897)**	**31,338**	**-**
Recurring and Adjusted EBITDA	**(2,992)**	**19,552**	**-**	**15,675**	**-**	**43,656**	**91,605**	**(52.3)**
Recurring and Adjusted EBITDA Margin	*-2%*	*10%*	*- 12 p.p.*	*9%*	*- 11 p.p.*	*7%*	*11%*	*- 4 p.p.*

[1] *Before financial results.*

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

Economy and Market

According to Brazil's Monetary Policy Committee (Copom)[1], economic activity continues its trajectory of gradual recovery, as corroborated by the consecutive quarterly increases in GDP margin, the positive result of industrial activity, the upswing in household consumption, the gradual recovery of consumer confidence and better conditions in the job market.

According to this scenario and the positive outlook regarding the continuation of economic recovery, estimates of annual GDP growth were periodically revised throughout 2017. In 2017, GDP stood at 1.0%[2] and construction GDP closed at -5.0%[2] compared to 2016. GDP for 2018 is projected at 2.8%[3], and construction GDP is expected to increase 1.5%[2] compared to 2016.

In 2017, ABRAMAT[4] recorded a 4% decline in sales of construction materials and a 5.7% decline in the number of employees in its associated companies, pointing to the construction chain as the barometer of the country's economic situation. For 2018, ABRAMAT projects growth of around 1.5% compared to 2017 and expects the ongoing recovery of the sector to remain slow, and to be stronger in the retail materials sector, and that demand from the construction sector intensify from the second half of the year.

Throughout 2017, the Company adjusted its operations by scaling down 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.

2017 – The year of restructuring

To improve the profitability of its business units, the Company rolled out in 2017 a general plan to restructure its operations. The main actions were:

a) **Renovation of Executive Board:** election of Mr. Luis Augusto Barcelos Barbosa as CEO of the Eternit Group and Mr. Rodrigo Ângelo Inácio as Chief Commercial Officer in place of former executives, and the exit of the Mining and Human Resources Officers.

b) **Reduction in direct and indirect manpower:** Reduction in direct and indirect labor to adjust plant operations to the reduction in production and inventory levels in order to meet market demand. The commercial and administrative structures were also adjusted to the new size of the Company. The Eternit Group ended 2017 with approximately 1,600 direct employees (as against around 2,000 direct employees at the end of 2016)[5].

c) **Redesign of the commercial department:** The commercial department was completely redesigned, which included replacing the regional managers and the centralization of sales management activities in São Paulo. The purpose of the redesign is to increase the Company's market share in specific regions, increase the number of points of sale, resume the "Architects Club" program to leverage sales in the B2C channel (specifically for concrete roofing tiles) and ensure better pricing of the Company's portfolio with the creation of the Pricing area.

d) **Focus on the Supply Chain area:** To increase synergy and the scale of its businesses, the Company designed a corporate model for the acquisition of raw materials and inputs, logistics and production planning for all the units of the Eternit Group, with dedicated managers for these areas.

e) **Replacement of asbestos in fiber-cement roofing panels:** Eternit decided to replace the raw material chrysotile asbestos with synthetic fibers in the production of fiber-cement roofing panels. The migration will be concluded by December 2018. In line with its strategic plan, the Company already

[1] Copom: Monetary Policy Committee of the Central Bank of Brazil
[2] BACEN: Inflation Report published by the Central Bank of Brazil.
[3] BACEN: FOCUS market readout issued by the Central Bank of Brazil.
[4] ABRAMAT: Brazilian Construction Materials Industry Association.
[5] Data do not include the joint venture Companhia Sulamericana de Cerâmica.

started redirecting its product and business portfolio to better adapt to market demands and to pursue sustainable growth. Currently, only the Anápolis unit uses asbestos to produce roofing tiles.

f) **Total asbestos production routed to the export market:** Chrysotile asbestos fibers produced by SAMA are gradually being routed to the export market, serving clients in other countries where the product is allowed, such as Germany, the United States and India, among others. The known and prospected mineral reserve has 35 years of useful life.

g) **Increase in capacity utilization at Manaus unit:** The Manaus unit, which produces polypropylene fibers, increased its production capacity from 25% to 85% per month. Most of this volume is directed to the Eternit Group to produce fiber-cement roofing panels as a replacement for chrysotile asbestos. Production is sufficient to supply all the industrial units of the Company and as well as third parties, which include manufacturers of fiber-cement roofing panels, and possibly other construction material segments.

h) **Shutdown of unprofitable units of the subsidiary Tégula:** To operate in more profitable markets, the concrete roofing tiles unit concentrated its operations at the Atibaia unit in São Paulo, whose production capacity can meet demand from regions served by the units being shut down. Four plants in the states of Rio Grande do Sul, Santa Catarina, Goiás and Bahia were shut down in February 2017.

i) **Other products:** received greater focus with the creation of teams dedicated to marketing other product lines such as construction solutions, polyethylene water tanks and metal kitchen and bathroom fixtures, whose share of the Company's revenue is still small. In this regard, the innovation area was restructured for the research and development of new products in the construction materials segment.

j) **Bathroom chinaware:** The Company routed the sales of chinaware to more profitable markets, mainly in the North and Northeast regions of Brazil and in states where the fiber-cement plants are located, due to logistics synergies. It also expanded its product portfolio targeted at the medium- and medium-luxury segments in order to improve the product mix and dedicated its spot operations for exports and O&M as complementary segments to help dilute fixed costs.

k) **Application for Court-Supervised Reorganization** of Eternit and its subsidiaries and joint venture (action taken in 2018, as disclosed below)**.**

A part of the restructuring entailed non-recurring costs in fiscal year 2017, as follows:

Non-recurring events (R$'000)	2015	2016	2017
Restructuring[1]	-	1,522	20,671
Breaking of products from new technologies[2]	-	2,156	7,547
Expenses with unexpected halts[3]	-	7,606	12,003
Provisions for contingencies[4]	-	-	8,473
Provision for waste disposal[5]	-	-	9,017
Provision for loss of property, plant and equipment[6]	-	-	7,397
Estimated impairment of net realizable value of inventory[7]	-	-	2,163
Estimated loss due to goodwill of assets[8]	-	3,436	16,558
Estimated loss due to impairment of assets[9]	-	18,109	127,150
Total of non-recurring events	**-**	**32,829**	**210,979**

1) Costs with termination of employees resulting from the restructuring;
2) Breaking of product from new technologies due to the greater participation of synthetic fibers in fiber cement;
3) Unscheduled shutdowns to adjust inventory levels to market demand;
4) Increase of amounts related to contingencies, from previous periods, due to work accident;

5) Provision for the disposal of tile waste containing chrysotile asbestos in its composition, which were reused in the production process. The waste originates from the process of breaking or discarding and this reuse has been gradually reduced according to the production of tiles with synthetic fiber;
6) Estimated loss of asbestos-related assets in the production process due to its non-recoverability due to substitution of the raw material;
7) Estimated inventory loss due to obsolete items due to changes in the Company's policy;
8) Estimated loss of goodwill arising from its non-recoverability according to the future profitability of this cash-generating unit;
9) Impairment - Estimated loss due to non-recoverability of assets of fiber cement box, concrete tiles and mining units.

