Eternit launches restructuring process to boost business profitability

São Paulo, August 10, 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 second quarter of 2017 (2Q17). 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 second quarter of 2016 (2Q16), except where stated otherwise.

2Q17

Listing Segment

Novo Mercado of B3 (BM&FBOVESPA)

Share Price (07/31/17) ETER3

EPS (R$)	1.29
EPS (US$)	0.41

Ownership (07/31/17)

Shares issued	179,000,000
Free Float	85.09%

Market Cap - (07/31/17)

R$ 230.9 million
US$ 73.8 million

Dividends to Shareholders (2017)

No dividends were distributed in the period.

Indicators - (Jun/17)

EPS (R$/share)	2.43
Price/EPS	0.44

Conference Call / Webcast

August 11, 2017

Time: 11:00 a.m. (Brasília) – 10:00 a.m. (New York) and 3:00 p.m. (London)

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In light of the economic scenario, the construction materials industry performed below par in 2Q17, according to the Brazilian Construction Materials Industry Association (ABRAMAT). In this period, the Company adjusted its operations to the reduced production and inventory levels to meet market demand.

Chrysotile sales in 2Q17 amounted to 39,400 tons, down 17.2% from 2Q16, due to the lower share of chrysotile fiber in the industrial process in the domestic market, which was partially neutralized by an increase in exports as a result of the Company's efforts to increase exports and prospect new markets.

In the same period, fiber-cement sales were 148,900 tons, down 17.8% from 2Q16, due to sector contraction, besides being a period of seasonally weaker demand for the Company. Sales of concrete roofing tiles fell 36.9% due to the shutdown of four units of the subsidiary Tégula in February 2017.

Consolidated net revenue in 2Q17 totaled R$163.5 million, down 19.8% from 2Q16, due to the decrease in domestic sales volume, which was partially offset by the repositioning of fiber-cement prices vis-à-vis the previous year. Chrysotile exports increased 12.4% compared to 2Q16, reflecting higher sales volume and a more premium mix sold to new markets, which were partially offset by the 8.3% depreciation of the U.S. dollar against the Brazilian real.

In 2Q17, adjusted and recurring EBITDA reached R$11.7 million, decreasing 3.2% from 2Q16, due to the adverse impacts of lower sales and low capacity utilization, despite the reduction in operating expenses. In the period, Eternit posted recurring net loss of R$9.3 million, due to higher net financial loss and equity pickup, in addition to the factors mentioned under EBITDA.

The Company's dividend policy, as determined in the Bylaws, remains unchanged, but fresh distribution will be made once positive results are recorded.

In line with the restructuring plan, the Management seeks to launch a new phase at Eternit, marked by modernity, innovation and care in its relations with all stakeholders, adjusting its structure to the Company's profile and with the focus on the profitability of its businesses.

Main Indicators

Consolidated - R$ `000	2Q17	2Q16	% Chg.	1Q17	% Chg.	1H17	1H16	% Chg.
Net revenues	**163,468**	**203,708**	**(19.8)**	**167,699**	**(2.5)**	**331,167**	**432,630**	**(23.5)**
Gross margin	*26%*	*30%*	*- 4 p.p.*	*32%*	*- 6 p.p.*	*29%*	*33%*	*- 4 p.p.*
Operating loss/income (EBIT) [1]	**(23,578)**	**(5,073)**	**364.8**	**4,444**	**-**	**(19,134)**	**16,929**	**-**
Net income (loss) for the year	**(23,091)**	**(9,006)**	**156.4**	**(2,955)**	**681.4**	**(26,046)**	**(737)**	**3,434.1**
Recurring Net income (loss) for the year	**(9,282)**	**(8,000)**	**16.0**	**(2,955)**	**214.1**	**(12,237)**	**270**	**-**
Recurring Net margin	*-6%*	*-4%*	*- 2 p.p.*	*-2%*	*- 4 p.p.*	*-4%*	*0%*	*- 4 p.p.*
Earnings (loss) per share - R$	(0.1290)	(0.0503)		(0.0165)		(0.1456)	(0.0041)	
CAPEX	1,350	3,892	(65.3)	1,118	20.8	2,468	7,537	(67.3)
EBITDA [2]	**(14,175)**	**4,685**	**-**	**13,635**	**(204.0)**	**(540)**	**36,555**	**-**
Recurring and Adjusted EBITDA	**11,723**	**12,111**	**(3.2)**	**19,250**	**(39.1)**	**30,973**	**50,210**	**(38.3)**
Recurring and Adjusted EBITDA Margin	*7%*	*6%*	*1 p.p.*	*11%*	*- 4 p.p.*	*9%*	*12%*	*- 3 p.p.*

[1] *Before financial results.*
[2] *Operating income before interests, taxes, depreciation and amortization*

Economy and Market

According to Copom[1], in the first half of 2017, economic activity showed signs of stabilizing and prospects of gradual recovery, although it considers that, if the situation continues for too long, the levels of uncertainty about the process of reforms and adjustments to the economy could negatively impact economic activity. In this scenario, it indicates that the declining inflation favors the recomposition of real income and helps in the gradual recovery of consumption. However, the economy continues to operate at high idleness rates of production units, which is reflected in the low rates of capacity utilization across industry and in the unemployment rate.

According to this scenario, GDP in 2017 is projected to grow 0.3%[2] and construction GDP is expected to drop 2.1%[3] compared to 2016.

