

(Convenience Translation into English from the  
Original Previously Issued in Portuguese)

# **Eternit S.A.**

Individual and Consolidated  
Interim Financial Information for the Nine-month  
Period Ended September 30, 2017 and  
Report on Review of Interim  
Financial Information

Deloitte Touche Tohmatsu Auditores Independentes

# Contents

## Information from Company

|                       |   |
|-----------------------|---|
| Paid-up Capital ..... | 2 |
|-----------------------|---|

## Financial Statements – Company

|                           |   |
|---------------------------|---|
| Balance Sheet Asset ..... | 3 |
|---------------------------|---|

|                               |   |
|-------------------------------|---|
| Balance Sheet Liability ..... | 4 |
|-------------------------------|---|

|                        |   |
|------------------------|---|
| Income Statement ..... | 5 |
|------------------------|---|

|                                   |   |
|-----------------------------------|---|
| Income Statement per Nature ..... | 6 |
|-----------------------------------|---|

|                          |   |
|--------------------------|---|
| Cash Flow Statement..... | 7 |
|--------------------------|---|

### Equity Mutations Statement

|                                       |   |
|---------------------------------------|---|
| DMPL - 01/01/2017 to 09/30/2017 ..... | 8 |
|---------------------------------------|---|

|                                       |   |
|---------------------------------------|---|
| DMPL - 01/01/2016 to 09/30/2016 ..... | 9 |
|---------------------------------------|---|

|                             |    |
|-----------------------------|----|
| Value-Added Statement ..... | 10 |
|-----------------------------|----|

## Financial Statements – Consolidated

|                           |    |
|---------------------------|----|
| Balance Sheet Asset ..... | 11 |
|---------------------------|----|

|                               |    |
|-------------------------------|----|
| Balance Sheet Liability ..... | 12 |
|-------------------------------|----|

|                        |    |
|------------------------|----|
| Income Statement ..... | 13 |
|------------------------|----|

|                                   |    |
|-----------------------------------|----|
| Income Statement per Nature ..... | 14 |
|-----------------------------------|----|

|                          |    |
|--------------------------|----|
| Cash Flow Statement..... | 15 |
|--------------------------|----|

### Equity Mutations Statement

|                                       |    |
|---------------------------------------|----|
| DMPL - 01/01/2017 to 09/30/2017 ..... | 16 |
|---------------------------------------|----|

|                                       |    |
|---------------------------------------|----|
| DMPL - 01/01/2016 to 09/30/2016 ..... | 17 |
|---------------------------------------|----|

|                             |    |
|-----------------------------|----|
| Value-Added Statement ..... | 18 |
|-----------------------------|----|

|                         |    |
|-------------------------|----|
| Management Report ..... | 19 |
|-------------------------|----|

|                        |    |
|------------------------|----|
| Explanatory Notes..... | 29 |
|------------------------|----|

|  |    |
|--|----|
| Other information that the Company considers relevant..... | 73 |
|--|----|

|                        |    |
|------------------------|----|
| Auditor's Report ..... | 74 |
|------------------------|----|

|                         |    |
|-------------------------|----|
| Audit Board Report..... | 79 |
|-------------------------|----|

|  |    |
|--|----|
| Declaration by the Executive Board ..... | 80 |
|--|----|

Information from company / Paid-up capital

| Number of shares<br>(Thousands)             | Current Quarter<br>09/30/2017 |
|---|-------------------------------|
| <b>Paid-in Capital</b>                      |                               |
| Common                                      | 179,000                       |
| Preferred                                   | 0                             |
| <hr style="border-top: 1px dashed black;"/> |                               |
| <b>Total</b>                                | <b>179,000</b>                |
| <b>Trasury shares</b>                       |                               |
| Common                                      | 59                            |
| Preferred                                   | 0                             |
| <hr style="border-top: 1px dashed black;"/> |                               |
| <b>Total</b>                                | <b>59</b>                     |

## Individual FSs / Balance Sheet Asset

(Thousands of reais)

| Account Code  | Account Description                            | Current Quarter | Previous Exercise |
|---------------|--|-----------------|-------------------|
|               |  | 09/30/2017      | 12/31/2016        |
| 1             | Total Assets                                   | 606,949         | 679,193           |
| 1.01          | Current Assets                                 | 173,612         | 208,911           |
| 1.01.01       | Cash and Cash Equivalents                      | 3,287           | 3,365             |
| 1.01.02       | Short-term investments                         | 5,259           | 32                |
| 1.01.02.02    | Financial Investments Valued at Amortized Cost | 5,259           | 32                |
| 1.01.02.02.01 | Securities held until maturity                 | 5,259           | 32                |
| 1.01.03       | Accounts receivable                            | 65,110          | 84,835            |
| 1.01.03.01    | Clients  | 65,110          | 84,835            |
| 1.01.04       | Inventories                                    | 64,142          | 93,582            |
| 1.01.06       | Taxes Recoverable                              | 9,665           | 9,289             |
| 1.01.06.01    | Current and Recoverable Taxes                  | 9,665           | 9,289             |
| 1.01.07       | Prepaid expenses                               | 881             | 238               |
| 1.01.08       | Other Current assets                           | 25,268          | 17,570            |
| 1.01.08.01    | Non-Current Assets for Sale                    | 796             | 796               |
| 1.01.08.03    | Other  | 24,472          | 16,774            |
| 1.01.08.03.01 | Related parties                                | 22,582          | 14,819            |
| 1.01.08.03.02 | Other  | 1,890           | 1,955             |
| 1.02          | Non-current asset                              | 433,337         | 470,282           |
| 1.02.01       | Long-term assets                               | 87,524          | 110,094           |
| 1.02.01.03    | Accounts receivable                            | 616             | 1,078             |
| 1.02.01.03.02 | Other Accounts Receivable                      | 616             | 1,078             |
| 1.02.01.06    | Deferred Taxes                                 | 47,024          | 42,315            |
| 1.02.01.06.01 | Differed Income Tax And Social Contribution    | 47,024          | 42,315            |
| 1.02.01.08    | Credits with Related Parties                   | 6,727           | 27,982            |
| 1.02.01.08.02 | Credits with Subsidiaries                      | 6,727           | 27,982            |
| 1.02.01.09    | Other noncurrent assets                        | 33,157          | 38,719            |
| 1.02.01.09.03 | Recoverable taxes                              | 24,530          | 24,335            |
| 1.02.01.09.04 | Escrow deposits and tax incentives             | 8,627           | 14,384            |
| 1.02.02       | Investments                                    | 203,237         | 203,707           |
| 1.02.02.01    | Shareholdings                                  | 203,237         | 203,707           |
| 1.02.02.01.02 | Shareholding in Subsidiaries                   | 203,237         | 203,707           |
| 1.02.03       | Fixed  | 137,651         | 150,412           |
| 1.02.03.01    | Non-current in Operation                       | 137,651         | 149,969           |
| 1.02.03.01.01 | Non-current in Operation                       | 140,972         | 153,707           |
| 1.02.03.01.02 | Provision for Loss with Non-current            | (3,321)         | (3,738)           |
| 1.02.03.03    | Non-current in progress                        | -               | 443               |
| 1.02.04       | Intangible                                     | 4,925           | 6,069             |
| 1.02.04.01    | Intangible                                     | 4,925           | 6,069             |
| 1.02.04.01.02 | Software                                       | 4,498           | 5,650             |
| 1.02.04.01.03 | Other intangible assets                        | 427             | 419               |

## Individual FSs / Balance Sheet Liability

(Thousands of reais)

| Account Code  | Account Description                               | Current Quarter<br>09/30/2017 | Previous Exercise<br>12/31/2016 |
|---------------|---|-------------------------------|---------------------------------|
| 2             | Total Liabilities                                 | 606,949                       | 679,193                         |
| 2.01          | Current liabilities                               | 68,049                        | 93,885                          |
| 2.01.01       | Labor and Social Obligations                      | 13,129                        | 12,413                          |
| 2.01.01.01    | Social obligations                                | 1,841                         | 2,524                           |
| 2.01.01.02    | Labor Obligations                                 | 11,288                        | 9,889                           |
| 2.01.02       | Trade accounts payable                            | 18,797                        | 20,602                          |
| 2.01.02.01    | National Trade accounts payable                   | 18,797                        | 18,989                          |
| 2.01.02.02    | Foreign Trade accounts payable                    | -                             | 1,613                           |
| 2.01.03       | Tax obligations                                   | 10,601                        | 14,030                          |
| 2.01.03.01    | Federal Taxes Obligations                         | 4,444                         | 5,922                           |
| 2.01.03.01.02 | Other Federal Taxes                               | 4,444                         | 5,922                           |
| 2.01.03.02    | State tax obligations                             | 6,157                         | 8,108                           |
| 2.01.04       | Loans and financing                               | 5,632                         | 10,876                          |
| 2.01.04.01    | Loans and financing                               | 5,632                         | 10,876                          |
| 2.01.04.01.01 | In national currency                              | 932                           | 1,487                           |
| 2.01.04.01.02 | In foreign currency                               | 4,700                         | 9,389                           |
| 2.01.05       | Other Obligations                                 | 16,706                        | 32,780                          |
| 2.01.05.01    | Liabilities with Related Parties                  | 8,898                         | 25,393                          |
| 2.01.05.02    | Other   | 7,808                         | 7,387                           |
| 2.01.05.02.01 | Payable dividends and interest on capital         | 250                           | 426                             |
| 2.01.05.02.04 | Other accounts payable                            | 7,333                         | 6,578                           |
| 2.01.05.02.05 | Derivative financial instruments                  | 225                           | 383                             |
| 2.01.06       | Provisions  | 3,184                         | 3,184                           |
| 2.01.06.01    | Labor and Civil Social Security Tax Provisions    | 3,184                         | 3,184                           |
| 2.01.06.01.05 | Provision for future benefits to former employees | 3,184                         | 3,184                           |
| 2.02          | Noncurrent liabilities                            | 125,788                       | 125,675                         |
| 2.02.01       | Loans and financing                               | 302                           | 3,814                           |
| 2.02.01.01    | Loans and financing                               | 302                           | 3,814                           |
| 2.02.01.01.01 | In national currency                              | 302                           | 1,365                           |
| 2.02.01.01.02 | In foreign currency                               | -                             | 2,449                           |
| 2.02.02       | Other Obligations                                 | 34,632                        | 37,758                          |
| 2.02.02.01    | Liabilities with Related Parties                  | 34,090                        | 36,012                          |
| 2.02.02.02    | Other   | 542                           | 1,746                           |
| 2.02.02.02.03 | Taxes, fees and contributions payable             | 542                           | 1,746                           |
| 2.02.04       | Provisions  | 90,854                        | 84,103                          |
| 2.02.04.01    | Labor and Civil Social Security Tax Provisions    | 84,315                        | 84,103                          |
| 2.02.04.01.01 | Tax Provisions                                    | 8,443                         | 7,695                           |
| 2.02.04.01.02 | Labor and Social Security Provisions              | 37,900                        | 39,280                          |
| 2.02.04.01.05 | Provision for future benefits to former employees | 37,972                        | 37,128                          |
| 2.02.04.02    | Other Provisions                                  | 6,539                         | -                               |
| 2.02.04.02.04 | Provision for losses on investments               | 6,539                         | -                               |
| 2.03          | Net Property                                      | 413,112                       | 459,633                         |
| 2.03.01       | Capital Stock Held                                | 334,251                       | 334,251                         |
| 2.03.02       | Capital Reserves                                  | 19,460                        | 19,460                          |
| 2.03.02.01    | Goodwill on the issue of shares                   | 23                            | 23                              |
| 2.03.02.07    | Grants for investment                             | 19,437                        | 19,437                          |
| 2.03.04       | Profit reserves                                   | 118,171                       | 118,047                         |
| 2.03.04.01    | Legal reserve                                     | 36,362                        | 36,362                          |
| 2.03.04.02    | Statutory Reserve                                 | 32,722                        | 32,722                          |
| 2.03.04.05    | Retained Profits Reserve                          | 49,261                        | 49,137                          |
| 2.03.04.09    | Treasury shares                                   | (174)                         | (174)                           |
| 2.03.05       | Accumulated Profits/Losses                        | (46,645)                      | -                               |
| 2.03.08       | Other Comprehensive Results                       | (12,125)                      | (12,125)                        |

## Individual FSs / Income Statement

(Thousands of reais)

| Account Code | Account Description                          | Current quarter             | Accumulated of Current                        | Current quarter             | Accumulated of Current                        |
|--------------|--|-----------------------------|---|-----------------------------|---|
|              |  | 07/01/2017 to<br>09/30/2017 | financial<br>year 01/01/2017 to<br>09/30/2017 | 07/01/2016 to<br>09/30/2016 | financial<br>year 01/01/2016 to<br>09/30/2016 |
| 3.01         | Revenue from Sale of Goods and/or Services   | 106,266                     | 312,262                                       | 126,110                     | 373,936                                       |
| 3.02         | Cost of Goods and/or Services Sold           | (90,908)                    | (260,632)                                     | (103,305)                   | (297,060)                                     |
| 3.03         | Gross Income                                 | 15,358                      | 51,630  | 22,805                      | 76,876  |
| 3.04         | Operational Expenses/Revenues                | (32,305)                    | (95,868)                                      | (30,326)                    | (84,346)                                      |
| 3.04.01      | Sale expenses                                | (9,570)                     | (30,764)                                      | (16,826)                    | (46,875)                                      |
| 3.04.02      | General and administrative expenses          | (10,294)                    | (34,258)                                      | (12,094)                    | (35,492)                                      |
| 3.04.04      | Other Operational Incomes                    | 176                         | 336   | 51                          | 393   |
| 3.04.05      | Other Operational Expenses                   | (2,437)                     | (11,122)                                      | (1,437)                     | (9,169)                                       |
| 3.04.06      | Result of equity equivalence                 | (10,180)                    | (20,060)                                      | (20)                        | 6,797   |
| 3.05         | Result Before Financial Result and Taxes     | (16,947)                    | (44,238)                                      | (7,521)                     | (7,470)                                       |
| 3.06         | Financial Results                            | (2,220)                     | (7,116)                                       | (2,407)                     | (4,628)                                       |
| 3.06.01      | Financial income                             | 1,151                       | 4,226   | 2,051                       | 18,316  |
| 3.06.02      | Financial expenses                           | (3,371)                     | (11,342)                                      | (4,458)                     | (22,944)                                      |
| 3.07         | Result Before Income Taxes                   | (19,167)                    | (51,354)                                      | (9,928)                     | (12,098)                                      |
| 3.08         | Income Tax and Social Contribution on Profit | (1,432)                     | 4,709   | 2,608                       | 4,042   |
| 3.08.02      | Deferred                                     | (1,432)                     | 4,709   | 2,608                       | 4,042   |
| 3.09         | Net result from continued operations         | (20,599)                    | (46,645)                                      | (7,320)                     | (8,056)                                       |
| 3.11         | Profit/Loss for the Period                   | (20,599)                    | (46,645)                                      | (7,320)                     | (8,056)                                       |
| 3.99.01.01   | ON   | (0,1151)                    | (0,2607)                                      | (0,0409)                    | (0,4500)                                      |
| 3.99.02.01   | ON   | (0,1151)                    | (0,2607)                                      | (0,0409)                    | (0,0450)                                      |

Individual FSs / Income Statement per Nature

(Thousands of reais)

| Account Code | Account Description                 | Current quarter             | Accumulated of Current                        | Current quarter             | Accumulated of Current                        |
|--------------|-------------------------------------|-----------------------------|---|-----------------------------|---|
|              |                                     | 07/01/2017 to<br>09/30/2017 | financial<br>year 01/01/2017 to<br>09/30/2017 | 07/01/2016 to<br>09/30/2016 | financial<br>year 01/01/2016 to<br>09/30/2016 |
| 4.01         | Net Income for the Period           | (20,599)                    | (46,645)                                      | (7,320)                     | (8,056)                                       |
| 4.03         | Comprehensive Result for the Period | (20,599)                    | (46,645)                                      | (7,320)                     | (8,056)                                       |