Court-Supervised Reorganization

On March 19, 2018, as disclosed in a Material Fact notice, the Company and its subsidiaries and joint venture filed for court-supervised reorganization in the courts of São Paulo, in accordance with articles 51 et seq of Federal Law 11,101/05. The application is in addition to a series of operating and administrative measures that were already being adopted by the Company, and was approved *ad referendum* the Board of Directors meeting held on the same date.

The measure was taken in the best interests of all the companies in the Eternit Group, especially:

(i) to ensure the continuity of the Eternit Group's activities and its social function, and the fulfillment of its commitments to clients;
(ii) to protect, in an organized and responsible manner, the interests and rights of its suppliers, creditors and shareholders; and
(iii) to protect the cash balance of the Company and the group companies in order to mitigate operational risks.

The application for court-supervised reorganization was filed mainly due to:

(i) the continuous deterioration of the Brazilian economy, which drastically affected the construction and bathroom chinaware sectors - precisely the markets served by the Eternit Group,
(ii) the legal discussions regarding the extraction, processing, use, sale, transportation and export of asbestos, which have been affecting the operations of the Eternit Group and limiting its access to new credit lines; and
(iii) the drop in demand and sale's price of asbestos in both the domestic and international markets, reducing the Company's profitability.

The request was granted by the courts on April 16, 2018, and approved by the Extraordinary Shareholders Meeting on April 11, 2018.

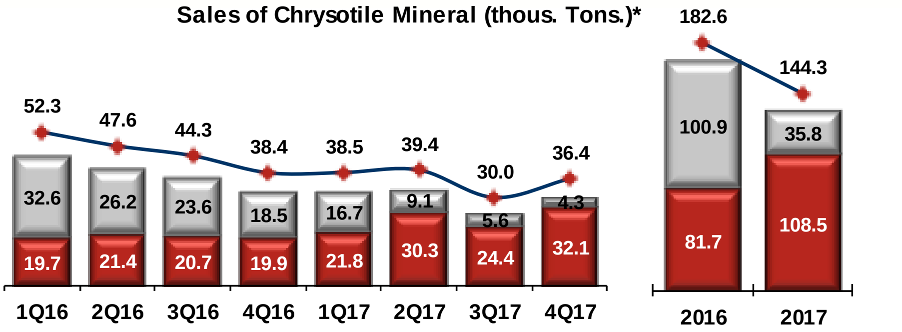
The restructuring associated with the court-supervised reorganization is Eternit's preparation for the coming years, when Management aims to embark on a new moment of modernity, innovation and care in its relations with all stakeholders, adjusting its structure to the Company's profile and focusing on the profitability of its businesses.

Operational and Financial Aspects

Sales

Chrysotile

In 4Q17, sales of chrysotile totaled 36,400 tons, down 5.3% from 4Q16, reflecting the lower use of asbestos in tile production in the domestic market, while exports increased 61.2% as a result of the Company's strategy to direct its production to the export and the commercial initiatives, especially in Asian markets.

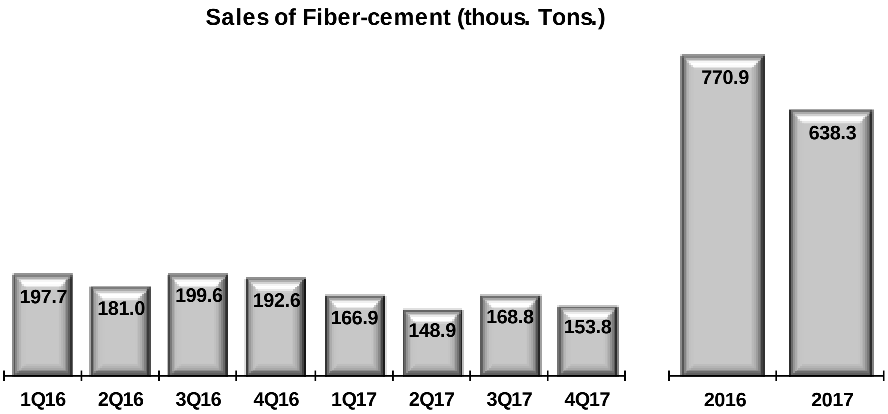


(*) Includes intercompany sales, which accounted for 67.6% of domestic sales volume in 4Q17.

Sales in 2017 totaled 144,300 tons, down 21.0% from 2016, due to the factors mentioned earlier. SAMA remained one of the three largest producers of chrysotile in the world in 2017.

Fiber-cement roofing panels

In 4Q17, sales of fiber-cement tiles totaled 153,800 tons, down 20.3% from the same year-ago period, due to the weak performance of the construction materials industry, reflecting the reduction in unemployment rate, the main factor responsible for the postponement of renovations.

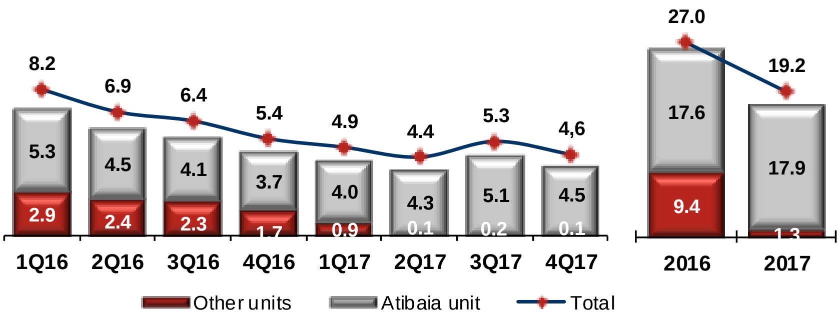


In 2017, sales reached 638,300 tons, down 17.2% from 2016 due to the aforementioned aspects. Eternit maintained its leadership in Brazil's fiber-cement market in 2017.

Concrete Roofing Tiles

With the purpose of supplying markets with better operational profitability, the Company restructured its subsidiary Tégula, in February 2017, now operating only from the Atibaia unit. Thus, in 4Q17, sales from the Atibaia unit grew 21.0% compared to 4Q16, despite the weak performance of the construction materials industry, coupled with the postponement of construction works by middle and high-income consumers which mainly impacted the first half of 2017.

Sales of Concrete RoofingTiles (million pieces)

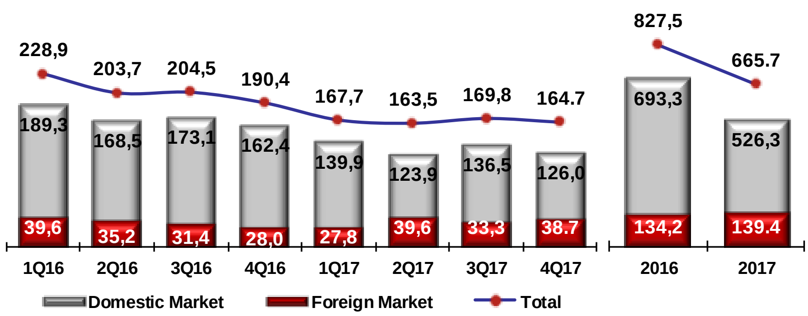


As mentioned above, sales volume in the Atibaia unit in 2017 remained virtually stable compared to 2016. Tégula maintained its leadership in Brazil's concrete roofing tiles industry, despite the market share decline due to its restructuring.