According to ABRAMAT[4], sales in the first six months of 2017 fell sharper than expectations at the start of the year, negatively impacted by high unemployment rates and fears of job losses, difficulty in obtaining loans, as well as uncertainties surrounding the economy and the political crisis, all of which affected infrastructure works and investment decisions at residences and commercial buildings. Consequently, real revenues (ex-inflation) from sales of construction materials decreased by 7.1% from the same period in 2016. As such, ABRAMAT revised its estimate for 2017 to a decrease of 5%.

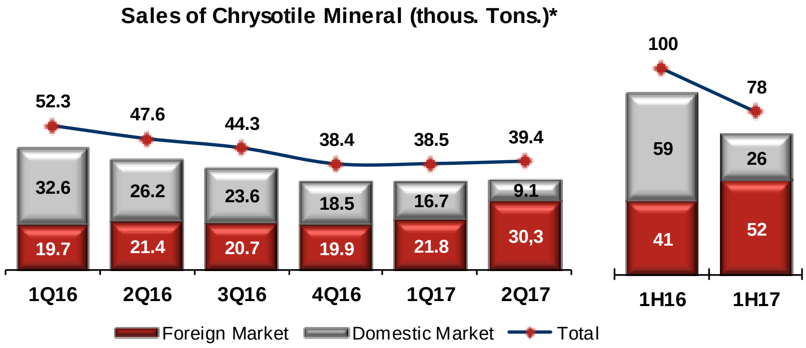
In this period, the Company reconciled its operations to the reduction in the production and inventory levels to meet market demand in both chrysotile mining and finished products, which includes the production of fiber-cement and concrete roofing tiles.

Operational and Financial Aspects

Sales

Chrysotile Mineral

In 2Q17, chrysotile mineral sales reached 39,400 tons, down 17.2% from 2Q16. In the same period, domestic sales volume dropped 65.1%, due to the lower share of chrysotile in the industrial process and the downturn in the construction materials sector. Export volumes increased 41.4%, reflecting the Company's efforts to increase the share of exports and prospect new markets.



(*) Includes intercompany sales, which accounted for 59.0% of domestic sales volume in 2Q17.

Sales in the first six months of 2017 totaled 77,900 tons, decreasing 22.0% from 1H16, due to the factors mentioned earlier.

Fiber-cement tiles

Sales of fiber-cement reached 148,900 tons in 2Q17, down 17.8%, compared to the same periods last year, impacted by factors such as unemployment, lower income distribution and stricter lending policies, all of which hindered consumption of materials for both renovations and new constructions, as well as seasonally weaker demand for the Company.

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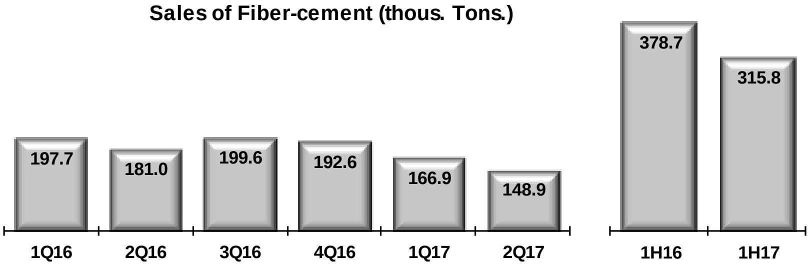
[1] Copom: Monetary Policy Committee of the Central Bank of Brazil
[2] BACEN: Focus market readout of 8/4/2017 issued by the Central Bank of Brazil.
[3] BACEN: June 2017 Inflation Report published by the Central Bank of Brazil.
[4] ABRAMAT: Brazilian Construction Materials Industry Association.

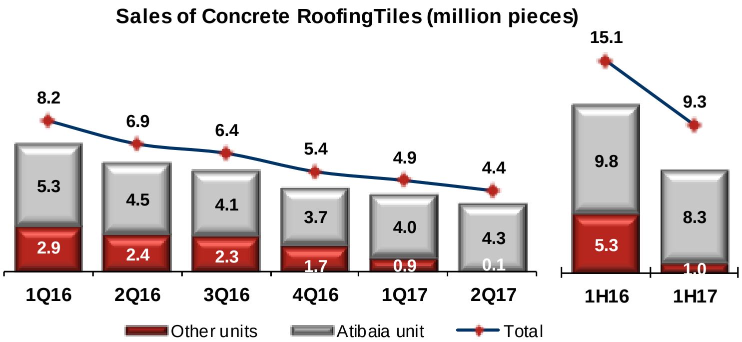


In the first six months of 2017, sales volume decreased 16.6%, in line with the aspects mentioned above.

Concrete Roofing Tiles

In 2Q17, sales of concrete roofing tiles from the Atibaia unit totaled 4.3 million pieces, down 4.6% from 2Q16, due to the weak performance of the construction materials industry, coupled with the postponement of construction works by middle and high-income consumers.