Individual FSs / Cash Flow

(Thousands of reais)

| Account Code | Account Description                                | Accumulated from Current Year | Accumulated from Previous Year |
|--------------|--|-------------------------------|--------------------------------|
|              |  | 01/01/2017 to 09/30/2017      | 01/01/2016 to 09/30/2016       |
| 6.01         | Net Cash Operational Activities                    | 22,484                        | 23,217                         |
| 6.01.01      | Cash Generated by Operations                       | (1,291)                       | 2,775                          |
| 6.01.01.01   | Net Income for the Period                          | (51,354)                      | (12,098)                       |
| 6.01.01.02   | Result of equity equivalence                       | 20,060                        | (6,797)                        |
| 6.01.01.03   | Depreciation, amortization and exhaustion          | 10,926                        | 11,058                         |
| 6.01.01.04   | Result on discharge of fixed assets                | 19                            | (5)                            |
| 6.01.01.05   | Allowance for doubtful accounts                    | 1,253                         | 1,996                          |
| 6.01.01.06   | Provision for risks                                | 2,334                         | 1,571                          |
| 6.01.01.08   | Financial charges, monetary and exchange variation | 1,993                         | (574)                          |
| 6.01.01.09   | Short-term investment yield                        | (201)                         | (38)                           |
| 6.01.01.10   | Net changes in prepaid expenses                    | 2,519                         | 4,785                          |
| 6.01.01.11   | Provision for restructuring                        | 5,571                         | -                              |
| 6.01.01.12   | Derecognition of escrow deposits                   | 2,063                         | -                              |
| 6.01.01.13   | Estimated impairment of net realizable value       | 294                           | (524)                          |
| 6.01.01.16   | Provision for post-employment benefits             | 3,232                         | 3,401                          |
| 6.01.02      | Variations in assets e liabilities                 | 23,775                        | 20,442                         |
| 6.01.02.01   | Accounts receivable from clients                   | 18,472                        | (9,607)                        |
| 6.01.02.02   | Receivables from Related parties                   | (11,050)                      | (3,233)                        |
| 6.01.02.03   | Inventories  | 32,143                        | 8,062                          |
| 6.01.02.04   | Taxes recoverable                                  | 5,507                         | 1,745                          |
| 6.01.02.05   | Judicial deposits                                  | 728                           | (3,543)                        |
| 6.01.02.06   | Dividends and interest on equity received          | 13,195                        | 36,316                         |
| 6.01.02.07   | Other assets                                       | (2,619)                       | (2,326)                        |
| 6.01.02.08   | Trade accounts payable                             | (1,805)                       | (6,298)                        |
| 6.01.02.09   | Payables to related parties                        | (19,463)                      | 13,158                         |
| 6.01.02.10   | Taxes, charges and contributions payable           | (4,295)                       | (4,271)                        |
| 6.01.02.11   | Provisions and social charges                      | 716                           | 2,226                          |
| 6.01.02.12   | Other liabilities                                  | (157)                         | (2,049)                        |
| 6.01.02.13   | Interest paid                                      | (549)                         | (799)                          |
| 6.01.02.15   | Dividends and interest on capital paid             | (1)                           | (6,876)                        |
| 6.01.02.16   | Payables to Related parties                        | (2,388)                       | (2,063)                        |
| 6.01.02.17   | Restructuring costs                                | (4,659)                       | -                              |
| 6.02         | Net Cash Investing Activities                      | (9,669)                       | (20,998)                       |
| 6.02.01      | Intercompany loan receivable                       | 8,953                         | (15,546)                       |
| 6.02.02      | Amount received on disposal of PP&E items          | 48                            | 23                             |
| 6.02.03      | Additions to PP&E and intangible assets            | (2,981)                       | (7,219)                        |
| 6.02.06      | Short term investments                             | (68,900)                      | (21,200)                       |
| 6.02.07      | Redemption of short term investments               | 63,871                        | 22,944                         |
| 6.02.08      | Additions to investments                           | (10,660)                      | -                              |
| 6.03         | Net Cash from Financing Activities                 | (12,893)                      | (3,883)                        |
| 6.03.01      | Loans and financing raised                         | -                             | 1,962                          |
| 6.03.02      | Repayment of loans and financing                   | (8,888)                       | (5,845)                        |
| 6.03.03      | Intercompany loans                                 | (4,005)                       | -                              |
| 6.05         | Increase (Decrease) in Cash and Cash Equivalents   | (78)                          | (1,664)                        |
| 6.05.01      | Initial Balance and Cash and Cash Equivalents      | 3,365                         | 2,850                          |
| 6.05.02      | Final Balance of Cash and Cash Equivalents         | 3,287                         | 1,186                          |

Individual FSs / Changes in Equity - 09/30/2017

(Thousands of reais)

| Account Code | Account Description                         | Capital Reserves,<br>Options |                 |                 | Accumulated<br>Profits<br>or Losses | Other<br>Comprehensive<br>Results | Net Property |
|--------------|---|------------------------------|-----------------|-----------------|-------------------------------------|-----------------------------------|--------------|
|              |   | Paid-in Capital              | Treasury Shares | Profit Reserves |                                     |                                   |              |
| 5.01         | Initial Balance                             | 334,251                      | 19,286          | 118,221         | -                                   | (12,125)                          | 459,633      |
| 5.03         | Initial Adjusted Balance                    | 334,251                      | 19,286          | 118,221         | -                                   | (12,125)                          | 459,633      |
| 5.04         | Transactions with Capital from the Partners | -                            | -               | 124             | -                                   | -                                 | 124          |
| 5.04.08      | Dividends Expired                           | -                            | -               | 124             | -                                   | -                                 | 124          |
| 5.05         | Total Comprehensive Result                  | -                            | -               | -               | (46,645)                            | -                                 | (46,645)     |
| 5.05.01      | Net Income for the Period                   | -                            | -               | -               | (46,645)                            | -                                 | (46,645)     |
| 5.07         | Final Balances                              | 334,251                      | 19,286          | 118,345         | (46,645)                            | (12,125)                          | 413,112      |

Individual FSs / Changes in Equity - 09/30/2016

(Thousands of reais)

| <b>Account Code</b> | <b>Account Description</b>                  | <b>Paid-in Capital</b> | <b>Capital Reserves,<br/>Options<br/>Granted and<br/>Treasury Shares</b> | <b>Profit Reserves</b> | <b>Accumulated<br/>Profits<br/>or Losses</b> | <b>Other<br/>Comprehensive<br/>Results</b> | <b>Net Property</b> |
|---------------------|---|------------------------|--|------------------------|--|--|---------------------|
| 5.01                | Initial Balance                             | 334,251                | 19,286   | 155,738                | -  | (9,177)                                    | 500,098             |
| 5.03                | Initial Adjusted Balance                    | 334,251                | 19,286   | 155,738                | -  | (9,177)                                    | 500,098             |
| 5.04                | Transactions with Capital from the Partners | -                      | -  | 125                    | -  | -  | 125                 |
| 5.04.08             | Dividends Expired                           | -                      | -  | 125                    | -  | -  | 125                 |
| 5.05                | Total Comprehensive Result                  | -                      | -  | -                      | (8,056)                                      | -  | (8,056)             |
| 5.05.01             | Net Income for the Period                   | -                      | -  | -                      | (8,056)                                      | -  | (8,056)             |
| 5.07                | Final Balances                              | 334,251                | 19,286   | 155,863                | (8,056)                                      | (9,177)                                    | 492,167             |

## Individual FSs / Added Value

(Thousands of reais)

| <b>Account Code</b> | <b>Account Description</b>                                   | <b>Accumulated from<br/>Current Year<br/>01/01/2017 to<br/>09/30/2017</b> | <b>Accumulated from<br/>Previous Year<br/>01/01/2016 to<br/>09/30/2016</b> |
|---------------------|--|---|--|
| 7.01                | Revenues   | 413,902   | 492,901  |
| 7.01.01             | Sales of goods, products and services                        | 415,164   | 494,789  |
| 7.01.02             | Other revenues   | (9)   | 109  |
| 7.01.04             | Provision / Reversal of creds. Doubtful Settlement           | (1,253)   | (1,997)  |
| 7.02                | Inputs Purchased From Third Parties                          | (270,121)   | (326,206)  |
| 7.02.01             | Costs Prods., Mercs. and servs. Sold                         | (197,251)   | (222,661)  |
| 7.02.02             | Materials, energy and services from third parties and others | (72,038)  | (102,182)  |
| 7.02.04             | Other  | (832)   | (1,363)  |
| 7.03                | Gross Added Value  | 143,781   | 166,695  |
| 7.04                | Retentions   | (10,926)  | (11,058)   |
| 7.04.01             | Depreciation, amortization and exhaustion                    | (10,926)  | (11,058)   |
| 7.05                | Net added value produced                                     | 132,855   | 155,637  |
| 7.06                | Added value received in transfer                             | (15,673)  | 25,391   |
| 7.06.01             | Result of equity equivalence                                 | (20,060)  | 6,797  |
| 7.06.02             | Financial income   | 4,226   | 18,316   |
| 7.06.03             | Other  | 161   | 278  |
| 7.07                | Total Added Value To Distribute                              | 117,182   | 181,028  |
| 7.08                | Distribution Of Value Added                                  | 117,182   | 181,028  |
| 7.08.01             | Personal   | 77,122  | 78,598   |
| 7.08.01.01          | Direct compensation  | 54,572  | 56,267   |
| 7.08.01.02          | Benefits   | 17,863  | 17,364   |
| 7.08.01.03          | F.G.T.S.   | 4,687   | 4,967  |
| 7.08.02             | Taxes, fees and contributions                                | 70,567  | 82,411   |
| 7.08.02.01          | Federal  | 41,570  | 53,536   |
| 7.08.02.02          | State  | 27,500  | 27,206   |
| 7.08.02.03          | Municipal  | 1,497   | 1,669  |
| 7.08.03             | Remuneration of capital from third parties                   | 16,138  | 28,075   |
| 7.08.03.01          | Interest   | 11,342  | 22,944   |
| 7.08.03.02          | Rentals  | 4,796   | 5,131  |
| 7.08.04             | Remuneration of own capital                                  | (46,645)  | (8,056)  |
| 7.08.04.03          | Retained Profit/Loss for the Period                          | (46,645)  | (8,056)  |

## Consolidated FSs / Balance Sheet Asset

(Thousands of reais)

| Account Code  | Account Description                            | Current Quarter<br>09/30/2017 | Previous Exercise<br>12/31/2016 |
|---------------|--|-------------------------------|---------------------------------|
| 1             | Total Assets                                   | 773,464                       | 842,448                         |
| 1.01          | Current Assets                                 | 320,672                       | 356,975                         |
| 1.01.01       | Cash and Cash Equivalents                      | 5,651                         | 5,143                           |
| 1.01.02       | Temporary investments                          | 21,033                        | 2,708                           |
| 1.01.02.02    | Financial Investments Valued at Amortized Cost | 21,033                        | 2,708                           |
| 1.01.02.02.01 | Securities held until maturity                 | 21,033                        | 2,708                           |
| 1.01.03       | Accounts receivable                            | 135,781                       | 158,663                         |
| 1.01.03.01    | Clients  | 135,781                       | 158,663                         |
| 1.01.04       | Inventories                                    | 127,502                       | 160,867                         |
| 1.01.06       | Taxes Recoverable                              | 16,337                        | 17,899                          |
| 1.01.06.01    | Current and Recoverable Taxes                  | 16,337                        | 17,899                          |
| 1.01.07       | Prepaid expenses                               | 1,400                         | 680                             |
| 1.01.08       | Other Current assets                           | 12,968                        | 11,015                          |
| 1.01.08.01    | Non-Current Assets for Sale                    | 4,273                         | 5,291                           |
| 1.01.08.03    | Other  | 8,695                         | 5,724                           |
| 1.01.08.03.01 | Related parties                                | 2,771                         | 718                             |
| 1.01.08.03.02 | Other  | 5,924                         | 5,006                           |
| 1.02          | Non-current asset                              | 452,792                       | 485,473                         |
| 1.02.01       | Long-term assets                               | 138,379                       | 138,195                         |
| 1.02.01.03    | Accounts receivable                            | 2,047                         | 2,545                           |
| 1.02.01.03.02 | Other Accounts Receivable                      | 2,047                         | 2,545                           |
| 1.02.01.06    | Deferred Taxes                                 | 78,181                        | 72,655                          |
| 1.02.01.06.01 | Differed Income Tax And Social Contribution    | 78,181                        | 72,655                          |
| 1.02.01.08    | Credits with Related Parties                   | 5,902                         | 15,985                          |
| 1.02.01.08.04 | Credits with Other Related Parties             | 5,902                         | 15,985                          |
| 1.02.01.09    | Other noncurrent assets                        | 52,249                        | 47,010                          |
| 1.02.01.09.03 | Taxes Recoverable                              | 31,652                        | 24,746                          |
| 1.02.01.09.04 | Escrow deposits and tax incentives             | 20,597                        | 22,264                          |
| 1.02.02       | Investments                                    | -                             | 3,546                           |
| 1.02.02.01    | Shareholdings                                  | -                             | 3,546                           |
| 1.02.02.01.01 | Shareholding in Affiliates                     | -                             | 3,546                           |
| 1.02.03       | Fixed  | 290,103                       | 317,716                         |
| 1.02.03.01    | Non-current in Operation                       | 290,103                       | 315,985                         |
| 1.02.03.01.01 | Non-current in Operation                       | 292,990                       | 319,723                         |
| 1.02.03.01.02 | Provision for Loss with Non-current            | (2,887)                       | (3,738)                         |
| 1.02.03.03    | Non-current in progress                        | -                             | 1,731                           |
| 1.02.04       | Intangible                                     | 24,310                        | 26,016                          |
| 1.02.04.01    | Intangible                                     | 7,752                         | 9,458                           |
| 1.02.04.01.02 | Software                                       | 6,352                         | 8,066                           |
| 1.02.04.01.03 | Other intangible assets                        | 1,400                         | 1,392                           |
| 1.02.04.02    | Goodwill                                       | 16,558                        | 16,558                          |