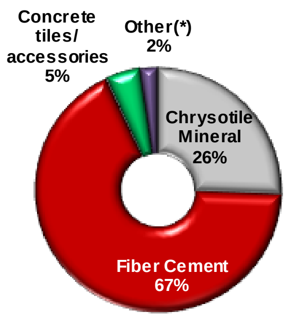
Net Revenue

Net revenue amounted to R$164.7 million in the quarter, down 13.4% from 4Q16. Domestic market revenue fell 22.4%, affected by lower sales volumes in the operating segments, fully neutralizing the price repositioning initiatives for fiber-cement tiles. In the export market, revenue rose 38.7% from 4Q16, reflecting the Company's strategy to direct its production abroad and the sale of a more premium mix, despite the 1.5% depreciation of the US dollar against the Brazilian real (comparison of the average PTAX in 4Q17 vs. 4Q16).

Consolidated Net Revenue (R$ million)



Breakdown of Consolidated Net Revenue (4Q17)



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

In 2017, net revenue fell 19.5% from 2016. Exports totaled R$139.4 million, up 3.9% from 2016, while the domestic market amounted to R$526.3 million, down 24.1%, due to aforementioned aspects.

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 fixed costs and manufacturing structure. Recurring cost of goods sold totaled R$128.1 million in 4Q17, down 4.3% from 4Q16, due to the lower sales volume in the operating segments and adjustment of industrial capacity to operate in line with market demand, despite inflationary pressures on costs. As a result, recurring gross margin came to 22% in 4Q17, down 8 p.p. from 4Q16.

In 4Q17, the Company incurred nonrecurring costs of R$7.8 million (R$1.5 million in 2016), related to the strategy to reconcile market demand with the reduction in inventory levels, entailing expenses with unscheduled shutdowns, breaking of products in the production process due to the greater participation of synthetic fibers in fiber-cement tile manufacturing, and estimated inventory loss due to obsolete items due to changes in the Company's policy.

R$ ´000	4Q17	4Q16	% Chg.	3Q17	% Chg.	2017	2016	% Chg.
Cost of goods sold	(135,849)	(135,385)	0.3	(129,589)	4.8	(501,929)	(571,616)	(12.2)
Non-recurring events								
Breaking of products from new technologies*	2,705	372	-	3,401	(20.5)	7,547	2,156	250.0
Expenses with unexpected halts**	2,927	1,175	-	3,742	(21.8)	12,003	7,606	57.8
Estimated impairment of net realizable value of inventory	2,163	-	-	-	-	2,163	-	-
Recurring cost of goods sold	**(128,054)**	**(133,838)**	**(4.3)**	**(122,446)**	**4.6**	**(480,216)**	**(561,854)**	**(14.5)**

In 2017, the reduction in recurring costs corresponded to 14.5% of the amount booked in 2016, totaling R$480.2 million, as mentioned earlier. Consequently, gross margin declined 4 p.p. to end the year at 28%.

Operating expenses

In line with the structured program to reduce SG&A expenses, the Company reduced total recurring expenses by 43.3% in 4Q17, mainly in: (i) commissions and variable expenses on sales due to lower sales volumes; (ii) marketing initiatives; and (iii) services rendered due to renegotiations of contracts with suppliers, despite higher expenses on other operating revenues (expenses), due to (i) provisions for labor contingencies in accordance with the estimate of the Company's future disbursements; (ii) higher expenses with labor and civil indemnities; and (iii) nonrecurring provision for adequate destination of tile waste containing chrysotile asbestos in its composition, which was reused in its manufacturing process. Said waste results from the process of breaking or discarding, and this reutilization has gradually been reduced in accordance with the Group's restructuring plan.

The Company continued the restructuring process in the industrial, commercial and administrative areas, which required non-recurring expenses of R$2.0 million with termination fees in 4Q17.

In R$ '000	4Q17	4Q16	Chg. %	3Q17	Chg. %	2017	2016	Chg. %
Selling expenses	(16,813)	(24,872)	(32.4)	(19,324)	(13.0)	(76,545)	(106,593)	(28.2)
General and administrative expenses*	1,282	(25,587)	-	(25,083)	-	(76,748)	(100,661)	(23.8)
Other operating revenues (expenses), net	(27,508)	(133)	20,582.7	(6,283)	337.8	(39,465)	(8,392)	370.3
Total operating expenses	**(43,039)**	**(50,592)**	**(14.9)**	**(50,690)**	**(15.1)**	**(192,758)**	**(215,646)**	**(10.6)**
Non-recurring event								
Restructuring	2,028	1,522	33.2	7,385	-72.5	20,671	1,522	1,258.1
Provisions for contingencies	4,173	-	-	4,300	-3.0	8,473	-	-
Provision for waste disposal	9,017	-	-	0	-	9,017	-	-
Total recurring operating expenses	**(27,821)**	**(49,070)**	**(43.3)**	**(39,005)**	**(28.7)**	**(154,597)**	**(214,124)**	**(27.8)**

In 2017, recurring operating expenses totaled R$154.6 million, down 27.8% from the same period in 2016, as already discussed.

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 4Q17, equity pickup was a negative R$7.9 million, as against a negative R$10.3 million in the same year-ago period.

The improvement of the result reflects the industrial performance with a continuous productivity gain and the development of new clients. However it is still affected by Brazil's current economic situation which weighs on clients who consume, mostly, products with less aggregate value.

In 2017, equity pickup was a negative R$28.6 million, as against a negative R$29.3 million in 2016, due to aforementioned aspects.

CSC has been gradually increasing its bathroom chinaware market share with a focus on the North and Northeast regions.

Net Financial Result

Net financial result in 4Q17 was an expense of R$3.5 million, down 28.4% from 4Q16, mainly due to the net effect of exchange variation on the Company's foreign currency operations and lower financial charges due to debt reduction.

In R$ '000	4Q17	4Q16	Chg. %	3Q17	Chg. %	2017	2016	Chg. %
Financial expenses	(8,128)	(13,599)	(40.2)	(10,736)	(24.3)	(39,176)	(71,235)	(45.0)
Financial income	4,592	8,661	(47.0)	6,792	(32.4)	22,734	50,742	(55.2)
Net financial result	**(3,536)**	**(4,938)**	**(28.4)**	**(3,944)**	**(10.3)**	**(16,442)**	**(20,493)**	**(19.8)**

In 2017, the net financial result was 19.8% lower compared to 2016, as explained above.

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 4Q17, adjusted and recurring EBITDA reached -R$2.9 million, due to a temporary provision of labor contingencies and inventory losses in the amount of R $ 9.8 million, in addition to the low capacity utilization (to reduce inventory levels) and lower sales, especially chrysotile in the domestic market. As a result, adjusted and recurring EBITDA margin fell by 12 p.p. from 4Q16 to end the quarter at -2%. In the year, the margin fell 4 p.p. to 7%.

To mitigate the negative impacts on EBITDA, in 2017 the Company began the restructuring process to adjust its business units, which resulted in the 43.3% reduction of its recurring operating expenses in 4Q17 vs. 4Q16.