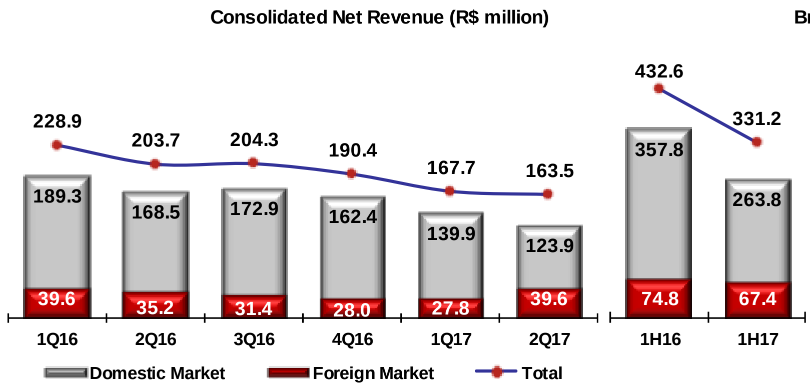
Note that, in February 2017, the Company restructured the production activities of the subsidiary Tégula, which now operates only from the Atibaia unit to serve more profitable markets.

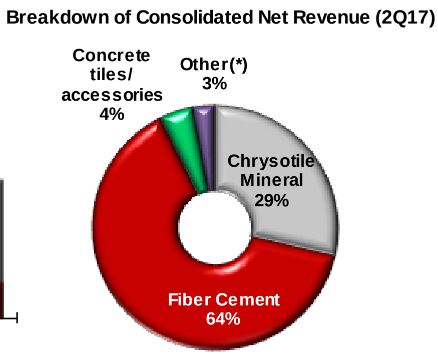


In 1H17, the sales volume of concrete roofing tiles was 9.3 million pieces, down 38.4% from 1H16, mainly due to the shutdown of production units and the aspects mentioned about the sector.

Consolidated Net Revenue

Net revenue reached R$163.5 million in the quarter, down 19.8% from 2Q16. The domestic market was impacted by lower sales volume in our operating segments, partially offset by a new price positioning in fiber-cement compared to the previous year. Chrysotile exports increased 12.4% compared to 2Q16, reflecting higher sales volume and a more premium mix sold to new markets, which were partially offset by the 8.3% depreciation of the U.S. dollar against the Brazilian real (average exchange rate (PTAX) in 2Q17 vs. 2Q16).





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

In 1H17, net revenue fell 23.5% from the same period in 2016.Exports totaled R$67.4 million, down 10.0% from 2016, due to the reduction in USD prices and the 14.1% depreciation of the U.S. dollar against the Brazilian real (average PTAX in the period), which offset sales growth. Domestic sales totaled R$263.8 million, down 26.3%, as discussed earlier.

Cost of Goods Sold

Recurring cost of goods sold totaled R$115.0 million in 2Q17, down 18.2% from 2Q16, due to the lower sales volume in the operating segments, adjustment of industrial capacity to operate in line with market demand, and partially offset by inflationary pressure on costs. As a result, in addition to the negative impact of exchange variation, recurring gross margin came to 30% in 2Q17, down 1 p.p. from 2Q16.

In order to operate in a more competitive and efficient manner, Management has been working diligently to restructure the Company's fixed costs. To reconcile market demand with the reduction in current inventory levels, the Company granted holidays to all employees, which resulted in non-recurring costs of around R$5.3 million in the period.

R$ ´000	2Q17	2Q16	% Chg.	1Q17	% Chg.	1H17	1H16	% Chg.
Cost of goods sold	(121,760)	(142,023)	(14.3)	(114,655)	6.2	(236,415)	(290,899)	(18.7)
Non-recurring events								
Breaking of products from new technologies	1,441	-	-	-	-	1,441	-	-
Expenses with unexpected halts	5,334	1,525	249.8	-	-	5,334	1,525	249.8
Recurring cost of goods sold	**(114,985)**	**(140,498)**	**(18.2)**	**(114,655)**	**0.3**	**(229,640)**	**(289,374)**	**(20.6)**
Recurring gross margin	*30%*	*31%*	*- 1 p.p.*	*32%*	*- 2 p.p.*	*31%*	*33%*	*- 2 p.p.*

In 1H17, the reduction in recurring costs corresponded to 20.6% of the amount booked in 1H16, totaling R$ 229.6 million, as mentioned earlier. Consequently, gross margin declined 2 p.p. to end the six-month period at 31%.

Operating Expenses

In line with the structured program to reduce SG&A expenses, total recurring expenses fell 26.4% in 2Q17 compared to 2Q16, due to lower expenses with commissions, reflecting the lower sales volume, lower marketing expenses and lower expenses with services from renegotiation of contracts with suppliers.

In the period, the Company launched the restructuring process in the industrial, commercial and administrative areas, which required non-recurring expenses of R$11.3 million with termination fees.

In R$ '000	2Q17	2Q16	Chg. %	1Q17	Chg. %	1H17	1H16	Chg. %
Selling expenses	(19,508)	(27,372)	(28.7)	(20,900)	(6.7)	(40,408)	(53,950)	(25.1)
General and administrative expenses*	(31,395)	(23,549)	33.3	(21,552)	45.7	(52,947)	(50,384)	5.1
Other operating revenues (expenses), net	(5,168)	(9,936)	(48.0)	(533)	869.6	(5,701)	(8,338)	(31.6)
Total operating expenses	**(56,071)**	**(60,857)**	**(7.9)**	**(42,985)**	**30.4**	**(99,056)**	**(112,672)**	**(12.1)**
Non-recurring event	0	0	0.0	0	0.0	0	0	0.0
Reestructuring	11,258	0	-	0	-	11,258	0	-
Total recurring operating expenses	**(44,813)**	**(60,857)**	**(26.4)**	**(42,985)**	**4.3**	**(87,798)**	**(112,672)**	**(22.1)**

*Includes Management Compensation.