## Consolidated FSs / Balance Sheet Liability

(Thousands of reais)

| Account Code  | Account Description                               | Current Quarter<br>09/30/2017 | Previous Exercise<br>12/31/2016 |
|---------------|---|-------------------------------|---------------------------------|
| 2             | Total Liabilities                                 | 773,464                       | 842,448                         |
| 2.01          | Current liabilities                               | 150,047                       | 169,036                         |
| 2.01.01       | Labor and Social Obligations                      | 22,420                        | 23,388                          |
| 2.01.01.01    | Social obligations                                | 3,246                         | 4,834                           |
| 2.01.01.02    | Labor Obligations                                 | 19,174                        | 18,554                          |
| 2.01.02       | Trade accounts payable                            | 28,990                        | 33,566                          |
| 2.01.02.01    | National Trade accounts payable                   | 28,990                        | 31,694                          |
| 2.01.02.02    | Foreign Trade accounts payable                    | -                             | 1,872                           |
| 2.01.03       | Tax obligations                                   | 14,912                        | 22,260                          |
| 2.01.03.01    | Federal Taxes Obligations                         | 7,020                         | 11,603                          |
| 2.01.03.01.01 | Payable income tax and social contribution        | 289                           | 2,284                           |
| 2.01.03.01.02 | Other Federal Taxes                               | 6,731                         | 9,319                           |
| 2.01.03.02    | State tax obligations                             | 7,892                         | 10,657                          |
| 2.01.04       | Loans and financing                               | 60,459                        | 69,288                          |
| 2.01.04.01    | Loans and financing                               | 60,459                        | 69,288                          |
| 2.01.04.01.01 | In national currency                              | 18,621                        | 23,547                          |
| 2.01.04.01.02 | In foreign currency                               | 41,838                        | 45,741                          |
| 2.01.05       | Other Obligations                                 | 18,151                        | 13,897                          |
| 2.01.05.02    | Other   | 18,151                        | 13,897                          |
| 2.01.05.02.01 | Payable dividends and interest on capital         | 250                           | 426                             |
| 2.01.05.02.04 | Other accounts payable                            | 17,676                        | 12,784                          |
| 2.01.05.02.05 | Derivative financial instruments                  | 225                           | 687                             |
| 2.01.06       | Provisions  | 5,115                         | 6,637                           |
| 2.01.06.01    | Labor and Civil Social Security Tax Provisions    | 5,115                         | 5,115                           |
| 2.01.06.01.05 | Provision for future benefits to former employees | 5,115                         | 5,115                           |
| 2.01.06.02    | Other Provisions                                  | -                             | 1,522                           |
| 2.01.06.02.02 | Provision for Restructuring                       | -                             | 1,522                           |
| 2.02          | Noncurrent liabilities                            | 210,288                       | 213,763                         |
| 2.02.01       | Loans and financing                               | 39,683                        | 55,079                          |
| 2.02.01.01    | Loans and financing                               | 39,683                        | 55,079                          |
| 2.02.01.01.01 | In national currency                              | 35,105                        | 38,501                          |
| 2.02.01.01.02 | In foreign currency                               | 4,578                         | 16,578                          |
| 2.02.02       | Other Obligations                                 | 3,739                         | 4,699                           |
| 2.02.02.02    | Other   | 3,739                         | 4,699                           |
| 2.02.02.02.03 | Taxes, fees and contributions payable             | 3,739                         | 4,699                           |
| 2.02.04       | Provisions  | 166,866                       | 153,985                         |
| 2.02.04.01    | Labor and Civil Social Security Tax Provisions    | 145,421                       | 140,107                         |
| 2.02.04.01.01 | Tax Provisions                                    | 35,434                        | 33,143                          |
| 2.02.04.01.02 | Labor and Social Security Provisions              | 53,220                        | 51,282                          |
| 2.02.04.01.04 | Civil Provisions                                  | 6,135                         | 5,578                           |
| 2.02.04.01.05 | Provision for future benefits to former employees | 50,632                        | 50,104                          |
| 2.02.04.02    | Other Provisions                                  | 21,445                        | 13,878                          |
| 2.02.04.02.04 | Provision for mine descommissioning               | 14,906                        | 13,878                          |
| 2.02.04.02.06 | Allowance for investment losses                   | 6,539                         | -                               |
| 2.03          | Consolidated Equity                               | 413,129                       | 459,649                         |
| 2.03.01       | Capital Stock Held                                | 334,251                       | 334,251                         |
| 2.03.02       | Capital Reserves                                  | 19,460                        | 19,460                          |
| 2.03.02.01    | Goodwill on the issue of shares                   | 23                            | 23                              |
| 2.03.02.07    | Grants for investment                             | 19,437                        | 19,437                          |
| 2.03.04       | Profit reserves                                   | 118,171                       | 118,047                         |
| 2.03.04.01    | Legal reserve                                     | 36,362                        | 36,362                          |
| 2.03.04.02    | Statutory Reserve                                 | 32,722                        | 32,722                          |
| 2.03.04.05    | Retained Profits Reserve                          | 49,261                        | 49,137                          |
| 2.03.04.09    | Treasury shares                                   | (174)                         | (174)                           |
| 2.03.05       | Accumulated Profits/Losses                        | (46,645)                      | -                               |
| 2.03.08       | Other Comprehensive Results                       | (12,125)                      | (12,125)                        |
| 2.03.09       | Participation of non-controlling shareholders     | 17                            | 16                              |

## Consolidated FSs / Income Statement

(Thousands of reais)

| Account Code | Account Description                          | Current quarter             | Accumulated of Current                        | Current quarter             | Accumulated of Current                        |
|--------------|--|-----------------------------|---|-----------------------------|---|
|              |  | 07/01/2017 to<br>09/30/2017 | financial<br>year 01/01/2017 to<br>09/30/2017 | 07/01/2016 to<br>09/30/2016 | financial<br>year 01/01/2016 to<br>09/30/2016 |
| 3.01         | Revenue from Sale of Goods and/or Services   | 169,760                     | 500,976                                       | 204,493                     | 637,123                                       |
| 3.02         | Cost of Goods and/or Services Sold           | (129,589)                   | (366,080)                                     | (145,332)                   | (436,231)                                     |
| 3.03         | Gross Income                                 | 40,171                      | 134,896                                       | 59,161                      | 200,892                                       |
| 3.04         | Operational Expenses/Revenues                | (56,604)                    | (170,463)                                     | (59,301)                    | (184,103)                                     |
| 3.04.01      | Sale expenses                                | (19,324)                    | (59,732)                                      | (27,771)                    | (81,721)                                      |
| 3.04.02      | General and administrative expenses          | (25,083)                    | (78,030)                                      | (24,690)                    | (75,074)                                      |
| 3.04.04      | Other Operational Incomes                    | 3,189                       | 9,270   | 2,630                       | 10,571  |
| 3.04.05      | Other Operational Expenses                   | (9,472)                     | (21,227)                                      | (2,551)                     | (18,830)                                      |
| 3.04.06      | Result of equity equivalence                 | (5,914)                     | (20,744)                                      | (6,919)                     | (19,049)                                      |
| 3.05         | Result Before Financial Result and Taxes     | (16,433)                    | (35,567)                                      | (140)                       | 16,789  |
| 3.06         | Financial Results                            | (3,944)                     | (12,906)                                      | (5,734)                     | (15,555)                                      |
| 3.06.01      | Financial income                             | 6,792                       | 18,142  | 4,518                       | 42,081  |
| 3.06.02      | Financial expenses                           | (10,736)                    | (31,048)                                      | (10,252)                    | (57,636)                                      |
| 3.07         | Result Before Income Taxes                   | (20,377)                    | (48,473)                                      | (5,874)                     | 1,234   |
| 3.08         | Income Tax and Social Contribution on Profit | (222)                       | 1,828   | (1,447)                     | (9,292)                                       |
| 3.08.01      | Current                                      | 619                         | (3,697)                                       | (3,314)                     | (13,120)                                      |
| 3.08.02      | Deferred                                     | (841)                       | 5,525   | 1,867                       | 3,828   |
| 3.09         | Net result from continued operations         | (20,599)                    | (46,645)                                      | (7,321)                     | (8,058)                                       |
| 3.11         | Profit/Loss Consolidated for the Period      | (20,599)                    | (46,645)                                      | (7,321)                     | (8,058)                                       |
| 3.11.01      | Assigned to Partners of the Parent Company   | (20,599)                    | (46,645)                                      | (7,320)                     | (8,056)                                       |
| 3.11.02      | Assigned to Non-Controlling Partners         | -                           | -   | (1)                         | (2)   |
| 3.99.01.01   | ON   | (0,1151)                    | (0,2607)                                      | (0,0409)                    | (0,0450)                                      |
| 3.99.02.01   | ON   | (0,1151)                    | (0,2607)                                      | (0,0409)                    | (0,0450)                                      |

Consolidated FSs /Income Statement per Nature

(Thousands of reais)

| Account Code | Account Description                              | Current quarter             | Accumulated of Current                        | Current quarter             | Accumulated of Current                        |
|--------------|--|-----------------------------|---|-----------------------------|---|
|              |  | 07/01/2017 to<br>09/30/2017 | financial<br>year 01/01/2017 to<br>09/30/2017 | 07/01/2016 to<br>09/30/2016 | financial<br>year 01/01/2016 to<br>09/30/2016 |
| 4.01         | Net Profit Consolidated for the Period           | (20,599)                    | (46,645)                                      | (7,321)                     | (8,058)                                       |
| 4.03         | Consolidated Comprehensive Income for the Period | (20,599)                    | (46,645)                                      | (7,321)                     | (8,058)                                       |
| 4.03.01      | Assigned to Partners of the Parent Company       | (20,599)                    | (46,645)                                      | (7,320)                     | (8,058)                                       |
| 4.03.02      | Assigned to Non-Controlling Partners             | -                           | -   | (1)                         | (2)   |

## Consolidated FSs / Cash Flow

(Thousands of reais)

| Account Code | Account Description                                     | Accumulated from Current Year | Accumulated from Previous Year |
|--------------|---|-------------------------------|--------------------------------|
|              |   | 01/01/2017 to 09/30/2017      | 01/01/2016 to 09/30/2016       |
| 6.01         | Net Cash Operational Activities                         | 44,479                        | 40,726                         |
| 6.01.01      | Cash Generated by Operations                            | 43,055                        | 63,116                         |
| 6.01.01.01   | Net Income for the Period                               | (48,473)                      | 1,234                          |
| 6.01.01.02   | Result of equity equivalence                            | 20,744                        | 19,049                         |
| 6.01.01.03   | Depreciation and amortization and exhaustion            | 27,161                        | 29,297                         |
| 6.01.01.04   | Result on discharge of fixed assets                     | 520                           | (3,118)                        |
| 6.01.01.05   | Allowance for doubtful accounts                         | 2,121                         | 3,179                          |
| 6.01.01.06   | Provision for risks                                     | 7,759                         | 4,924                          |
| 6.01.01.08   | Financial charges, and monetary and exchange variations | 3,244                         | (2,001)                        |
| 6.01.01.09   | Short term investment yield                             | (715)                         | (669)                          |
| 6.01.01.10   | Net changes in prepaid expenses                         | 4,251                         | 5,622                          |
| 6.01.01.12   | Derecognition of escrow deposits                        | 2,645                         | -                              |
| 6.01.01.13   | Estimated impairment of net realizable value            | (137)                         | (85)                           |
| 6.01.01.14   | Estimated impairment losses                             | (100)                         | -                              |
| 6.01.01.16   | Provision for post-employment benefits                  | 4,364                         | 4,750                          |
| 6.01.01.17   | Provision for decommissioning of mine                   | 1,028                         | 934                            |
| 6.01.01.18   | Provision for restructuring                             | 18,643                        | -                              |
| 6.01.02      | Variations in assets e liabilities                      | 1,424                         | (22,390)                       |
| 6.01.02.01   | Accounts receivable from clients                        | 21,256                        | 7,816                          |
| 6.01.02.02   | Receivables from related parties                        | (2,053)                       | (2,301)                        |
| 6.01.02.03   | Inventory   | 33,530                        | 16,784                         |
| 6.01.02.04   | Taxes recoverable                                       | 3,932                         | 6,653                          |
| 6.01.02.05   | Legal deposits  | (4,222)                       | (4,019)                        |
| 6.01.02.07   | Other assets  | (5,095)                       | 3                              |
| 6.01.02.08   | Trade accounts payable                                  | (4,576)                       | (9,074)                        |
| 6.01.02.10   | Taxes, charges and contributions payable                | (7,026)                       | (10,095)                       |
| 6.01.02.11   | Provisions and social charges                           | (968)                         | 3,039                          |
| 6.01.02.12   | Other liabilities                                       | 893                           | (3,924)                        |
| 6.01.02.13   | Interest paid   | (6,090)                       | (5,554)                        |
| 6.01.02.14   | Income and social contribution taxes paid               | (8,147)                       | (11,173)                       |
| 6.01.02.15   | Dividends and interest on capital paid                  | (1)                           | (6,876)                        |
| 6.01.02.16   | Post-employment benefit                                 | (3,836)                       | (3,669)                        |
| 6.01.02.17   | Restructuring costs                                     | (16,173)                      | -                              |
| 6.02         | Net Cash Investing Activities                           | (20,694)                      | (12,189)                       |
| 6.02.01      | Intercompany loan receivable                            | 10,753                        | (15,146)                       |
| 6.02.02      | Amount received on disposal of PP&E items               | 456                           | 3,376                          |
| 6.02.03      | Additions to PP&E and intangible assets                 | (3,597)                       | (11,532)                       |
| 6.02.06      | Short-term investments                                  | (114,749)                     | (110,588)                      |
| 6.02.07      | Redemption of short-term investments                    | 97,102                        | 121,701                        |
| 6.02.08      | Additions to investments                                | (10,659)                      | -                              |
| 6.03         | Net Cash from Financing Activities                      | (23,277)                      | (31,523)                       |
| 6.03.01      | Loans and financing raised                              | 94,390                        | 59,442                         |
| 6.03.02      | Repayment of loans and financing                        | (117,667)                     | (90,965)                       |
| 6.05         | Increase (Decrease) in Cash and Cash Equivalents        | 508                           | (2,986)                        |
| 6.05.01      | Initial Balance and Cash and Cash Equivalents           | 5,143                         | 5,578                          |
| 6.05.02      | Final Balance of Cash and Cash Equivalents              | 5,651                         | 2,592                          |

Consolidated FSs / Changes in Equity - 09/30/2017

(Thousands of reais)

| Account Code | Account Description                         | Capital Reserves,<br>Options<br>Granted and |                 |         | Profit Reserves | Accumulated<br>Profits or<br>Losses | Other<br>Comprehensive<br>Results | Net Property | Participation of<br>non-controller | Consolidated<br>Equity |
|--------------|---|---|-----------------|---------|-----------------|-------------------------------------|-----------------------------------|--------------|------------------------------------|------------------------|
|              |   | Paid-in Capital                             | Treasury Shares |         |                 |                                     |                                   |              |                                    |                        |
| 5.01         | Initial Balance                             | 334,251                                     | 19,286          | 118,221 | -               | (12,125)                            | 459,633                           | 16           | 459,649                            |                        |
| 5.03         | Initial Adjusted Balance                    | 334,251                                     | 19,286          | 118,221 | -               | (12,125)                            | 459,633                           | 16           | 459,649                            |                        |
| 5.04         | Transactions with Capital from the Partners | -   | -               | 124     | -               | -                                   | 124                               | 1            | 125                                |                        |
| 5.04.08      | Dividends Expired                           | -   | -               | 124     | -               | -                                   | -                                 | 1            | 125                                |                        |
| 5.05         | Total Comprehensive Result                  | -   | -               | -       | (46,645)        | -                                   | (46,645)                          | -            | (46,645)                           |                        |
| 5.05.01      | Net Income for the Period                   | -   | -               | -       | (46,645)        | -                                   | (46,645)                          | -            | (46,645)                           |                        |
| 5.07         | Final Balances                              | 334,251                                     | 19,286          | 118,345 | (46,645)        | (12,125)                            | 413,112                           | 17           | 413,129                            |                        |

Consolidated FSs / Changes in Equity - 09/30/2016

(Thousands of reais)

| Account Code | Account Description                         | Capital Reserves,<br>Options<br>Granted and |                 |         | Profit Reserves | Accumulated<br>Profits or<br>Losses | Other<br>Comprehensive<br>Results | Net Property | Participation of<br>non-controller | Consolidated<br>Equity |
|--------------|---|---|-----------------|---------|-----------------|-------------------------------------|-----------------------------------|--------------|------------------------------------|------------------------|
|              |   | Paid-in Capital                             | Treasury Shares |         |                 |                                     |                                   |              |                                    |                        |
| 5.01         | Initial Balance                             | 334,251                                     | 19,286          | 155,738 | -               | (9,177)                             | 500,098                           | 18           | 500,116                            |                        |
| 5.03         | Initial Adjusted Balance                    | 334,251                                     | 19,286          | 155,738 | -               | (9,177)                             | 500,098                           | 18           | 500,116                            |                        |
| 5.04         | Transactions with Capital from the Partners | -   | -               | 125     | -               | -                                   | 125                               | -            | 125                                |                        |
| 5.04.08      | Dividends Expired                           | -   | -               | 125     | -               | -                                   | 125                               | -            | 125                                |                        |
| 5.05         | Total Comprehensive Result                  | -   | -               | -       | (8,056)         | -                                   | (8,056)                           | (2)          | (8,058)                            |                        |
| 5.05.01      | Net Income for the Period                   | -   | -               | -       | (8,056)         | -                                   | (8,056)                           | (2)          | (8,058)                            |                        |
| 5.07         | Final Balances                              | 334,251                                     | 19,286          | 155,863 | (8,056)         | (9,177)                             | 492,167                           | 16           | 492,183                            |                        |