Reconciliation of consolidated EBITDA - (R$'000)	4Q17	4Q16	% Chg.	3Q17	Var. %	2017	2016	% Chg.
Net loss	**(229,744)**	**(29,624)**	**675.5**	**(20,599)**	**1,015.3**	**(276,389)**	**(37,682)**	**633.5**
Income tax and social contributions	33,271	663	4,918.3	222	14,886.9	31,443	9,955	215.9
Net financial Income	3,536	4,938	(28.4)	3,944	(10.3)	16,442	20,493	(19.8)
Depreciation and amortization	8,446	9,275	(8.9)	8,567	(1.4)	35,607	38,572	(7.7)
EBITDA[1]	**(184,491)**	**(14,748)**	**1,151.0**	**(7,866)**	**2,245.4**	**(192,897)**	**31,338**	**-**
Equity pickup	7,885	10,288	(23.4)	5,914	33.3	28,629	29,337	(2.4)
Non-recurring events								
Restructuring	2,028	1,522	33.2	7,385	(72.5)	20,671	1,522	1,258.1
Breaking of products in the production	2,705	372	627.2	3,401	(20.5)	7,547	2,156	250.0
Expenses with unexpected halts**	2,423	573	322.9	2,541	(4.6)	8,948	5,707	56.8
Provisions for contingencies	4,173	-	-	4,300	(3.0)	8,473	-	-
Provision for waste disposal	9,017	-	-	-	-	9,017	-	-
Provision for loss of property, plant and	7,397	-	-	-	-	7,397	-	-
Estimated impairment of net realizable	2,163	-	-	-	-	2,163	-	-
Estimated loss due to goodwill of assets	16,558	3,436	381.9	-	-	16,558	3,436	381.9
Estimated loss due to impairment of	127,150	18,109	602.1	-	-	127,150	18,109	602.1
Recurring and Adjusted EBITDA[2]	**(2,992)**	**19,552**	**-**	**15,675**	**(119.1)**	**43,656**	**91,605**	**(52.3)**

** Breaking of products in the production process due to the the higher participation of synthetic fibers in fiber-cement tile manufacturing.*

*** Not including the depreciation value of a non-scheduled maintenance shutdown.*

**** Loss on recoverability of assets by substitution of raw material (asbestos)*

[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

In the period, Eternit posted recurring loss of R$66.0 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 37 p.p. to end the period at 40%.

Consolidated Net loss for the year (R$'000)	4Q17	4Q16	% Chg.	3Q17	Var. %	2017	2016	% Chg.
Net loss	**(229,744)**	**(29,624)**	**675.5**	**(20,599)**	**1,015.3**	**(276,389)**	**(37,682)**	**633.5**
Non-recurring events	-	-	-	-	-	-	-	-
Restructuring	2,028	1,522	33.2	7,385	(72.5)	20,671	1,522	1,258.1
Breaking of products from new	2,705	372	627.2	3,401	(20.5)	7,547	2,156	250.0
Expenses with unexpected halts	2,927	1,175	149.1	3,742	(21.8)	12,003	7,606	57.8
Provisions for contingencies	4,173	-	-	4,300	(3.0)	8,473	-	-
Provision for waste disposal	9,017	-	-	-	-	9,017	-	-
Provision for loss of property, plant and	7,397	-	-	-	-	7,397	-	-
Estimated impairment of net realizable	2,163	-	-	-	-	2,163	-	-
Estimated loss due to goodwill of assets	16,558	3,436	381.9	-	-	16,558	3,436	-
Estimated loss due to impairment of	127,150	18,109	602.1	-	-	127,150	18,109	-
Effect of Income and social contributions	(10,339)	(1,043)	890.9	(6,402)	61.5	(22,872)	(3,837)	496.2
Recurring Net loss for the year	**(65,966)**	**(6,053)**	**989.7**	**(8,173)**	**707.2**	**(88,282)**	**(8,690)**	**916.0**

* *Breaking of products in the production process due to the the higher participation of synthetic fibers in fiber-cement tile manufacturing.*
** Impact on Income Tax/Social Contribution on non-recurring events, not considering the adjustment for inventory realization, w hich refers to the joint venture CSC.

In 2017, recurring loss was R$88.3 million and recurring net margin stood at -13%, compared to recurring loss of R$8.7 million and recurring net margin of -1% in 2016.

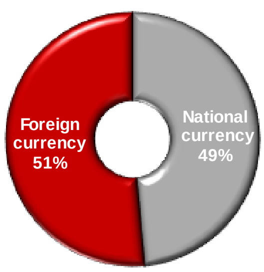
Indebtedness

The Company ended 2017 with net debt of R$68.7 million, down 41.0% compared to 2016, due to NCE[6] and FINIMP[7] amortizations totaling R$26.9 million, and the increase in available resources due to generation of free cash flow. On December 31, 2017, Eternit's cash equivalents stood at R$28.8 million, compared to R$7.9 million in 2016.

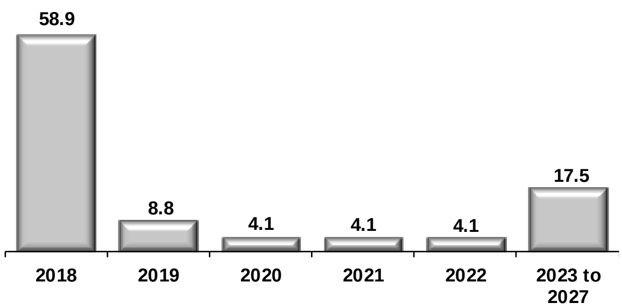
Investments remunerated at an average weighted rate of 102.4% of the variation in the CDI[8].

DEBT - R$ ´000	12/31/17	12/31/16	% Chg.	09/30/17	% Chg.
Short- term gross debt	58,888	69,288	-15.0%	60,459	-2.6%
Long-term gross debt	38,570	55,079	-30.0%	39,683	-2.8%
Total gross debt	**97,458**	**124,367**	**-21.6%**	**100,142**	**-2.7%**
Cash and cash equivalents	(6,957)	(5,143)	35.3%	(5,651)	23.1%
Short-term investments (same cash equivalents)	(21,805)	(2,708)	705.2%	(21,033)	3.7%
Cash and short-term investments	**(28,762)**	**(7,851)**	**266.3%**	**(26,684)**	**7.8%**
Net debt	**68,696**	**116,516**	**-41.0%**	**73,458**	**-6.5%**
Recurring and adjusted EBITDA (last 12 months)	43,656	91,605	-52.3%	44,655	-2.2%
Net debt / Recurring and adjusted EBITDA x	**1.57**	**1.27**	**-**	**1.65**	**-**
Net debt / Equity	**40.3%**	**25.3%**	**-**	**16.6%**	**-**

Origin of Debt (%)



Repayment Schedule (R$ '000)



In 4Q17, 100% of the foreign currency debt was naturally hedged by accounts receivable in foreign currency on chrysotile exports.

Of the amortization flow expected in 2018, 75.4% is linked to export accounts receivable.

[6] NCE: Export Credit Note
[7] FINIMP: Import financing
[8] CDI: Overnight rate for interbank deposits

CAPEX

Capex of Eternit and its subsidiaries in 4Q17 amounted to R$6.8 million, and in 2017 to R$10.4 million, increase of 62.4% from 4Q16 and down 34.0% compared to 2016, with the funds allocated for the 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 a highly fragmented ownership and no shareholders' agreement or controlling group, the Company's shareholder base has a high concentration of individual investors, who accounted for 83.0% of the shareholder base on December 31, 2017, while foreign investors accounted for 3.2% and legal entities, clubs, investment funds and foundations accounted for 13.8%. In December 2017, only three shareholders held more than 5% interest in the capital stock, with an aggregate interest of 33.8%, while the Executive Board held 0.2% interest in capital stock.