Total recurring operating expenses in 1H17 came to R$87.8 million, down 22.1% 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 2Q17, recurring equity pickup was negative R$7.3 million, compared to negative R$5.9 million in the year-ago period, in addition to the jointly-owned subsidiary, in its ramp-up process, has identified that the cost of production of some products exceeds the net realizable value, generating a loss in realization. of R$1.9 million.

Despite the improvement in the industrial process, with continuous gains in productivity and a more diversified portfolio, the results still reflect the market scenario, which requires lower value items due to the country's current economic situation.

In R$ '000	2Q17	2Q16	Chg. %	1Q17	Chg. %	1H17	1H16	Chg. %
Equity pickup	(9,215)	(5,901)	56.2	(5,615)	64.1	(14,830)	(12,130)	22.3
Non-recurring event								
Adjust for inventories of realizable value	1,907	-	-	-	-	1,907	-	-
Recurring Equity pickup	**(7,308)**	**(5,901)**	**23.8**	**(5,615)**	**30.2**	**(12,923)**	**(12,130)**	**6.5**

* The jointly-owned subsidiary, in its ramp-up process, has identified that the cost of production of some products exceeds the net realizable value, generating a loss in realization.

In 1H17, recurring equity pickup was a negative R$12.9 million, compared to a negative R$12.1 million in the same period last year, due to the aforementioned aspects.

Net Financial Result

Net financial result in the second quarter of 2017 was an expense of R$4.4 million, increasing 8.9% from 2Q16, mainly due to the net effect of exchange variation on the Company's foreign currency operations.

In R$ '000	2Q17	2Q16	Chg. %	1Q17	Chg. %	1H17	1H16	Chg. %
Financial expenses	(9,463)	(17,985)	(47.4)	(10,849)	(12.8)	(20,312)	(47,384)	(57.1)
Financial income	5,049	13,930	(63.8)	6,301	(19.9)	11,350	37,563	(69.8)
Net financial result	**(4,414)**	**(4,055)**	**8.9**	**(4,548)**	**(2.9)**	**(8,962)**	**(9,821)**	**(8.7)**

In 1H17, the net financial result decreased by 8.7% from the same period in 2016, due lower interest on debt, which was offset by 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 2Q17, adjusted and recurring EBITDA reached R$11.7 million, decreasing 3.2% from 2Q16, due to the adverse impacts of lower sales and low capacity utilization, despite the reduction in operating expenses. As a result, adjusted and recurring EBITDA margin expanded by 1 p.p. from 2Q16 to end the quarter at 7%. In the six-month period, margin fell 3 p.p. to 9%.

Reconciliation of consolidated EBITDA - (R$'000)	2Q17	2Q16	% Chg.	1Q17	Var. %	1H17	1H16	% Chg.
Net (loss) income	**(23,091)**	**(9,006)**	**156.4**	**(2,955)**	**681.4**	**(26,046)**	**(737)**	**3,434.1**
Income tax and social contributions	(4,901)	(122)	3,917.2	2,851	(271.9)	(2,050)	7,845	-
Net financial Income	4,414	4,055	8.9	4,548	(2.9)	8,962	9,821	(8.7)
Depreciation and amortization	9,403	9,758	(3.6)	9,191	2.3	18,594	19,626	(5.3)
EBITDA[1]	**(14,175)**	**4,685**	**-**	**13,635**	**(204.0)**	**(540)**	**36,555**	**-**
Equity pickup	9,215	5,901	56.2	5,615	64.1	14,830	12,130	22.3
Non-recurring events								
Reestructuring	11,258	-	-	-	-	11,258	-	-
Breaking of products from new technologies	1,441	-	-	-	-	1,441	-	-
Expenses with unexpected halts*	3,984	1,525	161.2	-	-	3,984	1,525	161.2
Recurring and Adjusted EBITDA[2]	**11,723**	**12,111**	**(3.2)**	**19,250**	**(39.1)**	**30,973**	**50,210**	**(38.3)**

* It does not include the depreciation amount of unexpected halts.

[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 the period, Eternit recorded recurring net loss of R$9.3 million, due to the higher net financial expense and equity pickup, in addition to the aspects mentioned for EBITDA. Recurring net margin fell by 2 p.p. to end the period at -6%.

Consolidated Net income (loss) for the year (R$'000)	2Q17	2Q16	% Chg.	1Q17	Var. %	1H17	1H16	% Chg.
Net Icome (loss)	(23,091)	(9,006)	156.4	(2,955)	681.4	(26,046)	(737)	3,434.1
Non-recurring events	-	-	-	-	-	-	-	-
Reestructuring	11,258	-	-	-	-	11,258	-	-
Breaking of products from new technologies	1,441	-	-	-	-	1,441	-	-
Expenses with unexpected halts*	5,334	1,525	249.8	-	-	5,334	1,525	249.8
Adjust for inventories of realizable value	1,907	-	-	-	-	1,907	-	-
Effect of Income and social contributions taxes*	(6,131)	(519)	1,082.5	-	-	(6,131)	(519)	1,082.5
Recurring Net income (loss) for the year	**(9,282)**	**(8,000)**	**16.0**	**(2,955)**	**214.1**	**(12,237)**	**270**	**-**

* Effect of Income and social contributions taxes on non-recurring events, disregarding the adjustment to realizable value of inventory, which refers to the jointly-owned subsidiary – CSC.