## Consolidated FSs / Added Value

(Thousands of reais)

| Account Code | Account Description  | Accumulated from<br>Current Year<br>01/01/2017 to<br>09/30/2017 | Accumulated from<br>Previous Year<br>01/01/2016 to<br>09/30/2016 |
|--------------|--|---|--|
| 7.01         | Revenues   | 630,124   | 806,495  |
| 7.01.01      | Sales of goods, products and services                        | 632,541   | 805,597  |
| 7.01.02      | Other revenues   | (296)   | 4,077  |
| 7.01.04      | Provision / Reversal of creds. Doubtful Settlement           | (2,121)   | (3,179)  |
| 7.02         | Inputs Purchased From Third Parties                          | (386,996)   | (462,281)  |
| 7.02.01      | Costs Prods., Mercs. and servs. Sold                         | (291,918)   | (337,326)  |
| 7.02.02      | Materials, energy and services from third parties and others | (93,232)  | (121,802)  |
| 7.02.03      | Loss / Recovery of asset values                              | 100   | -  |
| 7.02.04      | Other  | (1,946)   | (3,153)  |
| 7.03         | Gross Added Value  | 243,128   | 344,214  |
| 7.04         | Retentions   | (27,161)  | (29,297)   |
| 7.04.01      | Depreciation, amortization and exhaustion                    | (27,161)  | (29,297)   |
| 7.05         | Net added value produced                                     | 215,967   | 314,917  |
| 7.06         | Added value received in transfer                             | (1,732)   | 24,500   |
| 7.06.01      | Result of equity equivalence                                 | (20,744)  | (19,049)   |
| 7.06.02      | Financial income   | 18,142  | 42,103   |
| 7.06.03      | Other  | 870   | 1,446  |
| 7.07         | Total Added Value To Distribute                              | 214,235   | 339,417  |
| 7.08         | Distribution Of Value Added                                  | 214,235   | 339,417  |
| 7.08.01      | Personal   | 128,105   | 139,078  |
| 7.08.01.01   | Direct compensation  | 87,669  | 95,715   |
| 7.08.01.02   | Benefits   | 31,457  | 34,526   |
| 7.08.01.03   | F.G.T.S.   | 8,979   | 8,837  |
| 7.08.02      | Taxes, fees and contributions                                | 82,720  | 130,660  |
| 7.08.02.01   | Federal  | 51,183  | 67,238   |
| 7.08.02.02   | State  | 28,838  | 60,217   |
| 7.08.02.03   | Municipal  | 2,699   | 3,205  |
| 7.08.03      | Remuneration of capital from third parties                   | 50,055  | 77,737   |
| 7.08.03.01   | Interest   | 31,049  | 57,657   |
| 7.08.03.02   | Rentals  | 19,006  | 20,080   |
| 7.08.04      | Remuneration of own capital                                  | (46,645)  | (8,058)  |
| 7.08.04.03   | Retained Profit/Loss for the Period                          | (46,645)  | (8,056)  |
| 7.08.04.04   | Part. Not Controller in Retained Earnings                    | -   | (2)  |

## Eternit closes 3Q17 with 36% reduction in net debt

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

### 3Q17

#### Listing Segment

Novo Mercado of B3  
(BM&FBOVESPA)

#### Share Price (10/31/17) ETER3

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

#### Ownership (10/31/17)

Shares issued 179,000,000  
Free Float 84.99%

#### Market Cap - (10/31/17)

R\$193.3 million  
US\$59.0 million

#### Dividends to Shareholders (2017)

No dividends were distributed  
in the period.

#### Indicators - (Sep/17)

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

#### Conference Call/Webcast

November 10, 2017

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

#### Dial-in:

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

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

#### Webcast:

[www.eternit.com.br/ir](http://www.eternit.com.br/ir)

#### Talk to IR

Contact the IR team:

[ri@eternit.com.br](mailto:ri@eternit.com.br)

For more information, visit:  
[www.eternit.com.br/ri](http://www.eternit.com.br/ri)



@Eternit\_RI

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

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

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

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

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

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

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

#### Main Indicators

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

<sup>1</sup> Before financial results.

<sup>2</sup> Operating income before interests, taxes, depreciation and amortization



## Economy and Market

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

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

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

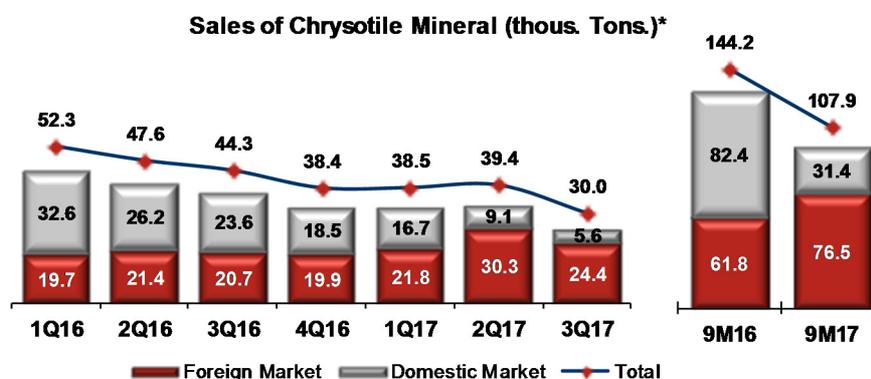
In this period, the Company adjusted its operations by scaling down its production and inventory levels to meet market demand, both in chrysotile mining and in finished products, which include the production of fiber-cement and concrete roofing tiles.

## Operational and Financial Aspects

### Sales

#### Chrysotile Mineral

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



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

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

#### Fiber-cement roofing panels

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

<sup>1</sup> Copom: Monetary Policy Committee of the Central Bank of Brazil

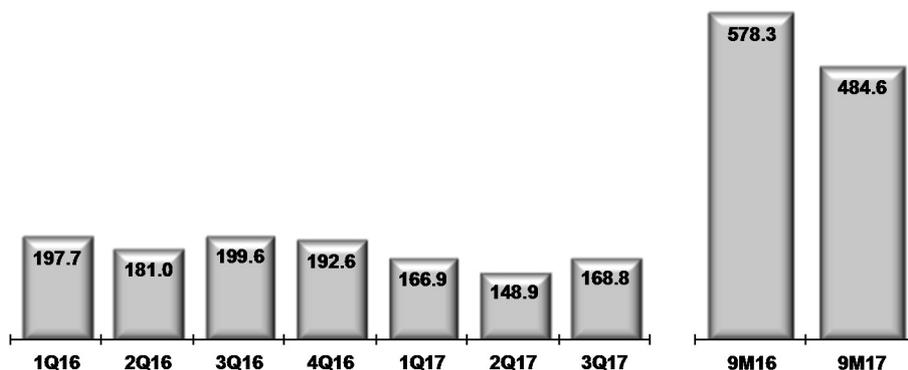
<sup>2</sup> BACEN: FOCUS readout of 11/3/2017 of the Central Bank of Brazil.

<sup>3</sup> BACEN: Inflation report for September 2017 of the Central Bank of Brazil.

<sup>4</sup> ABRAMAT: Brazilian Construction Materials Industry Association .

# Eternit

Sales of Fiber-cement (thous. Tons.)



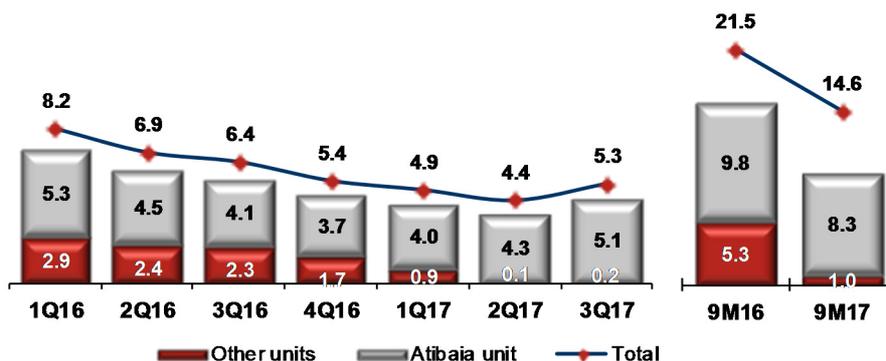
In the first nine months of 2017, sales volume decreased 16.2%, in line with the aspects mentioned above.

## Concrete Roofing Tiles

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

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

Sales of Concrete Roofing Tiles (million pieces)

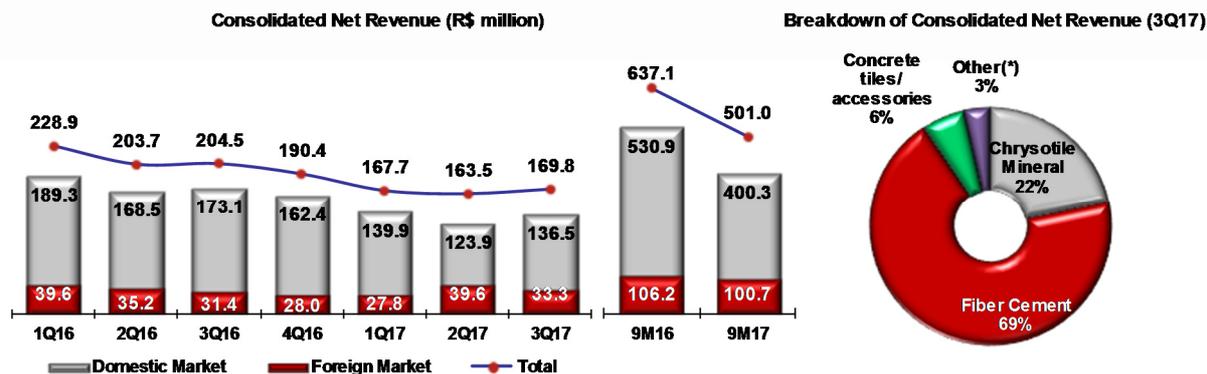


In 9M17, the sales volume of concrete roofing tiles was R\$14.6 million, down 32.3% from 9M16, due to the closure of two production units and the weak performance of the construction materials sector, as well as the postponement of construction by middle and high income consumers, which mainly impacted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

## Consolidated Net Revenue

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

# Eternit



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

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

## Cost of Goods Sold

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

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

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

\* Due to the use of new technologies

\*\* Includes the depreciation of exceptional shutdown.

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

## Operating Expenses

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

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

| In R\$ '000                               | 3Q17            | 3Q16            | Chg. %        | 2Q17            | Chg. %       | 9M17             | 9M16             | Chg. %        |
|---|-----------------|-----------------|---------------|-----------------|--------------|------------------|------------------|---------------|
| Selling expenses                          | (19,324)        | (27,771)        | (30,4)        | (19,508)        | (0,9)        | (59,732)         | (81,721)         | (26,9)        |
| General and administrative expenses*      | (25,083)        | (24,690)        | 1,6           | (31,395)        | (20,1)       | (78,030)         | (75,074)         | 3,9           |
| Other operating revenues (expenses), net  | (6,283)         | 79              | -             | (5,141)         | 22,2         | (11,957)         | (8,259)          | 44,8          |
| <b>Total operating expenses</b>           | <b>(50,690)</b> | <b>(52,382)</b> | <b>(3,2)</b>  | <b>(56,044)</b> | <b>(9,6)</b> | <b>(149,719)</b> | <b>(165,054)</b> | <b>(9,3)</b>  |
| <b>Non-recurring event</b>                | <b>0</b>        | <b>0</b>        | <b>0,0</b>    | <b>0</b>        | <b>0,0</b>   | <b>0</b>         | <b>0</b>         | <b>0,0</b>    |
| Restructuring                             | 7,385           | 0               | -             | 11,258          | -34,4        | 18,643           | 0                | -             |
| <b>Total recurring operating expenses</b> | <b>(43,305)</b> | <b>(52,382)</b> | <b>(17,3)</b> | <b>(44,786)</b> | <b>(3,3)</b> | <b>(131,076)</b> | <b>(165,054)</b> | <b>(20,6)</b> |

\* Includes Management Compensation.

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



## Equity pickup

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

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

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

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

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

## Net Financial Result

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

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

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

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

## EBITDA

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

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

\* Due to the use of new technologies.

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

<sup>1</sup> 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).

# Eternit

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

## Net Loss/Income

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

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

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

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

## Debt

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

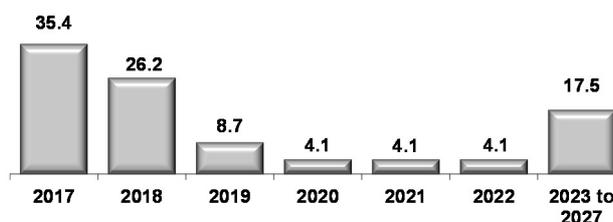
Cash, cash equivalents and investments totaled R\$26.7 million, with investments remunerated at an average weighted rate of 106.7% of the variation in the CDI<sup>8</sup>.

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

Origin of Debt (%)



Repayment Schedule (R\$ '000)



<sup>5</sup> ACE: Advances on Foreign Exchange Contracts

<sup>6</sup>NCE: Export Credit Note

<sup>7</sup> FINIMP: Import financing

<sup>8</sup> CDI: Interbank Deposit Certificates



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

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

### Capex

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

### Capital Markets

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

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

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

### Shareholder Remuneration

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

### Legal issues involving chrysotile mineral

#### Public-Interest Civil Action of the State of Bahia

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

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

- (i) compulsory replacement of asbestos within 10 days, which was not granted until the present moment; and
- (ii) payment of collective pain and suffering in the amount of R\$225 million, which will be decided at the time of the ruling.

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

#### Public-Interest Civil Action in Vitória da Conquista/BA

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



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

- (i) indemnification for collective pain and suffering in the amount of R\$500 million; and
- (ii) indemnification for individual damages allegedly suffered by 11 people identified through an expert analysis, including: (a) payment of R\$150 thousand for individual pain and suffering; (b) inclusion in health plan; (c) supply of necessary medicines and equipment to treat the disease; (d) payment of material damages that may be proved; and (e) payment of a pension equivalent to one and a half minimum wage per month, for the rest of their lives.

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

- (iii) the disclosure of the order and reasons of the judgment; and
- (iv) that non-current assets be made unavailable and the blocking of SAMA's profits.

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

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

- (i) the amount set as collective pain and suffering by the judgment is not compatible with the parameters established by our Courts and with the evidence in the records; also
- (ii) the payment related to collective pain and suffering will not be made by SAMA now since the judgment is subject to appeal including supersedeas; and
- (iii) the amounts in the judgment related to individual damages did not take into consideration past transactions, ratified by courts, with most of the people identified in the expert analysis as being eligible to receive them.

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

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

### **Consumer Public-Interest Civil Action of Rio de Janeiro**

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

- (i) that it refrains from manufacturing and selling, in the State of Rio de Janeiro, products containing asbestos; and
- (ii) payment of indemnity for collective pain and suffering, in the amount of R\$1 million, plus interest and inflation adjustment.

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

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

### **Clarifications on the judgment of ADIs 4066 and 3937**

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

Regarding ADI 4066, five judges voted for upholding the claim and consequently declaring the Federal Law 9,055/95 ("Federal Law") unconstitutional and four judges voted against the claim and consequently considering the Federal Law constitutional. According to Article 97 of the Brazilian Constitution, a law can be



declared unconstitutional only if it has the votes of at least six of the 11 Supreme Court judges, which was not the case. Hence, the Federal Law was not considered unconstitutional.

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

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

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

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

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

### **Replacement of asbestos in fibercement tiles**

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

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

### **Outlook and Management Comments**

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

**Presentation:** Luís Augusto Barcelos Barbosa, Chief Executive Officer, and Rodrigo Lopes da Luz, Adm., Financial and Investor Relations Officer.