On December 31, 2017, Eternit stock was quoted at R$0.92 while the Company's market capitalization was R$164.7 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 2017, 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

The use of chrysotile asbestos in Brazil is regulated by Federal Law 9,055/95, Decree 2,350/97 and regulations of the Ministry of Labor and Employment. It is also envisaged in Convention 162 of the International Labour Organization (ILO).

Direct Actions for Declaration of Unconstitutionality (ADI) in the Federal Supreme Court (STF)

First, it is important to clarify that the legal issue concerning State and Federal Laws that regulate the use of chrysotile asbestos in Brazil is still pending before the Federal Supreme Court (STF) since 2001.

The matter was resumed by the STF in August 2017. The Company disclosed a material fact on August 25, 2017, as determined by the court while judging ADIs 4066 and 3937, regarding the legality of the use of chrysotile asbestos in Brazil. In said decision, as informed in the material fact, the Federal Law was not deemed unconstitutional. However, the Law of the State of São Paulo, which prohibits the use of asbestos in the state, was declared constitutional.

Given the conflicting interpretations in the media about the Supreme Court's decision on ADIs 4066 and 3937, the Company disclosed a notice to the market on August 25, 2017, clarifying that the use of asbestos was prohibited only in São Paulo state and not in the whole of Brazil. Therefore, the STF's decision did not cause any impact on the Company's operations, since Eternit already complied with Law 12,684/2007 of the State of São Paulo, which prohibits the use of asbestos in the state. In other states, the Company's operations continued normally in accordance with applicable laws.

On November 29, 2017, the plenary session of the Supreme Court tried the ADI related to the constitutionality of the Law of the State of Rio de Janeiro. In the session, the STF ruled that the State Law was constitutional and also declared article 2 of Federal Law 9,055/95 unconstitutional, with said decision binding and *erga omnes*, i.e., it applied to all the states, making the Federal Law unconstitutional.

Following the publication of the STF's decision incidentally declaring the unconstitutionality of article 2 of Federal Law 9,055/95, the Company suspended the activities of its subsidiaries SAMA (mining company) and

Precon Goiás (manufacturer of fiber-cement roofing panels) on December 5, 2017, as announced in a material fact notice. Eternit also announced that it will monitor any motion for clarification that may be filed by the entity representing the industry before making a final statement on the consequences of said decision on its activities.

On December 21, 2017, Eternit informed that the *erga omnes* effects of the STF's decision dated November 29, 2017 had been stayed. Until the filing of any motion for clarification, the declaration of unconstitutionality will apply only to the states that prohibit or ban the use of asbestos as a raw material. In view of this, the Company resumed operations at SAMA and Precon Goiás until the appellate decision is published and the period to file motion for clarification lapses, in accordance with the court order. Only then will the company issue a final statement on this matter.

Until the disclosure of the financial statements for the fiscal year ended 12/31/2017, the appellate decision had not been published and the period for filing the motion for clarification had not lapsed.

Public-Interest Civil Actions

Filed by the Labor Prosecution Office

In recent years, the Labor Prosecution Office (MPT) filed several Public-Interest Civil Actions (ACP) against the Company on the following issues: (i) working environment; (ii) environmental and occupational health issues; and (iii) replacement of chrysotile asbestos, among others. The developments and status of each ACP are described below.

a) **São Paulo ACP:** Filed in August 2013, it concerns Eternit's unit in the city of Osasco, São Paulo, which was shut down in 1993. Among other claims, the MPF sought payment of R$1 billion for collective pain and suffering. The lower court judge partially granted the action, ordering the Company to pay R$100 million, while dismissing the MPT's claim of R$1 billion. The Company filed an ordinary appeal against the lower court decision. The Regional Labor Court reversed the decision in December 2016 and fully annulled the order for the Company to pay for pain and suffering. Other claims filed by the Regional Labor Court regarding individual pain and suffering were amended by the court, which reduced the amounts claimed. Eternit filed an appeal against the TRT's decision but it was dismissed. The Company will file an interlocutory appeal requesting the motion to be examined by the Superior Labor Court.

b) **Rio de Janeiro ACP:** Filed in August 2014 relating to the Rio de Janeiro unit. Among other claims, the MPF sought payment of R$1 billion for collective pain and suffering. The lower court judge partially granted the action, ordering the Company to pay R$30 million, while dismissing the MPT's claim of R$1 billion. The Company filed an ordinary appeal against the decision. The Regional Labor Court reversed the decision in November 2017 and increased the damages for pain and suffering to R$50 million. Eternit will appeal against the decision in the Superior Labor Court.

c) **Paraná ACP:** Filed in March 2017 relating to the unit in the city of Colombo, Paraná. Among other claims, the MPF sought payment of R$85 million for collective pain and suffering. The action is currently in the fact-finding phase.

d) **Bahia ACP:** Filed in September 2017 relating to the unit in the city of Simões Filho, Bahia. Among other claims, the MPF sought payment of R$225 million for collective pain and suffering. This action is in the initial stage and Eternit has submitted its defense.

Actions filed by the State Prosecution Office

a) **ACP – Consumer Protection:** Filed in September 2008 by the State Prosecution Office (MPE) of Rio de Janeiro, to order Eternit: (i) to refrain from selling products containing chrysotile in the state of Rio de Janeiro, (ii) to pay compensation for pain and suffering of at least R$1 million, to be allocated to the Fund for the Recovery of Damaged Assets (iii) to pay pecuniary damages and compensation for pain and suffering that may be claimed by each consumer. The action was dismissed by the lower court. The Appellate Court granted the MPE's appeal and reversed the decision: Eternit was ordered to pay collective pain and suffering of R$1 million, plus interest and fine to be applied since the date of publication of the state law. Eternit filed a motion for clarification, which is still pending judgment.

Actions filed by the Federal Prosecution Office

Both the Public-Interest Civil Actions described below were filed by the Federal Prosecution Office (MPF) against SAMA, the Federal Government, the State Government of Bahia and the Municipalities of Bom Jesus da Serra, Caetanos and Poções. The ACP concerns the São Felix mine, where SAMA terminated operations in 1967, pointing out that SAMA's operations at the mine were duly regulated and complied with Brazilian laws in force at the time.

a) **Bahia ACP (health issues):** Among other claims, the Federal Prosecution Office (MPF) sought compensation of R$20 million for collective pain and suffering and, later, before a decision was rendered, requested the Court to order the payment of R$500 million. The lower court judge granted the MPF's claim and ordered SAMA to pay the amount claimed later, after the evidentiary stage of the action. The Company filed an ordinary appeal, which has not yet been examined by the Federal Regional Court (TRF). Parallel to the filing of the ordinary appeal, the MPF commenced provisional execution of the decision and requested the court to order the freezing of noncurrent assets and net income of SAMA up to R$500 million, under penalty of such order being enforced against the parent company Eternit. The lower court judge granted the MPF's request.