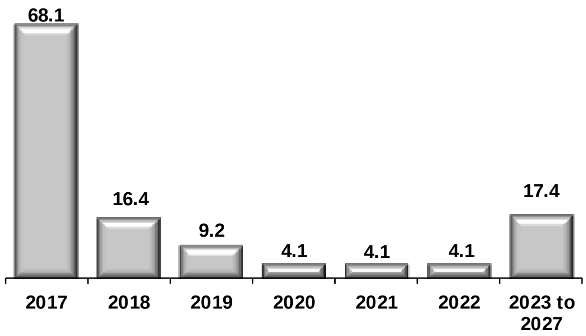
In 1H17, recurring net loss totaled R$12.2 million, with recurring net margin of -4%, compared to net income of R$0.3 million and net margin of 0% in 1H16.

Debt

The Company ended 2Q17 with net debt of R$114.6 million, down 1.7% from the net debt on December 31, 2016. The Company's short-term debt is composed of ACE[5] and NCE[6] to meet working capital needs on account of chrysotile exports, while long-term debt is composed of FINIMP[7], FINAME[8] and CCB[9] from development banks.

Cash, cash equivalents and short-term investments totaled R$8.8 million, with investments remunerated at a weighted average rate of 105% of the variation in the CDI[10].

DEBT - R$ ´000	06/30/17	12/31/16	% Chg.	03/31/17	% Chg.
Short- term gross debt	76,980	68,750	12.0%	58,471	31.7%
Long-term gross debt	46,459	55,626	-16.5%	48,817	-4.8%
Total gross debt	**123,439**	**124,376**	**-0.8%**	**107,288**	**15.1%**
Cash and cash equivalents	(4,295)	(5,143)	-16.5%	(3,834)	12.0%
Short-term investments (same cash equivalents)	(4,551)	(2,708)	68.1%	(4,351)	4.6%
Net debt	**114,593**	**116,525**	**-1.7%**	**99,103**	**15.6%**
Recurring and adjusted EBITDA (last 12 months)	61,072	78,784	-22.5%	59,935	1.9%
Net debt / Recurring and adjusted EBITDA x	**1.88**	**1.48**		**1.65**	
Net debt / Equity	**26.4%**	**25.4%**	**-**	**21.7%**	**-**



In 2Q17, 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, 98.6% is linked to export accounts receivable.

Capex

Capex of Eternit and its subsidiaries in 2Q17 and 1H17 amounted to R$1.4 million and R$2.5 million, down 65.3% and 67.3%, respectively, compared to the same periods in 2016. The funds were allocated to 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 highly disperse ownership and no shareholders' agreement or controlling group, the Company's shareholder base had a high concentration of individual investors, who accounted for 82.1% of the shareholder base on June 30, 2017, while foreign investors accounted for 3.6% and legal entities, clubs,

[5] ACE: Advances on Foreign Exchange Contracts
[6] NCE: Export Credit Note
[7] FINIMP: Import financing
[8] FINAME: Special Agency for Industrial Financing
[9] CCB: Bank Credit Note
[10] CDI: Interbank Deposit Certificates

investment funds and foundations accounted for 14.3%. In June 2017, only three shareholders held more than 5% interest in the capital stock, with an aggregate interest of 34.4%, and the Executive Board held 0.3% interest in capital stock.

On June 30, 2017, Eternit stock was quoted at R$1.12 while the Company's market capitalization was R$200.5 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 2Q17, 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.

Election of Chief Commercial Officer

In line with the Company's restructuring plan, the Board of Directors elected, at a meeting held on July 19, 2017, Mr. Rodrigo Angelo Inácio as Chief Commercial Officer of the Eternit Group.

Mr. Inácio has a bachelor's degree in Mechanical Engineering and graduate degrees in Marketing and Finance. He started his career in 1994 in management of business units, marketing, strategic planning and sales, and served on the management of companies, including three years abroad, such as Krona Tubos e Conexões S.A. Nicoll (Aliaxis Group), Sasazaki - Portas e Janelas, Amanco Brasil and Amanco Argentina (Mexichem Group). In the last 10 years he held the positions of Executive Officer and CEO.

A short bio of the executive officers is available on the IR Website in the section Corporate Governance / Management.

Outlook and Management Comments

With an economic scenario marked by uncertainties and low levels of capacity utilization across the industry, in line with credit, employment and income data, the performance of the economy in terms of GDP in 2017 compared to in 2016 is 0.3%, according to the FOCUS market readout dated August 4, 2017, whereas the outlook for construction GDP is -2.7%, as per the June 2017 Inflation report published by the Central Bank of Brazil (BACEN).

For the construction material industry, the Brazilian Construction Materials Industry Association (ABRAMAT) revised its projection for 2017 to a decline of 5%, reflecting the continuously negative factors impacting the economic and political scenario, coupled with high unemployment rates, fears of job losses and restricted access to credit for households and companies.

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 highlights at the businesses were the changes in the Company's management to adjust its operational structure and improve the profitability of business units with adequate pricing of the portfolio, renegotiation of main input prices, implementation of a logistics area, pricing and redesign of the Sales area.

As part of this phase of restructuring, the Company will try to maintain the level of activity of its operations optimized in line with market demand, while focusing on expanding other products such as construction solutions, polyethylene water tanks and kitchen and bathroom metal fixtures.

In the fiber-cement roofing panel segment, Eternit is revising its positioning its market niche to increase its market share in specific regions, besides increasing the number of points of sale and consolidating its leadership in all the regions of Brazil.