**Date:** Friday, November 10, 2017

**Time:** 2:00 p.m. - Brasília / 11:00 a.m. - New York / 4:00 p.m. - London

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

|   |  |                    |
|---|--|--------------------|
| <b>Eternit</b>                                    |  |                    |
| <b>Investor Relations</b>                         |  |                    |
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(Convenience Translation into English from the Original Previously Issued in Portuguese)

ETERNIT S.A. AND SUBSIDIARIES

BALANCE SHEET AS AT SEPTEMBER 30, 2017  
(In thousands of Brazilian reais - R\$)

| ASSETS                                      | Note | Parent    |            | Consolidated |            | LIABILITIES AND EQUITY                          | Note | Parent    |            | Consolidated |            |
|---|------|-----------|------------|--------------|------------|---|------|-----------|------------|--------------|------------|
|   |      | 9/30/2017 | 12/31/2016 | 9/30/2017    | 12/31/2016 |   |      | 9/30/2017 | 12/31/2016 | 9/30/2017    | 12/31/2016 |
| <b>CURRENT ASSETS</b>                       |      |           |            |              |            | <b>CURRENT LIABILITIES</b>                      |      |           |            |              |            |
| Cash and cash equivalents                   | 4    | 3,287     | 3,365      | 5,651        | 5,143      | Trade payables                                  | 12   | 18,797    | 20,602     | 28,990       | 33,566     |
| Short-term investments                      | 5    | 5,259     | 32         | 21,033       | 2,708      | Borrowings and financing                        | 13   | 5,632     | 10,876     | 60,459       | 69,288     |
| Trade receivables                           | 6    | 65,110    | 84,835     | 135,781      | 158,663    | Derivatives                                     | 27   | 225       | 383        | 225          | 687        |
| Inventories                                 | 7    | 64,142    | 93,582     | 127,502      | 160,867    | Related parties                                 | 10.a | 8,898     | 25,393     | -            | -          |
| Recoverable taxes                           | 8    | 9,665     | 9,289      | 16,337       | 17,899     | Payroll and related taxes                       | 14   | 13,129    | 12,413     | 22,420       | 23,388     |
| Related parties                             | 10.a | 22,582    | 14,819     | 2,771        | 718        | Dividends and interest on capital               | 17.d | 250       | 426        | 250          | 426        |
| Other current assets                        |      | 2,771     | 2,193      | 7,324        | 5,686      | Accrued post-employment benefits                | 16.a | 3,184     | 3,184      | 5,115        | 5,115      |
|   |      | 172,816   | 208,115    | 316,399      | 351,684    | Taxes, fees and contributions payable           | 15   | 10,601    | 14,030     | 14,912       | 22,260     |
| Held-for-sale assets                        |      | 796       | 796        | 4,273        | 5,291      | Provision for restructuring                     | 30   | 912       | -          | 3,992        | 1,522      |
| Total current assets                        |      | 173,612   | 208,911    | 320,672      | 356,975    | Other current liabilities                       |      | 6,421     | 6,578      | 13,684       | 12,784     |
|   |      |           |            |              |            | Total current liabilities                       |      | 68,049    | 93,885     | 150,047      | 169,036    |
| <b>NONCURRENT ASSETS</b>                    |      |           |            |              |            | <b>NONCURRENT LIABILITIES</b>                   |      |           |            |              |            |
| Escrow deposits                             |      | 8,627     | 14,384     | 20,597       | 22,264     | Borrowings and financing                        | 13   | 302       | 3,814      | 39,683       | 55,079     |
| Recoverable taxes                           | 8    | 24,530    | 24,335     | 31,652       | 24,746     | Related parties                                 | 10.a | 34,090    | 36,012     | -            | -          |
| Deferred income tax and social contribution | 19.b | 47,024    | 42,315     | 78,181       | 72,655     | Taxes, fees and contributions payable           | 15   | 542       | 1,746      | 3,739        | 4,699      |
| Related parties                             | 10.a | 6,727     | 27,982     | 5,902        | 15,985     | Provision for tax, civil and labor risks        | 20   | 46,343    | 46,975     | 94,789       | 90,003     |
| Other noncurrent assets                     |      | 616       | 1,078      | 2,047        | 2,545      | Accrued post-employment benefits                | 16.a | 37,972    | 37,128     | 50,632       | 50,104     |
| Investments                                 | 9    | 203,237   | 203,707    | -            | 3,546      | Provision for mine decommissioning              | 29   | -         | -          | 14,906       | 13,878     |
| Property, plant and equipment               | 11   | 137,651   | 150,412    | 290,103      | 317,716    | Allowance for investment losses                 | 9    | 6,539     | -          | 6,539        | -          |
| Intangible assets                           |      | 4,925     | 6,069      | 24,310       | 26,016     | Total noncurrent liabilities                    |      | 125,788   | 125,675    | 210,288      | 213,763    |
| Total noncurrent assets                     |      | 433,337   | 470,282    | 452,792      | 485,473    |   |      |           |            |              |            |
|   |      |           |            |              |            | <b>EQUITY</b>                                   |      |           |            |              |            |
|   |      |           |            |              |            | Capital   | 17.a | 334,251   | 334,251    | 334,251      | 334,251    |
|   |      |           |            |              |            | Capital reserve                                 |      | 19,460    | 19,460     | 19,460       | 19,460     |
|   |      |           |            |              |            | Treasury shares                                 |      | (174)     | (174)      | (174)        | (174)      |
|   |      |           |            |              |            | Earnings reserves                               |      | 118,345   | 118,221    | 118,345      | 118,221    |
|   |      |           |            |              |            | Accumulated losses                              |      | (46,645)  | -          | (46,645)     | -          |
|   |      |           |            |              |            | Other comprehensive loss                        |      | (12,125)  | (12,125)   | (12,125)     | (12,125)   |
|   |      |           |            |              |            | Equity attributable to controlling shareholders |      | 413,112   | 459,633    | 413,112      | 459,633    |
|   |      |           |            |              |            | Noncontrolling interest                         |      | -         | -          | 17           | 16         |
|   |      |           |            |              |            | Total equity                                    |      | 413,112   | 459,633    | 413,129      | 459,649    |
| <b>TOTAL ASSETS</b>                         |      | 606,949   | 679,193    | 773,464      | 842,448    | <b>TOTAL LIABILITIES AND EQUITY</b>             |      | 606,949   | 679,193    | 773,464      | 842,448    |

The accompanying notes are an integral part of this interim financial information.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

**ETERNIT S.A. AND SUBSIDIARIES**

STATEMENTS OF PROFIT AND LOSS  
FOR THE THREE- AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2017  
(In thousands of Brazilian reais - R\$, except loss per share)

|   | Note | Parent                   |                          |                          |                          | Consolidated             |                          |                          |                          |
|---|------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|   |      | 1/1/2017 to<br>9/30/2017 | 1/1/2016 to<br>9/30/2016 | 7/1/2017 to<br>9/30/2017 | 7/1/2016 to<br>9/30/2016 | 1/1/2017 to<br>9/30/2017 | 1/1/2016 to<br>9/30/2016 | 7/1/2017 to<br>9/30/2017 | 7/1/2016 to<br>9/30/2016 |
| NET OPERATING REVENUE                                   | 21   | 312,262                  | 373,936                  | 106,266                  | 126,110                  | 500,976                  | 637,123                  | 169,760                  | 204,493                  |
| COST OF SALES AND SERVICES                              | 22   | (260,632)                | (297,060)                | (90,908)                 | (103,305)                | (366,080)                | (436,231)                | (129,589)                | (145,332)                |
| GROSS PROFIT  |      | <u>51,630</u>            | <u>76,876</u>            | <u>15,358</u>            | <u>22,805</u>            | <u>134,896</u>           | <u>200,892</u>           | <u>40,171</u>            | <u>59,161</u>            |
| OPERATING INCOME (EXPENSES)                             |      |                          |                          |                          |                          |                          |                          |                          |                          |
| Selling expenses  | 22   | (30,764)                 | (46,875)                 | (9,570)                  | (16,826)                 | (59,732)                 | (81,721)                 | (19,324)                 | (27,771)                 |
| General and administrative expenses                     | 22   | (28,158)                 | (30,398)                 | (8,326)                  | (10,491)                 | (70,110)                 | (67,456)                 | (22,892)                 | (22,460)                 |
| Management compensation                                 | 22   | (6,100)                  | (5,094)                  | (1,968)                  | (1,603)                  | (7,920)                  | (7,618)                  | (2,191)                  | (2,230)                  |
| Other operating income (expenses), net                  | 23   | (10,786)                 | (8,776)                  | (2,261)                  | (1,386)                  | (11,957)                 | (8,259)                  | (6,283)                  | 79                       |
| Share of profit (loss) of subsidiaries                  | 9    | <u>(20,060)</u>          | <u>6,797</u>             | <u>(10,180)</u>          | <u>(20)</u>              | <u>(20,744)</u>          | <u>(19,049)</u>          | <u>(5,914)</u>           | <u>(6,919)</u>           |
| Total operating expenses                                |      | (95,868)                 | (84,346)                 | (32,305)                 | (30,326)                 | (170,463)                | (184,103)                | (56,604)                 | (59,301)                 |
| Finance costs   | 24   | (11,342)                 | (22,944)                 | (3,371)                  | (4,458)                  | (31,048)                 | (57,636)                 | (10,736)                 | (10,252)                 |
| Finance income  | 24   | <u>4,226</u>             | <u>18,316</u>            | <u>1,151</u>             | <u>2,051</u>             | <u>18,142</u>            | <u>42,081</u>            | <u>6,792</u>             | <u>4,518</u>             |
| Finance income (costs), net                             |      | (7,116)                  | (4,628)                  | (2,220)                  | (2,407)                  | (12,906)                 | (15,555)                 | (3,944)                  | (5,734)                  |
| PROFIT (LOSS) BEFORE INCOME TAX AND SOCIAL CONTRIBUTION |      | <u>(51,354)</u>          | <u>(12,098)</u>          | <u>(19,167)</u>          | <u>(9,928)</u>           | <u>(48,473)</u>          | <u>1,234</u>             | <u>(20,377)</u>          | <u>(5,874)</u>           |
| INCOME TAX AND SOCIAL CONTRIBUTION                      |      |                          |                          |                          |                          |                          |                          |                          |                          |
| Current   | 19   | -                        | -                        | -                        | -                        | (3,697)                  | (13,120)                 | 619                      | (3,314)                  |
| Deferred  | 19   | <u>4,709</u>             | <u>4,042</u>             | <u>(1,432)</u>           | <u>2,608</u>             | <u>5,525</u>             | <u>3,828</u>             | <u>(841)</u>             | <u>1,867</u>             |
| LOSS FOR THE PERIOD                                     |      | <u>(46,645)</u>          | <u>(8,056)</u>           | <u>(20,599)</u>          | <u>(7,320)</u>           | <u>(46,645)</u>          | <u>(8,058)</u>           | <u>(20,599)</u>          | <u>(7,321)</u>           |
| ATTRIBUTABLE TO   |      |                          |                          |                          |                          |                          |                          |                          |                          |
| Controlling shareholders                                |      |                          |                          |                          |                          | (46,645)                 | (8,056)                  | (20,599)                 | (7,320)                  |
| Noncontrolling interest                                 |      |                          |                          |                          |                          | -                        | (2)                      | -                        | (1)                      |
| LOSS FOR THE PERIOD                                     |      | <u>(46,645)</u>          | <u>(8,058)</u>           | <u>(20,599)</u>          | <u>(7,321)</u>           | <u>(46,645)</u>          | <u>(8,058)</u>           | <u>(20,599)</u>          | <u>(7,321)</u>           |
| BASIC AND DILUTED LOSS PER SHARE - R\$                  | 17   | <u>(0,2607)</u>          | <u>(0,0450)</u>          | <u>(0,1151)</u>          | <u>(0,0409)</u>          | <u>(0,2607)</u>          | <u>(0,0450)</u>          | <u>(0,1151)</u>          | <u>(0,0409)</u>          |

The accompanying notes are an integral part of this interim financial information.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

ETERNIT S.A. AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE THREE- AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2017  
(In thousands of Brazilian reais - R\$)

|   | Parent                   |                          |                          |                          | Consolidated             |                          |                          |                          |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|   | 1/1/2017 to<br>9/30/2017 | 1/1/2016 to<br>9/30/2016 | 7/1/2017 to<br>9/30/2017 | 7/1/2016 to<br>9/30/2016 | 1/1/2017 to<br>9/30/2017 | 1/1/2016 to<br>9/30/2016 | 7/1/2017 to<br>9/30/2017 | 7/1/2016 to<br>9/30/2016 |
| LOSS FOR THE PERIOD   | (46,645)                 | (8,056)                  | (20,599)                 | (7,320)                  | (46,645)                 | (8,058)                  | (20,599)                 | (7,321)                  |
| Other comprehensive income - items to be subsequently reclassified to profit or loss: | -                        | -                        | -                        | -                        | -                        | -                        | -                        | -                        |
| COMPREHENSIVE INCOME FOR THE PERIOD   | <u>(46,645)</u>          | <u>(8,056)</u>           | <u>(20,599)</u>          | <u>(7,320)</u>           | <u>(46,645)</u>          | <u>(8,058)</u>           | <u>(20,599)</u>          | <u>(7,321)</u>           |
| ATTRIBUTABLE TO   |                          |                          |                          |                          |                          |                          |                          |                          |
| Controlling shareholders  |                          |                          |                          |                          | (46,645)                 | (8,056)                  | (20,599)                 | (7,320)                  |
| Noncontrolling interest   |                          |                          |                          |                          | -                        | (2)                      | -                        | (1)                      |

The accompanying notes are an integral part of this interim financial information.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

**ETERNIT S.A.**

STATEMENTS OF CHANGES IN EQUITY  
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017  
(In thousands of Brazilian reais - R\$)

|                                   | Note | Capital reserve |                  |                                   | Earnings reserves |               |               |                    | Other comprehensive income | Total Parent    | Noncontrolling interest | Total equity |                    |
|-----------------------------------|------|-----------------|------------------|-----------------------------------|-------------------|---------------|---------------|--------------------|----------------------------|-----------------|-------------------------|--------------|--------------------|
|                                   |      | Capital         | Investment grant | Goodwill on acquisition of shares | Treasury shares   | Statutory     | Legal         | Earnings retention |                            |                 |                         |              | Accumulated losses |
| BALANCES AS AT JANUARY 1, 2016    |      | 334,251         | 19,437           | 23                                | (174)             | 32,722        | 36,362        | 86,654             | -                          | (9,177)         | 500,098                 | 18           | 500,116            |
| Expired dividends                 |      | -               | -                | -                                 | -                 | -             | -             | 125                | -                          | -               | 125                     | -            | 125                |
| Loss for the period               |      | -               | -                | -                                 | -                 | -             | -             | -                  | (8,056)                    | -               | (8,056)                 | (2)          | (8,058)            |
| BALANCES AS AT SEPTEMBER 30, 2016 |      | <u>334,251</u>  | <u>19,437</u>    | <u>23</u>                         | <u>(174)</u>      | <u>32,722</u> | <u>36,362</u> | <u>86,779</u>      | <u>(8,056)</u>             | <u>(9,177)</u>  | <u>492,167</u>          | <u>16</u>    | <u>492,183</u>     |
| BALANCES AS AT JANUARY 1, 2017    |      | 334,251         | 19,437           | 23                                | (174)             | 32,722        | 36,362        | 49,137             | -                          | (12,125)        | 459,633                 | 16           | 459,649            |
| Expired dividends                 |      | -               | -                | -                                 | -                 | -             | -             | 124                | -                          | -               | 124                     | 1            | 125                |
| Loss for the period               | 17   | -               | -                | -                                 | -                 | -             | -             | -                  | (46,645)                   | -               | (46,645)                | -            | (46,645)           |
| BALANCES AS AT SEPTEMBER 30, 2017 |      | <u>334,251</u>  | <u>19,437</u>    | <u>23</u>                         | <u>(174)</u>      | <u>32,722</u> | <u>36,362</u> | <u>49,261</u>      | <u>(46,645)</u>            | <u>(12,125)</u> | <u>413,112</u>          | <u>17</u>    | <u>413,129</u>     |

The accompanying notes are an integral part of this interim financial information.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