If the amounts claimed in the actions above are confirmed, the Company may have problems to continue with its operations in long term. The Company is taking the applicable legal measures before the courts to try to reverse those actions.

Events after the Reporting Period

Consent Decree (TAC):

In February 2018, the Public Ministry of Labor of the State of Bahia petitioned the Labor Court of Simões Filho an action for execution, amounting to R$42.635 thousand plus court costs, on the grounds that the Company failed to comply with the Consent Decree (TAC) signed in 2002.In this regard, Eternit filed a motion to dismiss the execution on the grounds that the execution is unfounded. It also offered two properties and their improvements, in the cities of Simões Filho/BA and Anápolis/GO, as guarantee for the referred execution. The process is in a very early stage, and legal advisors estimate as possible the likelihood of loss of final execution requests.

Court-Supervised Reorganization

On March 19, 2018, as disclosed in a Material Fact notice, the Company and its subsidiaries and joint venture filed for a court-supervised reorganization in the courts of São Paulo, as detailed above.

The request was granted by the courts on April 16, 2018, and approved by the Extraordinary Shareholders Meeting on April 11, 2018. All the information regarding the proceedings is available on the websites of the Securities and Exchange Commission of Brazil (CVM) and the Investor Relations website of Eternit S.A. – Under Court-Supervised Reorganization.

The Company will keep its shareholders and the market informed of any developments and will disclose, at an opportune moment, in accordance with applicable rules and legislation, additional information regarding the Court-Supervised Reorganization process.

Advance of export contract Sama

Subsequent to the closing of the 2017 financial year, the subsidiary Sama obtained from the financial institutions contracts of loans in the form of Advance Export Contract (ACE) in the total amount of R$53,828 thousand. The contracts were entered into with three different financial institutions: Banco Bradesco R$ 34,731 thousand, Banco do Brasil R$ 15,805 thousand and Banco Safra R$3,292 thousand with maturities between February and August 2018.

Public-Interest Civil Action in Vitoria da Conquista, Bahia

It was published the decision of the 1st Federal Court of Vitória da Conquista, Bahia against its subsidiary SAMA S.A. – MINERAÇÕES ASSOCIADAS – under Court-Supervised Reorganization ("SAMA"), on the Public-Interest Civil Action ("ACP") filed by the Federal Prosecution Office ("MPF") and the Prosecution Office of the State of Bahia, to investigate alleged environmental damages in the erstwhile mine of São Felix in the city of Poções in Bahia.

The most significant among the requests made by the MPF and which was accepted by the Federal Court was the determination of compensation for collective environmental pain and suffering in the amount of R$31 million and the court ordered the freezing of SAMA's non-current assets with the blocking of distribution of profits up to the limit of said court order.

According to its legal counsel, the court order has already been challenged through motions for clarification and will be appealed at the Regional Federal Appellate Court of the 1st Region. In addition, according to the legal counsel responsible for said ACP, the probability of loss is considered to be possible in addition to the condemnation being disproportionate and in disagreement with the legal parameters in force.

The ACP is related to the São Felix mine, which was shut down in 1967 in compliance with all technical and legal requirements applicable at the time. Note that the activities carried out at the site were duly regulated and licensed by competent authorities, in accordance with applicable laws in Brazil at the time.

Outlook and Management Comments

According to the December 2017 Inflation report from the Central Bank of Brazil (BACEN), the economy shows signs of gradual recovery, reflected by the positive result in industrial activity, expansion of household consumption, gradual recovery of consumer confidence and better conditions in the job market. In line with this scenario, the 2018 GDP forecast is for 2.8% growth, as per the FOCUS report published on April 20, 2018, while the Inflation report estimates growth of 1.5% for the construction sector's GDP.

For the construction materials sector, ABRAMAT estimates growth of 1.5% in 2018 (over 2017), and expects that the recovery of the sector, which already began, may happen slowly and be stronger in retail materials this year. The demand of the real estate construction industry should increase in the medium term, starting in the second half of 2018.

According to ANAMACO[9], factors such as tax reform approval, increased consumer confidence and the more than 64 million housing units in Brazil that deteriorate due to rain and over time, thus generating a natural demand for construction materials, are expected to positively affect the sector in 2018.

The Company operates in the construction materials sector, whose performance depends on the construction industry, which is vital for Brazil's economic activity. It is important to emphasize the following challenges facing the country and the industry in which the Company operates, which impact our business and the demand for products in our portfolio, particularly those linked to 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.

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, in accordance with its restructuring plan.

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 adequate pricing of its products to achieve better 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 and consolidating its leadership in all the regions. 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 program "Architects Club" is being redesigned to establish direct relationships with architects and drive sales through the Business to Consumer (B2C) channel.

[9] ANAMACO: National Association of Construction Material Dealers

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

The Manaus (AM) unit already produces and sells polypropylene fibers for industrial scale application in fiber-cement. The Company has been gradually increasing the unit's capacity utilization by offering its product to third parties, including manufacturers of fiber-cement, with possibilities for other segments in the construction materials sector in 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 the other businesses, the Company will also focus on the growth of other products such as construction solutions, polythene water tanks and metal fixtures for kitchens and bathrooms.

Regarding the legal aspect related to chrysotile asbestos, the production chain will employ the necessary efforts at the Federal Supreme Court (STF) for it to grant a minimum period for compliance with the legal requirement for shutdown of the mine, which would normally occur after its depletion.

The Company filed for court-supervised reorganization on March 19, 2018 as a preventive measure to protect the Company's operations and ensure the continuity of its restructuring process and the perpetuity of its activities. Therefore, the measure was a way to anticipate a possible situation in which the financial obligations of the Company could not be fulfilled, making its operations impossible. Eternit will continue all its activities in an organized fashion and with predefined deadlines and procedures, coordinating with all the parties involved in the restructuring process. These actions are aimed at protecting the Company's cash balance, preserve its employees and ensure the same commercial conditions for its clients and suppliers. The Company will continue the commercial and production activities at its industrial units throughout the country, with minimum impact on its daily operations.

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.

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

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

Presentation: Luís Augusto Barcelos Barbosa, Chief Executive Officer, and Rodrigo Lopes da Luz, Adm., Financial and Investor Relations Officer.
Date: May 04, 2018
Time: 10:00 a.m. - Brasília / 09:00 a.m. - New York / 2:00 p.m. GMT (London)

The presentation, which is accompanied by slides, can be viewed online by registering at **www.ccall.com.br/eternit/4Q17.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** - Access code for participants: **Eternit**

Eternit

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Eternit

ETERNIT S.A.