In the concrete roofing tiles segment, the program "Architects Club" is being redesigned to establish stronger relations with architects and drive sales through the Business to Consumer (B2C) channel.

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

In keeping with its strategy of diversified organic growth, the plant in Manaus, Amazonas, is already producing and marketing polypropylene fibers with applications in fiber-cement on an industrial scale. The Company will focus its efforts on increasing the unit's utilization by offering its product to third parties, including manufacturers of fiber-cement roofing tiles and 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.

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 products to boost profitability.

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 Management of **Eternit** invites you to participate in the reporting of its results for the second quarter of 2017.

Presentation: Luís Augusto Barcelos Barbosa, Chief Executive Officer, and Rodrigo Lopes da Luz, Adm., Financial and Investor Relations Officer.
Date: Friday, August 11, 2017
Time: 11:00 a.m. - Brasília / 10:00 a.m. - New York / 3:00 p.m. London

The presentation, which is accompanied by slides, can be viewed online by registering at **www.ccall.com.br/eternit/2Q17.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		
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ETERNIT S.A.

Balance Sheet

Corporate Law (R$ '000)

ASSETS	Parent Company 06/30/17	Parent Company 12/31/16	Consolidated 06/30/17	Consolidated 12/31/16
Current	**181,721**	**208,911**	**352,261**	**356,975**
Cash and cash equivalents	2,448	3,365	4,295	5,143
Short-term investments	29	32	4,551	2,708
Accounts receivable	68,598	84,835	152,473	158,663
Inventories	84,951	93,582	153,286	160,867
Taxes recoverable	10,196	9,289	21,725	17,861
Related parties	10,737	14,819	2,299	718
Other current assets	3,966	2,193	9,359	5,724
Noncurrent assets held for sale	**796**	**796**	**4,273**	**5,291**
Noncurrent assets held for sale	796	796	4,273	5,291
Non-current	**446,453**	**470,282**	**453,615**	**485,473**
Judicial deposits	11,296	14,384	19,397	22,264
Taxes recoverable	24,452	24,335	24,725	24,746
Deferred income and social contribution taxes	48,456	42,315	79,021	72,655
Related parties	6,586	27,982	5,775	15,985
Other noncurrent assets	610	1,078	2,079	2,545
Investments	209,852	203,707	-	3,546
Property, Plant and Equipment (PP&E)	139,958	150,412	297,783	317,716
Intangible assets	5,243	6,069	24,835	26,016
Total assets	**628,174**	**679,193**	**805,876**	**842,448**

LIABILITIES AND EQUITY	Parent Company 06/30/17	Parent Company 12/31/16	Consolidated 06/30/17	Consolidated 12/31/16
Current liabilities	**66,369**	**93,337**	**160,861**	**168,489**
Trade accounts payable	13,429	20,602	23,107	33,566
Loans and financing	7,937	10,337	76,980	68,750
Derivative financial instruments	178	374	178	678
Related parties	9,315	25,393	-	-
Personnel expenses	12,478	12,413	22,058	23,388
Dividends and interest on equity	309	426	309	426
Provision for post-employment benefits	3,184	3,184	5,115	5,115
Taxes, charges and contributions payable	12,032	14,030	16,638	22,260
Other current liabilities	7,507	6,578	16,476	14,306
Non-Current	**128,135**	**126,223**	**211,328**	**214,310**
Loans and financing	644	4,362	46,459	55,626
Related parties	38,358	36,012	-	-
Taxes, charges and contributions payable	2,166	1,746	5,179	4,699
Provision for tax, civil and labor risks	48,651	46,975	94,054	90,003
Provision for post-employment benefits	37,691	37,128	50,456	50,104
Deferred income tax and social contributions	-	-	14,555	13,878
Provision for decommissioning of mine	625	-	625	-
Equity	**433,670**	**459,633**	**433,687**	**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	118,304	118,221	118,304	118,221
Accumulated loss	(26,046)	-	(26,046)	-
Other comprehensive income	(12,125)	(12,125)	(12,125)	(12,125)
Equity attributable to controlling interests	**433,670**	**459,633**	**433,670**	**459,633**
Noncontrolling interests	-	-	17	16
Total liablities and equity	**628,174**	**679,193**	**805,876**	**842,448**

Eternit

ETERNIT S.A. (PARENT COMPANY)