**ETERNIT S.A. AND SUBSIDIARIES**

STATEMENTS OF CASH FLOWS  
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017  
(In thousands of Brazilian reais - R\$)

|  | Note | Parent    |           | Consolidated |           |
|--|------|-----------|-----------|--------------|-----------|
|  |      | 9/30/2017 | 9/30/2016 | 9/30/2017    | 9/30/2016 |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>   |      |           |           |              |           |
| Profit (loss) before income tax and social contribution  |      | (51,354)  | (12,098)  | (48,473)     | 1,234     |
| Adjustments to reconcile income (loss) before income tax and social contribution to net cash provided by operating activities: |      |           |           |              |           |
| Share of profit (loss) of subsidiaries   | 9    | 20,060    | (6,797)   | 20,744       | 19,049    |
| Depreciation and amortization  |      | 10,926    | 11,058    | 27,161       | 29,297    |
| Gain (loss) on the derecognition of property, plant and equipment and intangib   | 23   | 19        | (5)       | 520          | (3,118)   |
| Derecognition of escrow deposits   |      | 2,063     | -         | 2,645        | -         |
| Allowance for doubtful debts   | 6    | 1,253     | 1,996     | 2,121        | 3,179     |
| Estimated impairment losses of inventories, net  |      | 294       | (524)     | (137)        | (85)      |
| Estimated impairment losses  |      | -         | -         | (100)        | -         |
| Provision for tax, civil and labor risks   |      | 2,334     | 1,571     | 7,759        | 4,924     |
| Accrued post-employment benefits   | 16   | 3,232     | 3,401     | 4,364        | 4,750     |
| Provision for mine decommissioning   |      | -         | -         | 1,028        | 934       |
| Provision for restructuring  | 30   | 5,571     | -         | 18,643       | -         |
| Finance charges, inflation adjustments and exchange rate changes   |      | 1,993     | (574)     | 3,244        | (2,001)   |
| Short-term investments   |      | (201)     | (38)      | (715)        | (669)     |
| Variation in prepaid expenses, net   |      | 2,519     | 4,785     | 4,252        | 5,622     |
|  |      | (1,291)   | 2,775     | 43,056       | 63,116    |
| Decrease (increase) in operating assets:   |      |           |           |              |           |
| Trade receivables  |      | 18,472    | (9,607)   | 21,256       | 7,816     |
| Related parties  |      | (11,050)  | (3,233)   | (2,053)      | (2,301)   |
| Inventories  |      | 32,143    | 8,062     | 33,530       | 16,784    |
| Recoverable taxes  |      | 5,507     | 1,745     | 3,932        | 6,653     |
| Escrow deposits  |      | 728       | (3,543)   | (4,222)      | (4,019)   |
| Dividends and interest on capital  |      | 13,195    | 36,316    | -            | -         |
| Other assets   |      | (2,619)   | (2,326)   | (5,095)      | 3         |
| Increase (decrease) in operating liabilities:  |      |           |           |              |           |
| Trade payables   |      | (1,805)   | (6,298)   | (4,576)      | (9,074)   |
| Related parties  |      | (19,463)  | 13,158    | -            | -         |
| Taxes, fees and contributions payable  |      | (4,295)   | (4,271)   | (7,026)      | (10,095)  |
| Payroll and related taxes  | 14   | 716       | 2,226     | (968)        | 3,039     |
| Dividends and interest on capital paid   |      | (1)       | (6,876)   | (1)          | (6,876)   |
| Accrued post-employment benefits   | 16   | (2,388)   | (2,063)   | (3,836)      | (3,669)   |
| Provision for restructuring  |      | (4,659)   | -         | (16,173)     | -         |
| Other liabilities  |      | (157)     | (2,049)   | 892          | (3,924)   |
| Cash provided by operating activities  |      | 23,033    | 24,016    | 58,716       | 57,453    |
| Interest paid  |      | (549)     | (799)     | (6,090)      | (5,554)   |
| Income tax and social contribution paid  |      | -         | -         | (8,147)      | (11,173)  |
| Net cash provided by operating activities  |      | 22,484    | 23,217    | 44,479       | 40,726    |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>   |      |           |           |              |           |
| Intragroup loans   |      | 8,953     | (15,546)  | 10,753       | (15,146)  |
| Proceeds from sale of property, plant and equipment  | 23   | 48        | 23        | 456          | 3,376     |
| Additions to property, plant and equipment and intangible assets   |      | (2,981)   | (7,219)   | (3,597)      | (11,532)  |
| Additions to investments   | 9    | (10,660)  | -         | (10,659)     | -         |
| Short-term investments   |      | (68,900)  | (21,200)  | (114,749)    | (110,588) |
| Redemptions of short-term investments  |      | 63,871    | 22,944    | 97,102       | 121,701   |
| Net cash used in investing activities  |      | (9,669)   | (20,998)  | (20,694)     | (12,189)  |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>   |      |           |           |              |           |
| Borrowings and financing   |      | -         | 1,962     | 94,390       | 59,442    |
| Repayment of borrowings and financing  |      | (8,888)   | (5,845)   | (117,667)    | (90,965)  |
| Intragroup loans   |      | (4,005)   | -         | -            | -         |
| Net cash used in financing activities  |      | (12,893)  | (3,883)   | (23,277)     | (31,523)  |
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>  |      |           |           |              |           |
|  |      | (78)      | (1,664)   | 508          | (2,986)   |
| <b>CASH AND CASH EQUIVALENTS</b>   |      |           |           |              |           |
| At the beginning of period   | 4    | 3,365     | 2,850     | 5,143        | 5,578     |
| At the end of period   | 4    | 3,287     | 1,186     | 5,651        | 2,592     |
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>  |      |           |           |              |           |
|  |      | (78)      | (1,664)   | 508          | (2,986)   |

The accompanying notes are an integral part of this interim financial information.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

ETERNIT S.A. AND SUBSIDIARIES

STATEMENTS OF VALUE ADDED  
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017  
(In thousands of Brazilian reais - R\$)

|   | Note | Parent           |                  | Consolidated     |                  |
|---|------|------------------|------------------|------------------|------------------|
|   |      | 9/30/2017        | 9/30/2016        | 9/30/2017        | 9/30/2016        |
| <b>REVENUES</b>                               |      |                  |                  |                  |                  |
| Sales of products and services                | 21   | 415,164          | 494,789          | 632,541          | 805,597          |
| Other income (expenses)                       |      | (9)              | 109              | (296)            | 4,077            |
| Allowance for doubtful debts                  | 22   | <u>(1,253)</u>   | <u>(1,997)</u>   | <u>(2,121)</u>   | <u>(3,179)</u>   |
|   |      | <u>413,902</u>   | <u>492,901</u>   | <u>630,124</u>   | <u>806,495</u>   |
| <b>INPUTS ACQUIRED FROM THIRD PARTIES</b>     |      |                  |                  |                  |                  |
| Sales of products and services                |      | (197,251)        | (222,661)        | (291,918)        | (337,326)        |
| Materials, power, outside services and others |      | (72,038)         | (102,182)        | (93,232)         | (121,802)        |
| Estimated impairment losses                   |      | -                | -                | 100              | -                |
| Other discounts, rebates and donations        |      | <u>(832)</u>     | <u>(1,363)</u>   | <u>(1,946)</u>   | <u>(3,153)</u>   |
|   |      | <u>(270,121)</u> | <u>(326,206)</u> | <u>(386,996)</u> | <u>(462,281)</u> |
| <b>GROSS VALUE ADDED</b>                      |      |                  |                  |                  |                  |
|   |      | 143,781          | 166,695          | 243,128          | 344,214          |
| Depreciation, amortization and depletion      |      | (10,926)         | (11,058)         | (27,161)         | (29,297)         |
| <b>NET WEALTH PRODUCED</b>                    |      |                  |                  |                  |                  |
|   |      | 132,855          | 155,637          | 215,967          | 314,917          |
| <b>WEALTH RECEIVED IN TRANSFER</b>            |      |                  |                  |                  |                  |
| Share of profit (loss) of subsidiaries        | 9    | (20,060)         | 6,797            | (20,744)         | (19,049)         |
| Finance income                                | 24   | 4,226            | 18,316           | 18,142           | 42,103           |
| Other   |      | <u>161</u>       | <u>278</u>       | <u>870</u>       | <u>1,446</u>     |
|   |      | <u>(15,673)</u>  | <u>25,391</u>    | <u>(1,732)</u>   | <u>24,500</u>    |
| <b>TOTAL WEALTH FOR DISTRIBUTION</b>          |      |                  |                  |                  |                  |
|   |      | 117,182          | 181,028          | 214,235          | 339,417          |
| <b>Personnel:</b>                             |      |                  |                  |                  |                  |
| Direct compensation                           |      | 54,572           | 56,267           | 87,669           | 95,715           |
| Benefits                                      |      | 17,863           | 17,364           | 31,457           | 34,526           |
| Severance Pay Fund (FGTS)                     |      | <u>4,687</u>     | <u>4,967</u>     | <u>8,979</u>     | <u>8,837</u>     |
|   |      | <u>77,122</u>    | <u>78,598</u>    | <u>128,105</u>   | <u>139,078</u>   |
| <b>Taxes, fees and contributions:</b>         |      |                  |                  |                  |                  |
| Federal                                       |      | 41,570           | 53,536           | 51,183           | 67,238           |
| State   |      | 27,500           | 27,206           | 28,838           | 60,217           |
| Municipal                                     |      | <u>1,497</u>     | <u>1,669</u>     | <u>2,699</u>     | <u>3,205</u>     |
|   |      | <u>70,567</u>    | <u>82,411</u>    | <u>82,720</u>    | <u>130,660</u>   |
| <b>Lenders and lessors</b>                    |      |                  |                  |                  |                  |
| Interest                                      |      | 11,342           | 22,944           | 31,049           | 57,657           |
| Rents   |      | <u>4,796</u>     | <u>5,131</u>     | <u>19,006</u>    | <u>20,080</u>    |
|   |      | <u>16,138</u>    | <u>28,075</u>    | <u>50,055</u>    | <u>77,737</u>    |
| <b>Equity capital:</b>                        |      |                  |                  |                  |                  |
| Loss for the period                           | 17   | (46,645)         | (8,056)          | (46,645)         | (8,056)          |
| Noncontrolling interest                       |      | -                | -                | -                | (2)              |
|   |      | <u>(46,645)</u>  | <u>(8,056)</u>   | <u>(46,645)</u>  | <u>(8,058)</u>   |
| <b>WEALTH DISTRIBUTED</b>                     |      |                  |                  |                  |                  |
|   |      | <u>117,182</u>   | <u>181,028</u>   | <u>214,235</u>   | <u>339,417</u>   |

The accompanying notes are an integral part of this interim financial information.

## ETERNIT S.A.

### NOTES TO THE INDIVIDUAL AND CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017

(Amounts in thousands of Brazilian reais - R\$, unless otherwise stated)

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#### 1. GENERAL INFORMATION

Eternit S.A. ("Company", "Eternit" or "Parent"), headquartered at Rua Dr. Fernandes Coelho, 85 - 8º andar, in the city of São Paulo - SP, Brazil, is a publicly-held company, with no controlling shareholder, listed on the Bolsa de Valores, Mercadorias e Futuros S.A. - - BM&FBOVESPA, in the *Novo Mercado* segment, under ticker symbol ETER3. Its shareholders are comprised of individuals and legal entities, investment clubs, investment funds and foundations (note 17).

The Company and its subsidiaries ("Group") are mainly engaged in the manufacturing and sale of fibrocement, cement, concrete, plaster and plastic material products, as well as other construction materials and related accessories. It currently owns nine industrial units in Brazil, with branches in the main Brazilian cities.

#### List of direct subsidiaries and joint ventures

| <u>Company</u>  | <u>Equity interest - %</u> | <u>Voting capital - %</u> | <u>Headquarter location</u> | <u>Core business</u>   |
|---|----------------------------|---------------------------|-----------------------------|--|
| Sama S.A. ("Sama")  | 99.99                      | 99.99                     | Minaçu/GO                   | Exploration and processing of chrysotile.  |
| Tégula Soluções para Telhados Ltda. ("Tégula")                              | 99.99                      | 99.99                     | Atibaia/SP                  | Manufacturing and sale of concrete roof tile and accessories.  |
| Precon Goiás Industrial Ltda. ("Precon")                                    | 99.99                      | 99.99                     | Anápolis/GO                 | Manufacturing and sale of fibrocement products and artifacts.  |
| Prel Empreendimentos e Participações Ltda. ("Prel")                         | 99.99                      | 99.99                     | São Paulo/SP                | Holding interest in industrial, commercial and other companies.  |
| Wagner da Amazônia Ltda.  | 99.99                      | 99.99                     | São Paulo/SP                | No economic activity.  |
| Eternit da Amazônia Indústria de Fibrocimento Ltda. ("Eternit da Amazônia") | 99.99                      | 99.99                     | Manaus/AM                   | Research and development, with initial production of polypropylene threads.  |
| Engedis Distribuição Ltda.  | 99.94                      | 99.94                     | Minaçu/GO                   | No economic activity.  |
| Wagner Ltda. ("Wagner")   | 99.84                      | 99.84                     | São Paulo/SP                | No economic activity.  |
| Companhia Sulamericana de Cerâmica S.A. ("CSC")                             | 60.00                      | 60.00                     | Caucaia/CE                  | Manufacturing, import, export, sale, distribution of ceramic-made sanitary ware and toilet accessories in general. |

The main products manufactured and/or sold by the Group, as well as the data related to the segment information, are described in note 25.

### Approval of interim financial information

The presentation of the interim financial information was approved and authorized by the Company's Supervisory Board and Board of Directors on November 7 and 8, 2017, respectively, for disclosure on November 9, 2017.

## 2. BASIS FOR PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The accounting policies were consistently applied in the current period, are in line with those used in the preparation of the Company's annual financial statements for the year ended December 31, 2016, disclosed on March 17, 2017, and are common to the Parent and the subsidiaries;

### 2,1. Statement of compliance and basis for preparation

The Company's interim financial information included in the Interim Financial Information (ITR) for the period ended September 30, 2017 comprises the individual and consolidated interim financial information prepared in accordance with CPC 21 (R1) and IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and prepared consistently with the standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of ITR.

The interim financial information has been prepared based on the historical cost, except for certain financial instruments measured at their fair values, as described in the accounting practices below. The historical cost is generally based on the fair value of the consideration given in exchange for an asset.

All relevant information for the interim financial information, and only this information, is being disclosed and corresponds to the information used in managing the Company.

Management assessed the Company's ability to continue as a going concern and is convinced that the Company has the resources to allow the continuity of its business in the future. Additionally, Management is not aware of any material uncertainty that could cast significant doubts as to its ability to continue as a going concern. Accordingly, this interim financial information has been prepared on the going concern assumption.

### 2,2. Basis of consolidation and investments in subsidiaries

The consolidated interim financial information includes the interim financial information of the Company and its wholly-owned subsidiaries. Control is obtained when the Company has the power to control the financial and operating policies and to appoint or remove the members of the Executive Board or Board of Directors of an entity so as to obtain benefits from its activities.

The Company's Management, based on the bylaws and shareholders' agreement, controls the entities listed in note 1 to the Company's individual financial statements for the year ended December 31, 2016, disclosed on March 17, 2017, and, therefore, fully consolidates such entities, except for CSC, which is considered based on the parameters described in the previous paragraph as joint venture, which is not consolidated and whose results of operations is considered in the consolidated interim financial information under the equity method, as set forth in CPC 19 (R2) – Joint Arrangements (IFRS 11).

Noncontrolling interests in fully consolidated companies is separately disclosed in the consolidated statement of profit and loss and consolidated statement of changes in equity.

In the Company's individual interim financial information, the profit or loss of subsidiaries and joint ventures are recognized under the equity method.

The main consolidation adjustments include the following eliminations:

- Intragroup asset and liability balances, as well as intragroup income and expenses, so that the consolidated interim financial information represents balances of receivables from and payables to third parties.
- Interests in capital and profit or loss for the period of subsidiaries.

The period of the financial information of the subsidiaries included in consolidation is the same as the Parent's. All intragroup balances were fully eliminated in the consolidated interim financial information. Transactions between the Parent and the subsidiaries are carried out under conditions agreed upon between the parties.

The profit or loss of the subsidiaries acquired or disposed of during the period is included in the consolidated statement of profit and loss from the actual acquisition date up to the actual disposal date, as applicable.