Balance Sheet

Corporate Law (R$ '000)

ASSETS	Parent Company		Consolidated	
	12/31/17	12/31/16	12/31/17	12/31/16
Current	**152,518**	**208,911**	**297,457**	**356,975**
Cash and cash equivalents	4,922	3,365	6,957	5,143
Short-term investments	2,838	32	21,805	2,708
Accounts receivable	57,493	84,835	141,897	158,663
Inventories	59,786	93,582	99,001	160,867
Taxes recoverable	7,293	9,289	12,637	17,861
Related parties	17,754	14,819	-	718
Other current assets	1,636	2,193	7,854	5,724
Noncurrent assets held for sale	796	796	7,306	5,291
Non-current	**227,960**	**470,282**	**266,165**	**485,473**
Judicial deposits	8,333	14,384	16,606	22,264
Taxes recoverable	24,578	24,335	34,846	24,746
Deferred income and social contribution taxes	27,666	42,315	45,525	72,655
Related parties	10,039	27,982	9,202	15,985
Other noncurrent assets	751	1,078	1,617	2,545
Investments	118,027	203,707	-	3,546
Property, Plant and Equipment (PP&E)	36,965	150,412	155,617	317,716
Intangible assets	1,601	6,069	2,752	26,016
Total assets	**380,478**	**679,193**	**563,622**	**842,448**

LIABILITIES AND EQUITY	Parent Company		Consolidated	
	12/31/17	12/31/16	12/31/17	12/31/16
Current liabilities	**68,115**	**93,885**	**148,779**	**169,036**
Trade accounts payable	18,877	20,602	27,084	33,566
Loans and financing	2,385	10,876	58,888	69,288
Derivative financial instruments	-	383	-	687
Related parties	7,153	25,393	89	-
Personnel expenses	9,588	12,413	15,916	23,388
Dividends and interest on equity	189	426	189	426
Provision for post-employment benefits	2,926	3,184	4,870	5,115
Taxes, charges and contributions payable	8,258	14,030	12,036	22,260
Restructuring provision				
Other current liabilities	18,432	6,578	27,604	12,784
Non-Current	**141,861**	**125,675**	**244,333**	**213,763**
Loans and financing	-	3,814	38,570	55,079
Related parties	31,245	36,012	-	-
Taxes, charges and contributions payable	1,764	1,746	3,153	4,699
Labor obligations	450	-	1,308	-
Provision for tax, civil and labor risks	55,095	46,975	103,346	90,003
Provision for post-employment benefits	38,883	37,128	63,960	50,104
Deferred income tax and social contributions	-	-	19,572	13,878
Provision for decommissioning of mine	14,424	-	14,424	-
Equity	**170,502**	**459,633**	**170,510**	**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	118,385	118,221	118,385	118,221
Accumulated loss	(276,388)	-	(276,388)	-
Other comprehensive income	(25,032)	(12,125)	(25,032)	(12,125)
Equity attributable to controlling interests	**170,502**	**459,633**	**170,502**	**459,633**
Noncontrolling interests	-	-	8	16
Total liablities and equity	**380,478**	**679,193**	**563,622**	**842,448**

ETERNIT S.A. (PARENT COMPANY)

Income Statements

Corporate Law

R$ ´000	4Q17	4Q16	% Chg.	3Q17	% Chg.	2017	2016	% Chg.
Net operating revenue	**106,266**	**126,110**	**(15.7)**	**96,037**	**10.7**	**410,874**	**494,763**	**(17.0)**
Cost of goods sold	(84,618)	(99,989)	(15.4)	(90,908)	(6.9)	(345,250)	(397,049)	(13.0)
Gross profit	**21,648**	**26,121**	**(17.1)**	**5,129**	**322.1**	**65,624**	**97,714**	**(32.8)**
Gross margin	***20%***	***21%***	***- 1 p.p.***	***5%***	***- 105 p.p.***	***16%***	***20%***	***- 4 p.p.***
Operating income (expenses)[1]	**(37,009)**	**(29,491)**	**25.5**	**(22,125)**	**67.3**	**(112,817)**	**(120,634)**	**(6.5)**
Selling expenses	(9,244)	(13,741)	(32.7)	(9,570)	(3.4)	(40,008)	(60,616)	(34.0)
General and administrative expenses[2]	(4,005)	(12,303)	(67.4)	(10,294)	(61.1)	(38,263)	(47,795)	(19.9)
Other operating income (expenses), net	(23,760)	(3,447)	589.3	(2,261)	950.9	(34,546)	(12,223)	182.6
Operating income (expenses) before equity pickup (EBIT)	**(15,361)**	**(3,370)**	**355.8**	**(16,996)**	**(9.6)**	**(47,193)**	**(22,920)**	**105.9**
EBIT margin	***-14%***	***-3%***	***- 11 p.p.***	***-18%***	***- 1082 p.p.***	***-11%***	***-5%***	***- 6 p.p.***
Equity pickup	(58,594)	(22,132)	164.7	(10,180)	475.6	(78,654)	(15,335)	412.9
Estimated loss due to impairment of assets and provision for restructuring	(126,489)	-	-	-	-	(126,489)	-	-
Financial income (expenses), net	**(2,288)**	**(1,551)**	**47.5**	**(2,220)**	**3.0**	**(9,404)**	**(6,179)**	**52.2**
Financial expenses	(2,976)	(4,404)	(32.4)	(3,371)	(11.7)	(14,318)	(27,348)	(47.6)
Financial income	688	2,853	(75.9)	1,151	(40.2)	4,914	21,169	(76.8)
Loss before income and social contribution taxes	**(202,732)**	**(27,053)**	**649.4**	**(29,396)**	**589.7**	**(261,740)**	**(44,434)**	**489.1**
Deferred (loss) income and social contributions taxes	(19,357)	2,708	-	(1,432)	1,251.8	(14,648)	6,751	-
Net loss for the year	**(222,089)**	**(24,345)**	**812.3**	**(30,828)**	**620.4**	**(276,388)**	**(37,683)**	**633.5**
Net margin	***-209%***	***-19%***	***- 190 p.p.***	***-32%***	***- 177 p.p.***	***-67%***	***-8%***	***- 59 p.p.***
EBITDA	**(204,512)**	**(26,963)**	**658.5**	**(13,364)**	**1,430.3**	**(237,824)**	**(23,374)**	**917.5**
EBITDA margin	***-192%***	***-21%***	***- 171 p.p.***	***-14%***	***- 178 p.p.***	***-58%***	***-5%***	***- 53 p.p.***

ETERNIT S.A. (CONSOLIDATED)