Income Statements

Corporate Law

R$ ´000	2Q17	2Q16	% Chg.	1Q17	% Chg.	1H17	1H16	% Chg.
Net operating revenue	**96,037**	**116,396**	**(17.5)**	**109,959**	**(12.7)**	**205,996**	**247,826**	**(16.9)**
Cost of goods sold	(81,681)	(94,083)	(13.2)	(87,700)	(6.9)	(169,381)	(193,755)	(12.6)
Gross profit	**14,356**	**22,313**	**(35.7)**	**22,259**	**(35.5)**	**36,615**	**54,071**	**(32.3)**
Gross margin	***15%***	***19%***	***- 4 p.p.***	***20%***	***- 420 p.p.***	***18%***	***22%***	***- 4 p.p.***
Operating income (expenses)	**(29,987)**	**(31,967)**	**(6.2)**	**(24,039)**	**24.7**	**(54,026)**	**(60,837)**	**(11.2)**
Selling expenses	(9,879)	(15,634)	(36.8)	(11,315)	(12.7)	(21,194)	(30,049)	(29.5)
General and administrative expenses	(13,480)	(10,676)	26.3	(10,484)	28.6	(23,964)	(23,398)	2.4
Other operating income (expenses), net	(6,628)	(5,657)	17.2	(2,240)	195.9	(8,868)	(7,390)	20.0
Operating income (expenses) before equity pick	**(15,631)**	**(9,654)**	**61.9**	**(1,780)**	**778.2**	**(17,411)**	**(6,766)**	**157.3**
EBIT margin	***-16%***	***-8%***	***- 8 p.p.***	***-2%***	***- 798 p.p.***	***-8%***	***-3%***	***- 5 p.p.***
Equity pickup	(10,398)	(729)	1,326.3	518	-	(9,880)	6,817	-
Financial income (expenses), net	**(2,481)**	**(1,527)**	**62.5**	**(2,415)**	**2.7**	**(4,896)**	**(2,221)**	**120.5**
Financial expenses	(3,677)	(4,952)	(25.7)	(4,294)	(14.4)	(7,971)	(18,486)	(56.9)
Financial income	1,196	3,425	(65.1)	1,879	(36.3)	3,075	16,265	(81.1)
Income (loss) before income and social contribu	**(28,510)**	**(11,910)**	**139.4**	**(3,677)**	**675.4**	**(32,187)**	**(2,170)**	**1,383.0**
Current (loss) income and social contributions t	-	1,743	(100.0)	-	-	-	-	-
Deferred (loss) income and social contributions	5,419	1,161	366.8	722	650.1	6,141	1,434	328.2
Net income (loss) for the year	**(23,091)**	**(9,006)**	**156.4**	**(2,955)**	**681.4**	**(26,046)**	**(736)**	**3,438.9**
Net margin	***-24%***	***-8%***	***- 16 p.p.***	***-3%***	***- 1597 p.p.***	***-13%***	***0%***	***- 13 p.p.***
EBITDA	**(26,029)**	**(6,694)**	**288.8**	**2,474**	**-**	**(23,555)**	**7,381**	**-**
EBITDA margin	***-27%***	***-6%***	***- 21 p.p.***	***2%***	***- 2102 p.p.***	***-11%***	***3%***	***- 14 p.p.***

ETERNIT S.A. (CONSOLIDATED)

Income Statements

Corporate Law

R$ ´000	2Q17	2Q16	% Chg.	1Q17	% Chg.	1H17	1H16	% Chg.
Net operating revenue	**163,468**	**203,708**	**(19.8)**	**167,699**	**(2.5)**	**331,167**	**432,630**	**(23.5)**
Cost of goods sold	(121,760)	(142,023)	(14.3)	(114,655)	6.2	(236,415)	(290,899)	(18.7)
Recurring cost of goods sold	(114,985)	(140,498)	(18.2)	(114,655)	0.3	(229,640)	(289,374)	(20.6)
Gross profit	**41,708**	**61,685**	**(32.4)**	**53,044**	**(21.4)**	**94,752**	**141,731**	**(33.1)**
Recurring gross profit	**48,483**	**63,210**	**(23.3)**	**53,044**	**(8.6)**	**101,527**	**143,256**	**(29.1)**
Gross margin	***26%***	***30%***	***- 4 p.p.***	***32%***	***- 6 p.p.***	***29%***	***33%***	***- 1 p.p.***
Recurring gross margin	***30%***	***31%***	***- 1 p.p.***	***32%***	***- 2 p.p.***	***31%***	***33%***	***- 1 p.p.***
Operating income (expenses)	**(56,071)**	**(60,857)**	**(7.9)**	**(42,985)**	**30.4**	**(99,056)**	**(112,672)**	**(12.1)**
Selling expenses	(19,508)	(27,372)	(28.7)	(20,900)	(6.7)	(40,408)	(53,950)	(25.1)
General and administrative expenses	(31,395)	(23,549)	33.3	(21,552)	45.7	(52,947)	(50,384)	5.1
Other operating income (expenses), net	(5,168)	(9,936)	(48.0)	(533)	869.6	(5,701)	(8,338)	(31.6)
Operating income (expenses) before equity pick	**(14,363)**	**828**	**-**	**10,059**	**-**	**(4,304)**	**29,059**	**-**
EBIT margin	***-9%***	***0%***	***- 9 p.p.***	***6%***	***- 15 p.p.***	***-1%***	***7%***	***- 8 p.p.***
Equity pickup	(9,215)	(5,901)	56.2	(5,615)	64.1	(14,830)	(12,130)	22.3
Operating income (expenses) before financial e›	***(23,578)***	***(5,073)***	**364.8**	***4,444***	**-**	***(19,134)***	***16,929***	**-**
Financial income (expenses), net	**(4,414)**	**(4,055)**	**8.9**	**(4,548)**	**(2.9)**	**(8,962)**	**(9,821)**	**(8.7)**
Financial expenses	(9,463)	(17,985)	(47.4)	(10,849)	(12.8)	(20,312)	(47,384)	(57.1)
Financial income	5,049	13,930	(63.8)	6,301	(19.9)	11,350	37,563	(69.8)
Income (loss) before income and social contribu	**(27,992)**	**(9,128)**	**206.7**	**(104)**	**26,815.4**	**(28,096)**	**7,108**	**-**
Current (loss) income and social contributions t	(284)	(624)	(54.5)	(4,032)	(93.0)	(4,316)	(9,806)	(56.0)
Deferred (loss) income and social contributions	5,185	746	595.0	1,181	339.0	6,366	1,961	224.6
Net income (loss) for the year	**(23,091)**	**(9,006)**	**156.4**	**(2,955)**	**681.4**	**(26,046)**	**(737)**	**3,434.1**
Recurring Net income (loss) for the year	**(9,282)**	**(8,000)**	**16.0**	**(2,955)**	**214.1**	**(12,237)**	**270**	**-**
Recurring Net margin	***-6%***	***-4%***	***- 2 p.p.***	***-2%***	***- 4 p.p.***	***-4%***	***0%***	***- 4 p.p.***
Earnings (loss) per share, basic and diluted - R$	(0.1290)	(0.0503)		(0.0165)		(0.1456)	(0.0041)	
EBITDA	**(14,175)**	**4,685**	**-**	**13,635**	**-**	**(540)**	**36,555**	**-**
EBITDA margin	***-9%***	***2%***	***- 11 p.p.***	***8%***	***- 17 p.p.***	***0%***	***8%***	***- 8 p.p.***
Recurring and Adjusted EBITDA	**11,723**	**12,111**	**(3.2)**	**19,250**	**(39.1)**	**30,973**	**50,210**	**(38.3)**
Recurring and Adjusted EBITDA Margin	***7%***	***6%***	***1 p.p.***	***11%***	***- 4 p.p.***	***9%***	***12%***	***- 3 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