### 2,3. Standards, amendments to and interpretation of standards

The Company will adopt the standards below when they become effective, disclosing and acknowledging the impacts on the interim financial information that may occur upon the respective adoption.

| Standard                                | Requirement  | Impact on the interim financial information   |
|---|--|---|
| IFRS 9 (CPC 48) - Financial Instruments | The purpose, ultimately, is to supersede IAS 39 - Financial Instruments: Recognition and Measurement. The main changes include: (a) all financial assets must be initially stated at fair value; (b) the standard classifies all financial assets, currently within the scope of IAS 39, in two categories: at amortized cost and fair value; (c) eliminate the classification of "available for sale" and "held to maturity" of IAS 39; and (d) eliminate the concept of embedded derivatives of IAS 39; in addition to losses incurred, estimated losses must also be accounted for. Approved in December 2016; effective beginning January 1, 2018. | The Group is assessing the standard, and it is therefore unable to disclose such effects. |

| Standard  | Requirement   | Impact on the interim financial information   |
|---|---|---|
| IFRS 15 - Revenue from Contracts with Customers<br>CPC 47 - Revenue from Contracts with Customers | This standard will supersede IAS 11 - Construction Contracts and IAS 18 - Revenues and related interpretations. The main purposes are: (a) eliminate the inconsistencies in the revenue recognition standards, establishing clear principles for the recording of accounting balances; (b) provide a single revenue recognition model, improving the comparison between accounting and financial information; and (c) simplify the preparation of the financial statements. Applicable to all agreements with customers, except for leases, financial instruments and insurance contracts, with higher effectiveness of change in the telecommunications and real estate development sectors. Approved in December 2016; effective beginning January 1, 2018. | The Group is assessing the standard, and it is therefore unable to disclose such effects. |
| IFRS 6 (CPC 34) - Exploration for and Evaluation of Mineral Resources                             | The purpose of this standard is to regulate the best method to classify and measure the exploration for mineral resources, due to the continuity of discussions with the IASB and other international bodies in relation to the standard. The CPC has decided not to issue a pronouncement due to the review by the competent international bodies. Approval and effective date not determined.   | The Group is constantly up-to-date to assess the impacts of this standard.                |
| IAS 29 (CPC 42) - Financial Reporting in Hyperinflationary Economies                              | The standard establishes criteria to restate the financial statements in hyperinflationary countries. CPC has not approved the pronouncement due to the past experience with the full restatement of the financial statements. Approval and effective date not determined.  | The Group is constantly up-to-date to assess the impacts of this standard.                |

Up to the reporting date, the assessment of all effects potentially arising from these standards had not been completed.

## 2,4. Reclassification in the presentation for comparability purposes

Aiming to improve the financial statements, the Company reclassified the balances of assets, liabilities and profit or loss, and the impacts of these reclassifications, in the period ended 2016, are presented below:

## BALANCE SHEET

| <u>Assets</u>               | Parent                  |                  |                            | Consolidated            |                  |                            |
|-----------------------------|-------------------------|------------------|----------------------------|-------------------------|------------------|----------------------------|
|                             | 12/31/2016<br>Disclosed | Reclassification | 12/31/2016<br>Reclassified | 12/31/2016<br>Disclosed | Reclassification | 12/31/2016<br>Reclassified |
| Current:                    |                         |                  |                            |                         |                  |                            |
| Recoverable taxes           | -                       | -                | -                          | 17,861                  | 38               | 17,899                     |
| Other current assets        | -                       | -                | -                          | 5,724                   | (38)             | 5,686                      |
|                             | -                       | -                | -                          | 23,585                  | -                | 23,585                     |
| <u>Liabilities</u>          |                         |                  |                            |                         |                  |                            |
|                             | Parent                  |                  |                            | Consolidated            |                  |                            |
|                             | 12/31/2016<br>Disclosed | Reclassification | 12/31/2016<br>Reclassified | 12/31/2016<br>Disclosed | Reclassification | 12/31/2016<br>Reclassified |
| Current:                    |                         |                  |                            |                         |                  |                            |
| Borrowings and financing    | 10,337                  | 539              | 10,876                     | 68,750                  | 538              | 69,288                     |
| Derivatives                 | 374                     | 9                | 383                        | 678                     | 9                | 687                        |
| Provision for restructuring | -                       | -                | -                          | -                       | 1,522            | 1,522                      |
| Other current liabilities   | -                       | -                | -                          | 14,306                  | (1,522)          | 12,784                     |
| Noncurrent:                 |                         |                  |                            |                         |                  |                            |
| Borrowings and financing    | 4,362                   | (548)            | 3,814                      | 55,626                  | (547)            | 55,079                     |
|                             | 15,073                  | -                | 15,073                     | 139,360                 | -                | 139,360                    |

## STATEMENTS OF PROFIT AND LOSS

|  | Parent                 |                  |                           | Consolidated           |                  |                           |
|--|------------------------|------------------|---------------------------|------------------------|------------------|---------------------------|
|  | 9/30/2016<br>Disclosed | Reclassification | 9/30/2016<br>Reclassified | 9/30/2016<br>Disclosed | Reclassification | 9/30/2016<br>Reclassified |
| Net operating revenue                  | 373,936                | -                | 373,936                   | 636,939                | 184              | 637,123                   |
| Cost of sales and services             | (294,931)              | (2,129)          | (297,060)                 | (429,689)              | (6,542)          | (436,231)                 |
| Other operating income (expenses), net | (10,905)               | 2,129            | (8,776)                   | (14,617)               | 6,358            | (8,259)                   |
|  | 68,100                 | -                | 68,100                    | 192,633                | -                | 192,633                   |

### 3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In applying the Group's accounting policies, Management is required to make judgments and prepare estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and respective assumptions are revised on a periodic basis and are based on past experience and other factors deemed relevant. Actual results may differ from these estimates.

The key assumptions and estimates for the period ended September 30, 2017 are in line with those disclosed in the financial statements for the year ended December 31, 2016, disclosed on March 17, 2017.

### 4. CASH AND CASH EQUIVALENTS

|                                     | Parent           |                   | Consolidated     |                   |
|-------------------------------------|------------------|-------------------|------------------|-------------------|
|                                     | <u>9/30/2017</u> | <u>12/31/2016</u> | <u>9/30/2017</u> | <u>12/31/2016</u> |
| Cash and banks                      | 398              | 52                | 2,703            | 1,639             |
| Bank Certificates of Deposit (CDBs) | <u>2,889</u>     | <u>3,313</u>      | <u>2,948</u>     | <u>3,504</u>      |
|                                     | <u>3,287</u>     | <u>3,365</u>      | <u>5,651</u>     | <u>5,143</u>      |

These balances are highly liquid in order to meet short-term commitments, immediately convertible into cash and subject to an insignificant risk of change in value.

### 5. SHORT-TERM INVESTMENTS

|                  | Parent           |                   | Consolidated     |                   |
|------------------|------------------|-------------------|------------------|-------------------|
|                  | <u>9/30/2017</u> | <u>12/31/2016</u> | <u>9/30/2017</u> | <u>12/31/2016</u> |
| Investment funds | <u>5,259</u>     | <u>32</u>         | <u>21,033</u>    | <u>2,708</u>      |

The investment funds mainly refer to fixed-income funds, yielding interest at the average rate of 106.7% of the Interbank Deposit Certificate (CDI) rate fluctuation (106.2% as at December 31, 2016).

They correspond to short-term investments available for redemption, without grace period. Units can be redeemed together with the return, based on the Group's need.

### 6. TRADE RECEIVABLES

|                                  | Parent           |                   | Consolidated     |                   |
|----------------------------------|------------------|-------------------|------------------|-------------------|
|                                  | <u>9/30/2017</u> | <u>12/31/2016</u> | <u>9/30/2017</u> | <u>12/31/2016</u> |
| Domestic market                  | 68,014           | 89,718            | 89,127           | 121,174           |
| Foreign market                   | -                | -                 | 52,970           | 46,124            |
|                                  | <u>68,014</u>    | <u>89,718</u>     | <u>142,097</u>   | <u>167,298</u>    |
| (-) Adjustment to present value  | -                | -                 | (43)             | (317)             |
| (-) Allowance for doubtful debts | <u>(2,904)</u>   | <u>(4,883)</u>    | <u>(6,273)</u>   | <u>(8,318)</u>    |
|                                  | <u>65,110</u>    | <u>84,835</u>     | <u>135,781</u>   | <u>158,663</u>    |

Aging list of trade receivables:

|                                  | Parent           |                   | Consolidated     |                   |
|----------------------------------|------------------|-------------------|------------------|-------------------|
|                                  | <u>9/30/2017</u> | <u>12/31/2016</u> | <u>9/30/2017</u> | <u>12/31/2016</u> |
| Current                          | 61,520           | 78,623            | 121,691          | 141,747           |
| Past due                         |                  |                   |                  |                   |
| Up to 30 days                    | 1,573            | 4,582             | 9,737            | 11,894            |
| 31 to 60 days                    | 207              | 714               | 908              | 1,196             |
| Over 60 days                     | 4,714            | 5,799             | 9,761            | 12,461            |
|                                  | <u>68,014</u>    | <u>89,718</u>     | <u>142,097</u>   | <u>167,298</u>    |
| (-) Adjustment to present value  | -                | -                 | (43)             | (317)             |
| (-) Allowance for doubtful debts | <u>(2,904)</u>   | <u>(4,883)</u>    | <u>(6,273)</u>   | <u>(8,318)</u>    |
| Total                            | <u>65,110</u>    | <u>84,835</u>     | <u>135,781</u>   | <u>158,663</u>    |

Variation in the allowance for doubtful debts on trade receivables

|                       | Parent           |                   | Consolidated     |                   |
|-----------------------|------------------|-------------------|------------------|-------------------|
|                       | <u>9/30/2017</u> | <u>12/31/2016</u> | <u>9/30/2017</u> | <u>12/31/2016</u> |
| Opening balance       | (4,883)          | (3,885)           | (8,318)          | (7,991)           |
| Additions             | (2,691)          | (2,847)           | (4,155)          | (4,956)           |
| Reversals             | 1,438            | 867               | 2,034            | 1,536             |
| Write-offs            | 2,752            | 982               | 3,686            | 3,093             |
| Reclassifications (*) | 480              | -                 | 480              | -                 |
| Closing balance       | <u>(2,904)</u>   | <u>(4,883)</u>    | <u>(6,273)</u>   | <u>(8,318)</u>    |

(\*) Allowance for doubtful debts reclassified to "Other noncurrent assets".

## 7. INVENTORIES

|                                   | Parent           |                   | Consolidated     |                   |
|-----------------------------------|------------------|-------------------|------------------|-------------------|
|                                   | <u>9/30/2017</u> | <u>12/31/2016</u> | <u>9/30/2017</u> | <u>12/31/2016</u> |
| Finished products                 | 40,444           | 58,390            | 79,980           | 107,403           |
| Semi-finished products            | -                | -                 | 3,112            | 1,231             |
| Resale                            | 6,240            | 7,396             | 8,228            | 10,253            |
| Raw materials                     | 13,401           | 21,771            | 20,119           | 23,479            |
| Auxiliary materials               | 5,422            | 7,096             | 18,922           | 21,497            |
| Estimated net impairment loss (*) | <u>(1,365)</u>   | <u>(1,071)</u>    | <u>(2,859)</u>   | <u>(2,996)</u>    |
|                                   | <u>64,142</u>    | <u>93,582</u>     | <u>127,502</u>   | <u>160,867</u>    |

(\*) Of the total estimated net impairment loss amount, R\$764 in the consolidated (R\$1,063 as at December 31, 2016) refers to the estimated loss on the decommissioning and restructuring process, recorded in "Other net operating income (expenses), net". The residual balance refers to the estimated loss on slow moving items with a contra entry recorded in "Cost of sales and services", in the statement of profit and loss.

The variation in the estimated net impairment loss is as follows:

|   | Parent           |                   | Consolidated     |                   |
|---|------------------|-------------------|------------------|-------------------|
|   | <u>9/30/2017</u> | <u>12/31/2016</u> | <u>9/30/2017</u> | <u>12/31/2016</u> |
| Balance at the beginning of period/year | (1,071)          | (1,598)           | (2,996)          | (1,971)           |
| Additions                               | (1,040)          | (1,039)           | (1,236)          | (2,627)           |
| Reversals                               | 746              | 1,566             | 1,373            | 1,602             |
| Balance at the end of period/year       | <u>(1,365)</u>   | <u>(1,071)</u>    | <u>(2,859)</u>   | <u>(2,996)</u>    |

#### 8. RECOVERABLE TAXES

|  | Parent           |                   | Consolidated     |                   |
|--|------------------|-------------------|------------------|-------------------|
|  | <u>9/30/2017</u> | <u>12/31/2016</u> | <u>9/30/2017</u> | <u>12/31/2016</u> |
| Current:                                 |                  |                   |                  |                   |
| State VAT (ICMS)                         | 1,985            | 2,050             | 2,625            | 2,553             |
| Withholding Income Tax (IRRF)            | 81               | 200               | 406              | 393               |
| Corporate Income Tax (IRPJ)              | 3,534            | 1,754             | 5,648            | 2,017             |
| Social Contribution on Net Profit (CSLL) | 514              | 475               | 1,257            | 500               |
| IRRF - interest on capital               | 1,534            | 2,145             | 1,534            | 2,145             |
| Tax incentives - ICMS (*)                | 942              | 1,061             | 1,061            | 1,188             |
| Taxes on imports                         | 506              | 893               | 506              | 893               |
| Tax on revenue (PIS)                     | -                | -                 | 1,505            | 1,256             |
| Tax on revenue (COFINS) and other        | -                | -                 | -                | 4,059             |
| Federal VAT (IPI)                        | 149              | 217               | 595              | 647               |
| Other                                    | 420              | 494               | 1,200            | 2,248             |
|  | <u>9,665</u>     | <u>9,289</u>      | <u>16,337</u>    | <u>17,899</u>     |
| Noncurrent:                              |                  |                   |                  |                   |
| State VAT (ICMS)                         | 299              | 709               | 467              | 1,063             |
| Withholding Income Tax (IRRF) (**)       | 15,421           | 15,035            | 15,421           | 15,035            |
| Corporate Income Tax (IRPJ) (**)         | 8,810            | 8,591             | 8,810            | 8,591             |
| Social Security Contribution (INSS)      | -                | -                 | 57               | 57                |
| Tax on revenue (COFINS) and other        | -                | -                 | 6,897            | -                 |
|  | <u>24,530</u>    | <u>24,335</u>     | <u>31,652</u>    | <u>24,746</u>     |

(\*) Goiás State Industrialization Development and Mutual Fund (FOMENTAR) to enhance the implementation and expansion of activities that promote the industrial development of the State of Goiás and the Industrial Development Program of the State of Goiás (Produzir Goiás).

(\*\*) Withholding income tax, for the base years 1999 and 1998, not expired, with probable likelihood of recovery according to our legal counsel and in conformity with Supplementary Law 118/2005.