Income Statements

Corporate Law

R$ ´000	4Q17	4Q16	% Chg.	3Q17	% Chg.	2017	2016	% Chg.
Net operating revenue	**164,763**	**190,351**	**(13.4)**	**169,760**	**(2.9)**	**665,739**	**827,474**	**(19.5)**
Cost of goods sold	(135,849)	(135,385)	0.3	(129,589)	4.8	(501,929)	(571,616)	(12.2)
Gross profit	**28,914**	**54,966**	**(47.4)**	**40,171**	**(28.0)**	**163,810**	**255,858**	**(36.0)**
Gross margin	***18%***	***29%***	***- 11 p.p.***	***24%***	***- 6 p.p.***	***25%***	***31%***	***- 7 p.p.***
Operating income (expenses)[1]	**(43,039)**	**(50,592)**	**(14.9)**	**(50,690)**	**(15.1)**	**(192,758)**	**(215,646)**	**(10.6)**
Selling expenses	(16,813)	(24,872)	(32.4)	(19,324)	(13.0)	(76,545)	(106,593)	(28.2)
General and administrative expenses[2]	1,282	(25,587)	-	(25,083)	-	(76,748)	(100,661)	(23.8)
Other operating income (expenses), net	(27,508)	(133)	20,582.7	(6,283)	337.8	(39,465)	(8,392)	370.3
Operating income (expenses) before equity pickup (EBIT)	**(14,125)**	**4,374**	**-**	**(10,519)**	**34.3**	**(28,948)**	**40,212**	**-**
EBIT margin	***-9%***	***2%***	***- 11 p.p.***	***-6%***	***- 3 p.p.***	***-4%***	***5%***	***- 9 p.p.***
Equity pickup	(7,885)	(10,288)	(23.4)	(5,914)	33.3	(28,629)	(29,337)	(2.4)
Impairment of assets and provision for restructuring	(170,927)	(18,109)	843.9	-	-	(170,927)	(18,109)	843.9
Operating income (expenses) before financial expenses (EBIT*)	***(192,937)***	***(24,023)***	**703.1**	***(16,433)***	**1,074.1**	***(228,504)***	***(7,234)***	**3,058.8**
Financial income (expenses), net	**(3,536)**	**(4,938)**	**(28.4)**	**(3,944)**	**(10.3)**	**(16,442)**	**(20,493)**	**(19.8)**
Financial expenses	(8,128)	(13,599)	(40.2)	(10,736)	(24.3)	(39,176)	(71,235)	(45.0)
Financial income	4,592	8,661	(47.0)	6,792	(32.4)	22,734	50,742	(55.2)
Loss before income and social contribution taxes	**(196,473)**	**(28,961)**	**578.4**	**(20,377)**	**864.2**	**(244,946)**	**(27,727)**	**783.4**
Current (loss) income and social contributions taxes	(616)	(4,149)	(85.2)	619	-	(4,313)	(17,269)	(75.0)
Deferred (loss) income and social contributions taxes	(32,655)	3,486	-	(841)	3,782.9	(27,130)	7,314	-
Net loss for the year	**(229,744)**	**(29,624)**	**675.5**	**(20,599)**	**1,015.3**	**(276,389)**	**(37,682)**	**633.5**
Recurring Net loss for the year	**(65,966)**	**(6,053)**	**989.7**	**(8,173)**	**707.2**	**(88,282)**	**(8,690)**	**916.0**
Recurring Net margin	***-40%***	***-3%***	***- 37 p.p.***	***-5%***	***- 35 p.p.***	***-13%***	***-1%***	***- 12 p.p.***
Loss per share, basic and diluted - R$	(1.2839)	(0.1656)		(0.1151)		(1.5446)	(0.2106)	
EBITDA	**(184,491)**	**(14,748)**	**1,151.0**	**(7,866)**	**2,245.4**	**(192,897)**	**31,338**	**-**
EBITDA margin	***-112%***	***-8%***	***- 104 p.p.***	***-5%***	***- 107 p.p.***	***-29%***	***4%***	***- 33 p.p.***
Recurring and Adjusted EBITDA	**(2,992)**	**19,552**	**-**	**15,675**	**-**	**43,656**	**91,605**	**(52.3)**
Recurring and Adjusted EBITDA Margin	***-2%***	***10%***	***- 12 p.p.***	***9%***	***- 11 p.p.***	***7%***	***11%***	***- 4 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.

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ETERNIT S.A.

STATEMENTS OF CASH FLOW

Corporate Law

R$ '000 - Accumulated	Parent Company		Consolidated	
	12/31/17	12/31/16	12/31/17	12/31/16
Cash flows from operating activities				
Loss (income) before income and social contribution taxes	**(261,740)**	**(44,434)**	**(244,946)**	**(27,727)**
Adjustments to reconcile pre-tax income (loss) to net cash generated by operating activities:				
Equity pickup	78,654	15,335	28,629	29,337
Depreciation and amortization	14,512	14,880	35,607	38,572
Gain (loss) on disposal of property, plant and equipment and intangible assets	216	(5)	560	(3,123)
Write-off of judicial deposits	1,412	-	3,330	-
Allowance for doubtful accounts	1,716	1,980	2,608	3,420
Provision for impairment of net realizable value	3,721	(527)	8,077	1,025
Estimated impairment losses	118,891	-	150,970	14,460
Provision for tax, civil and labor risks	12,132	1,344	19,804	7,209
Provision for post-employment benefits	4,309	4,653	5,819	6,318
Provision for decommissioning of mine	-	-	5,694	1,261
Provision for restructuring	7,598	-	20,671	2,586
Provision for granting	884	-	1,169	-
Loss on disposal of investments	36	-	-	-
Financial charges, and monetary and exchange variations	2,559	(416)	11,012	(828)
Short-term investment yield	(258)	(74)	(1,053)	(841)
Net changes in prepaid expenses	3,185	6,020	5,146	7,106
	(12,173)	**(1,244)**	**53,097**	**78,775**
Decrease (increase) in operating assets:				
Accounts receivable	25,626	(14,259)	16,330	7,100
Related parties	(10,504)	965	(2,478)	2,100
Inventories	34,731	15,373	53,821	22,491
Taxes recoverable	7,985	1,603	4,802	3,380
Judicial deposits	628	(4,132)	(4,402)	(4,586)
Dividends and interest on equity received	16,168	44,759	-	-
Other assets	(2,150)	(1,430)	(6,047)	2,842
Noncurrent assets held for sale	-	(16)	-	(16)
Increase (decrease) in operating liabilities				
Trade accounts payable	(1,725)	(3,304)	(6,482)	(7,828)
Related parties	(22,870)	13,137	89	-
Taxes, charges and contributions payable	(5,414)	(3,028)	(10,316)	(11,493)
Personnel expenses	(2,375)	(2,445)	(6,164)	(4,334)
Payment of dividends and interest on equity	(5)	(6,877)	(5)	(6,877)
Post-employment benefits	(3,184)	(2,752)	(5,115)	(4,892)
Restructuring expenses	(7,291)	-	(20,318)	-
Other liabilities	10,970	638	13,871	(2,582)
Cash provided by operating activities	**28,417**	**36,988**	**80,683**	**74,080**
Interest paid	(3,277)	(1,021)	(7,152)	(7,530)
Income and social contribution taxes paid	-	-	(9,295)	(12,604)
Net cash provided by operating activities	**25,140**	**35,967**	**64,236**	**53,946**
Cash flow from investing activities				
Intercompanies loans	12,242	(16,053)	10,772	(14,953)
Amount received on disposal of PP&E items	69	22	674	3,395
Additions to PP&E and intangible assets	(5,107)	(9,508)	(10,359)	(15,700)
Additions to investments	(10,701)	(8,101)	(10,659)	(8,101)
Short-term investments	(91,500)	(41,750)	(173,375)	(149,403)
Redemption of short-term investments	88,948	44,905	155,305	164,264
Net cash used in investing activities	**(6,049)**	**(30,485)**	**(27,642)**	**(20,498)**
Cash flows from financing activities				
Loans and financing raised	-	1,962	117,092	64,575
Repayment of loans and financing	(12,849)	(6,929)	(151,872)	(98,458)
Intercompanies loans	850	-	-	-
Repayment of intercompanies loans	(5,535)	-	-	-
Net cash used in financing activities	**(17,534)**	**(4,967)**	**(34,780)**	**(33,883)**
Increase (Decrease) in cash and cash equivalents	**1,557**	**515**	**1,814**	**(435)**
At beginning of period	3,365	2,850	5,143	5,578
At end of period	4,922	3,365	6,957	5,143
Decrease (Increase) in cash and cash equivalents	**1,557**	**515**	**1,814**	**(435)**