STATEMENTS OF CASH FLOW

Corporate Law

R$ '000 - Accumulated	Parent Company		Consolidated	
	06/30/17	06/30/16	06/30/17	06/30/16
Cash flows from operating activities				
Loss (income) before income and social contribution taxes	**(32,187)**	**(2,170)**	**(28,096)**	**7,108**
Adjustments to reconcile pre-tax income (loss) to net cash generated by operating activities:				
Equity pickup	9,880	(6,817)	14,830	12,130
Depreciation and amortization	7,343	7,329	18,594	19,626
Gain (loss) on disposal of property, plant and equipment and intangible assets	20	(126)	(143)	(3,206)
Write-off of judicial deposits	2,986	-	2,846	-
Allowance for doubtful accounts	875	798	1,256	1,448
Provision for impairment of net realizable value	317	(524)	307	(85)
Estimated impairment losses	-	-	(100)	-
Provision for tax, civil and labor risks	1,676	1,180	4,007	2,869
Provision for post-employment benefits	563	892	352	722
Provision for decommissioning of mine	-	-	677	(861)
Financial charges, and monetary and exchange variations	1,143	(543)	1,749	(1,220)
Short-term investment yield	(118)	(10)	(322)	(503)
Net changes in prepaid expenses	1,385	3,779	1,816	4,337
	(6,117)	**3,788**	**17,773**	**42,365**
Decrease (increase) in operating assets:				
Accounts receivable	15,362	(7,362)	7,557	4,451
Related parties	(2,048)	1,610	(1,582)	(1,543)
Inventories	7,302	(7,394)	7,274	(5,564)
Taxes recoverable	5,425	438	4,216	1,062
Judicial deposits	102	(3,413)	21	(3,718)
Dividends and interest on equity received	12,763	33,270	-	-
Other assets	(2,680)	(2,855)	(4,973)	(630)
Increase (decrease) in operating liabilities				
Trade accounts payable	(7,173)	1,254	(10,459)	(1,331)
Related parties	(15,066)	(656)	-	-
Taxes, charges and contributions payable	(1,219)	(4,668)	(3,138)	(4,602)
Personnel expenses	65	880	(1,330)	322
Payment of dividends and interest on equity	(1)	-	(1)	-
Other liabilities	929	(9,377)	2,170	(11,645)
Cash provided by operating activities	**7,644**	**5,515**	**17,528**	**19,167**
Interest paid	(478)	(351)	(3,750)	(3,461)
Income and social contribution taxes paid	-	-	(7,891)	(10,436)
Net cash provided by operating activities	**7,166**	**5,164**	**5,887**	**5,270**
Cash flow from investing activities				
Intercompanies loans	9,953	(9,108)	10,753	(8,142)
Amount received on disposal of PP&E items	37	126	384	3,437
Additions to PP&E and intangible assets	(1,985)	(4,810)	(2,468)	(7,537)
Addition to exchange gains (losses) converted into capital	-	189	-	189
Additions to investments	(10,659)	-	(10,659)	-
Short-term investments	(33,000)	(5,700)	(49,682)	(69,367)
Redemption of short-term investments	33,121	8,818	48,163	83,655
Net cash used in investing activities	**(2,533)**	**(10,485)**	**(3,509)**	**2,235**
Cash flows from financing activities				
Loans and financing raised	-	1,980	61,219	31,511
Repayment of loans and financing	(6,400)	(2,574)	(64,445)	(41,644)
Intercompanies loans	850	4,114	-	-
Net cash used in financing activities	**(5,550)**	**3,520**	**(3,226)**	**(10,133)**
Decrease in cash and cash equivalents	**(917)**	**(1,801)**	**(848)**	**(2,628)**
Increase (decrease) in cash and cash equivalents				
At beginning of period	3,365	2,850	5,143	5,578
At end of period	2,448	1,049	4,295	2,950
Decrease in cash and cash equivalents	**(917)**	**(1,801)**	**(848)**	**(2,628)**