## 9. INVESTMENTS AND ALLOWANCE FOR INVESTMENT LOSSES

The investments and allowance for investment losses of subsidiaries and joint venture CSC are broken down below:

|  | Parent           |                   | Consolidated     |                   |
|--|------------------|-------------------|------------------|-------------------|
|  | <u>9/30/2017</u> | <u>12/31/2016</u> | <u>9/30/2017</u> | <u>12/31/2016</u> |
| Opening balance  | 203,707          | 251,659           | 3,546            | 24,782            |
| Additions (reductions) to investments                  | 22,655           | 8,101             | 10,659           | 8,101             |
| Share of profit (loss) of subsidiaries                 | (20,060)         | (15,335)          | (20,744)         | (29,337)          |
| Share of comprehensive income of subsidiaries          | -                | (424)             | -                | -                 |
| Interest on capital                                    | (4,705)          | (8,776)           | -                | -                 |
| Dividends declared                                     | (4,899)          | (31,518)          | -                | -                 |
| Transfer to allowance for investment losses            | <u>6,539</u>     | <u>-</u>          | <u>6,539</u>     | <u>-</u>          |
| Closing balance of the investment                      | <u>203,237</u>   | <u>203,707</u>    | <u>-</u>         | <u>3,546</u>      |
| Closing balance of the allowance for investment losses | <u>(6,539)</u>   | <u>-</u>          | <u>(6,539)</u>   | <u>-</u>          |

## Summary of the main information on investments at September 30, 2017

|  | Assets         | Liabilities    | Equity          | Profit or loss for the period | Equity interest - % | Realization of profit on inventories | Share of profit (loss) of subsidiaries | Unrealized profit on inventories | Appreciation on net assets | Investment balance | Allowance for investment losses | Total investment |
|--|----------------|----------------|-----------------|-------------------------------|---------------------|--------------------------------------|--|----------------------------------|----------------------------|--------------------|---------------------------------|------------------|
| Subsidiaries:  |                |                |                 |                               |                     |                                      |  |                                  |                            |                    |                                 |                  |
| Sama S.A. – Minerações Associadas Prel Empreendimentos e Participações Ltda. | 217,318        | 140,450        | 76,868          | (3,485)                       | 99,99999%           | (2,546)                              | (939)                                  | (1,028)                          | 16,558                     | 92,398             | -                               | 92,398           |
| Precon Goiás Industrial Ltda.  | 7,653          | 50             | 7,603           | 289                           | 99,99773%           | -                                    | 289                                    | -                                | -                          | 7,603              | -                               | 7,603            |
| Eternit da Amazônia Indústria de Fibrocimento Ltda.                          | 47,118         | 17,204         | 29,914          | 5,453                         | 99,99460%           | -                                    | 5,453                                  | -                                | -                          | 29,912             | -                               | 29,912           |
| Tégula Soluções Para Telhados Ltda.  | 96,919         | 64,865         | 32,054          | (2,301)                       | 99,99000%           | (744)                                | (1,557)                                | (15)                             | -                          | 32,036             | -                               | 32,036           |
| Wagner Ltda.   | 45,003         | 8,625          | 36,378          | (2,782)                       | 99,99000%           | -                                    | (2,782)                                | -                                | -                          | 36,374             | -                               | 36,374           |
|  | 5,948          | 1,026          | 4,922           | 220                           | 99,84653%           | -                                    | 220                                    | -                                | -                          | 4,914              | -                               | 4,914            |
| Subtotal of subsidiaries   | <u>419,959</u> | <u>232,220</u> | <u>187,739</u>  | <u>(2,606)</u>                |                     | <u>(3,290)</u>                       | <u>684</u>                             | <u>(1,043)</u>                   | <u>16,558</u>              | <u>203,237</u>     | <u>-</u>                        | <u>203,237</u>   |
| Joint venture:   |                |                |                 |                               |                     |                                      |  |                                  |                            |                    |                                 |                  |
| Companhia Sulamericana de Cerâmica   | 181,091        | 191,989        | (10,898)        | (34,573)                      | 60,00000%           | -                                    | (20,744)                               | -                                | -                          | (6,539)            | 6,539                           | -                |
| Subtotal of joint venture  | <u>181,091</u> | <u>191,989</u> | <u>(10,898)</u> | <u>(34,573)</u>               |                     | <u>-</u>                             | <u>(20,744)</u>                        | <u>-</u>                         | <u>-</u>                   | <u>(6,539)</u>     | <u>6,539</u>                    | <u>-</u>         |
| Total parent company   |                |                |                 |                               |                     |                                      | <u>(20,060)</u>                        |                                  |                            | <u>196,698</u>     | <u>6,539</u>                    | <u>203,237</u>   |
| Total consolidated   |                |                |                 |                               |                     |                                      | <u>(20,744)</u>                        |                                  |                            | <u>(6,539)</u>     | <u>6,539</u>                    | <u>-</u>         |

## Summary of the main information on investments at December 31, 2016

|  | Assets         | Liabilities    | Equity         | Profit or loss for the year | Equity interest - % | Realization of profit on inventories | Share of profit (loss) of subsidiaries | Unrealized profit on inventories | Appreciation on net assets | Investment balance | Total investment |
|--|----------------|----------------|----------------|-----------------------------|---------------------|--------------------------------------|--|----------------------------------|----------------------------|--------------------|------------------|
| Subsidiaries:  |                |                |                |                             |                     |                                      |  |                                  |                            |                    |                  |
| Sama S.A. – Minerações Associadas Prel Empreendimentos e Participações Ltda. | 229,985        | 144,620        | 85,365         | 27,002                      | 99,99999%           | (2,126)                              | 29,128                                 | (3,575)                          | 16,558                     | 98,348             | 98,348           |
| Precon Goiás Industrial Ltda.  | 7,495          | 182            | 7,313          | 489                         | 99,99773%           | -                                    | 489                                    | -                                | -                          | 7,313              | 7,313            |
| Eternit da Amazônia Indústria de Fibrocimento Ltda.                          | 41,953         | 12,898         | 29,055         | 7,031                       | 99,99460%           | -                                    | 7,031                                  | -                                | -                          | 29,053             | 29,053           |
| Tégula Soluções Para Telhados Ltda.  | 101,257        | 66,902         | 34,355         | 4,403                       | 99,99000%           | 75                                   | 4,328                                  | (760)                            | -                          | 33,592             | 33,592           |
| Wagner Ltda.   | 51,923         | 24,760         | 27,163         | (28,950)                    | 99,99000%           | -                                    | (28,947)                               | -                                | -                          | 27,160             | 27,160           |
|  | 6,267          | 1,565          | 4,702          | 1,976                       | 99,84653%           | -                                    | 1,973                                  | -                                | -                          | 4,695              | 4,695            |
| Subtotal of subsidiaries   | <u>438,880</u> | <u>250,927</u> | <u>187,953</u> | <u>11,951</u>               |                     | <u>(2,051)</u>                       | <u>14,002</u>                          | <u>(4,335)</u>                   | <u>16,558</u>              | <u>200,161</u>     | <u>200,161</u>   |
| Joint venture:   |                |                |                |                             |                     |                                      |  |                                  |                            |                    |                  |
| Companhia Sulamericana de Cerâmica   | 188,313        | 182,403        | 5,910          | (48,895)                    | 60,00000%           | -                                    | (29,337)                               | -                                | -                          | 3,546              | 3,546            |
| Subtotal of joint venture  | <u>188,313</u> | <u>182,403</u> | <u>5,910</u>   | <u>(48,895)</u>             |                     | <u>-</u>                             | <u>(29,337)</u>                        | <u>-</u>                         | <u>-</u>                   | <u>3,546</u>       | <u>3,546</u>     |
| Total parent company   |                |                |                |                             |                     |                                      | <u>(15,335)</u>                        |                                  |                            | <u>203,707</u>     | <u>203,707</u>   |
| Total consolidated   |                |                |                |                             |                     |                                      | <u>(29,337)</u>                        |                                  |                            | <u>3,546</u>       | <u>3,546</u>     |

## 10. RELATED PARTIES

a) Related-party balances and transactions (Parent and Consolidated) are broken down as follows:

|   | Parent        |               |               |               | Consolidated |             |               |             |
|---|---------------|---------------|---------------|---------------|--------------|-------------|---------------|-------------|
|   | 9/30/2017     |               | 12/31/2016    |               | 9/30/2017    |             | 12/31/2016    |             |
|   | Assets        | Liabilities   | Assets        | Liabilities   | Assets       | Liabilities | Assets        | Liabilities |
| Subsidiaries:                                       |               |               |               |               |              |             |               |             |
| Eternit da Amazônia Indústria de Fibrocimento LTDA. | 12,473        | 5,275         | 4,926         | 1,155         | -            | -           | -             | -           |
| Precon Goiás Industrial LTDA.                       | 3,894         | 545           | 2,373         | 3,388         | -            | -           | -             | -           |
| Prel Empreendimentos e Participações LTDA.          | -             | 2,364         | 127           | 1,811         | -            | -           | -             | -           |
| Sama S.A.   | 2,683         | 30,344        | 5,928         | 50,851        | -            | -           | -             | -           |
| Tégula Soluções para Telhados LTDA.                 | 1,586         | -             | 12,744        | 9             | -            | -           | -             | -           |
| Wagner LTDA.  | -             | 4,460         | -             | 4,191         | -            | -           | -             | -           |
| Joint venture:                                      |               |               |               |               |              |             |               |             |
| Companhia Sulamericana de Cerâmica                  | 8,673         | -             | 16,703        | -             | 8,673        | -           | 16,703        | -           |
| <b>Total</b>  | <b>29,309</b> | <b>42,988</b> | <b>42,801</b> | <b>61,405</b> | <b>8,673</b> | <b>-</b>    | <b>16,703</b> | <b>-</b>    |
| Current   | 22,582        | 8,898         | 14,819        | 25,393        | 2,771        | -           | 718           | -           |
| Noncurrent  | 6,727         | 34,090        | 27,982        | 36,012        | 5,902        | -           | 15,985        | -           |

The Company holds joint control of Companhia Sulamericana de Cerâmica; therefore, the Parent's related-party balances correspond to those of the consolidated.

| Assets   | Parent                |            |                  |            |              |              |                     |              |                       |              |              |               |
|--|-----------------------|------------|------------------|------------|--------------|--------------|---------------------|--------------|-----------------------|--------------|--------------|---------------|
|  | Trade receivables (i) |            | Debit notes (ii) |            | Dividends    |              | Interest on capital |              | Advances to suppliers |              | Loan (iii)   |               |
|  | 9/30/2017             | 12/31/2016 | 9/30/2017        | 12/31/2016 | 9/30/2017    | 12/31/2016   | 9/30/2017           | 12/31/2016   | 9/30/2017             | 12/31/2016   | 9/30/2017    | 12/31/2016    |
| Eternit da Amazônia Indústria de Fibrocimento LTDA | -                     | -          | 23               | 19         | -            | -            | -                   | -            | 12,450                | 4,907        | -            | -             |
| Precon Goiás Industrial LTDA                       | 1,289                 | 114        | 338              | 31         | 1,800        | 1,217        | 467                 | 1,011        | -                     | -            | -            | -             |
| Prel Empreendimentos e Participações LTDA          | -                     | -          | -                | -          | -            | 127          | -                   | -            | -                     | -            | -            | -             |
| Sama S.A.  | -                     | -          | 283              | 328        | -            | 4,178        | 1,392               | 1,422        | -                     | -            | 1,008        | -             |
| Tégula Soluções para Telhados LTDA                 | 18                    | -          | 37               | 41         | -            | -            | 706                 | 706          | -                     | -            | 825          | 11,997        |
| Companhia Sulamericana de Cerâmica                 | 1,676                 | 425        | 1,095            | 293        | -            | -            | -                   | -            | -                     | -            | 5,902        | 15,985        |
|  | <b>2,983</b>          | <b>539</b> | <b>1,776</b>     | <b>712</b> | <b>1,800</b> | <b>5,522</b> | <b>2,565</b>        | <b>3,139</b> | <b>12,450</b>         | <b>4,907</b> | <b>7,735</b> | <b>27,982</b> |

Eternit S.A.

| Liabilities   | Parent             |               |                  |            |           |            |                         |              |               |               |
|---|--------------------|---------------|------------------|------------|-----------|------------|-------------------------|--------------|---------------|---------------|
|   | Trade payables (i) |               | Debit notes (ii) |            | Rental    |            | Advances from customers |              | Loan (iii)    |               |
|   | 9/30/2017          | 12/31/2016    | 9/30/2017        | 12/31/2016 | 9/30/2017 | 12/31/2016 | 9/30/2017               | 12/31/2016   | 9/30/2017     | 12/31/2016    |
| Eternit da Amazônia Indústria de Fibrocimento LTDA. | 5,275              | 1,155         | -                | -          | -         | -          | -                       | -            | -             | -             |
| Precon Goiás Industrial LTDA.                       | 545                | 1,947         | -                | 26         | -         | -          | -                       | 1,415        | -             | -             |
| Prel Empreendimentos e Participações LTDA.          | -                  | -             | 2                | 1          | 46        | 74         | -                       | -            | 2,316         | 1,736         |
| Sama S.A.   | 1,811              | 19,539        | 29               | 36         | -         | -          | -                       | -            | 28,504        | 31,276        |
| Tégula Soluções para Telhados LTDA.                 | -                  | -             | -                | 9          | -         | -          | -                       | -            | -             | -             |
| Wagner LTDA.  | -                  | -             | 3                | 4          | -         | -          | 1,187                   | 1,187        | 3,270         | 3,000         |
|   | <u>7,631</u>       | <u>22,641</u> | <u>34</u>        | <u>76</u>  | <u>46</u> | <u>74</u>  | <u>1,187</u>            | <u>2,602</u> | <u>34,090</u> | <u>36,012</u> |

(i) The balances of purchases and sales refer basically to the supply of raw material (chrysotile) and/or finished products and provision of services and/or rental agreements, eliminated in the Company's consolidated interim financial information. The joint venture, which is consolidated under the equity method, is not eliminated upon consolidation.

(ii) Refer basically to reimbursements of expenses without predetermined maturity.

(iii) Refer to loan agreements subject to Tax on Financial Transactions (IOF), Withholding Income Tax (IRRF) and 100% and 122% fluctuation of the CDI rate, payable within 24 months counted from amendment date, renewable for another 24-month period.

| Profit or loss                                      | Parent       |              |               |               |                         |              |                               |                |                               |              |                                 |              |
|---|--------------|--------------|---------------|---------------|-------------------------|--------------|-------------------------------|----------------|-------------------------------|--------------|---------------------------------|--------------|
|   | Sales        |              | Purchases     |               | Administrative expenses |              | Expenses on interest on loans |                | Income from interest on loans |              | Income from interest on capital |              |
|   | 9/30/2017    | 9/30/2016    | 9/30/2017     | 9/30/2016     | 9/30/2017               | 9/30/2016    | 9/30/2017                     | 9/30/2016      | 9/30/2017                     | 9/30/2016    | 9/30/2017                       | 9/30/2016    |
| Eternit da Amazônia Indústria de Fibrocimento LTDA. | -            | -            | 26,141        | 14,521        | -                       | -            | -                             | -              | -                             | -            | -                               | -            |
| Precon Goiás Industrial LTDA.                       | 5,851        | 6,841        | 1,258         | 3,324         | -                       | -            | -                             | -              | -                             | -            | 1,604                           | 1,576        |
| Prel Empreendimentos e Participações LTDA.          | -            | -            | -             | -             | (554)                   | (901)        | -                             | -              | -                             | -            | -                               | -            |
| Sama S.A.   | 17           | -            | 27,847        | 52,889        | -                       | -            | (2,451)                       | (3,806)        | 11                            | -            | 3,101                           | 5,009        |
| Tégula Soluções para Telhados LTDA.                 | 26           | 178          | -             | -             | -                       | -            | -                             | -              | 32                            | 1,036        | -                               | -            |
| Companhia Sulamericana de Cerâmica                  | -            | 1,413        | -             | -             | -                       | -            | -                             | -              | 853                           | 530          | -                               | -            |
|   | <u>5,894</u> | <u>8,432</u> | <u>55,246</u> | <u>70,734</u> | <u>(554)</u>            | <u>(901)</u> | <u>(2,451)</u>                | <u>(3,806)</u> | <u>896</u>                    | <u>1,566</u> | <u>4,705</u>                    | <u>6,585</u> |

Related-party transactions are carried out based on terms and conditions established among the parties; in the period ended September 30, 2017, there are no outstanding collaterals with related parties nor allowance for losses on due from related parties.

## b) Key management personnel compensation

The Group paid to its Management short-term benefits, wages and variable compensation, as follows:

|                          | Parent           |                  | Consolidated     |                  |
|--------------------------|------------------|------------------|------------------|------------------|
|                          | <u>9/30/2017</u> | <u>9/30/2016</u> | <u>9/30/2017</u> | <u>9/30/2016</u> |
| Wages, fees and benefits | 4,262            | 3,591            | 5,054            | 4,252            |
| Related taxes            | 1,187            | 1,069            | 1,294            | 1,342            |
| Profit sharing           | -                | 1,080            | -                | 1,220            |
| Postemployment benefit   | 105              | 65               | 105              | 65               |
|                          | <u>5,554</u>     | <u>5,805</u>     | <u>6,453</u>     | <u>6,879</u>     |

The Group's Board of Directors approved an incentive plan for the acquisition of the Company's shares by the Executive Board. The Group offers supplementary profit sharing to officers who invest up to 100% of the net profit sharing amount received in the Company's shares. Such supplementary profit sharing will be proportional to the net profit sharing amount invested and must be fully used to acquire the Company's shares. The plan establishes specific stock acquisition and trading rules, such as minimum three-year period after the acquisition to trade shares, limited to 30% after the third year, 30% after the fourth year and 30% after the fifth year, and 10% will be retained and can only be traded upon the officer's dismissal/retirement. Officers must also abide by the trading rules set out in CVM Instruction 358/02.

The incentive plan for the acquisition of shares is not classified as share-based payment (technical pronouncement CPC 10 R1 - Share-based Payment), as the executive does not receive shares directly from Eternit, but he/she rather receives the amount corresponding to up to 100% of the net amount distributed as profit sharing and acquires the Company's shares through an outside stock broker.

In the period ended September 30, 2017, the Executive Board's shareholding structure was comprised of 325,100 shares - ETER3 (1,212,660 shares - ETER3 in the year ended December 31, 2016).

Variation in the Executive Board's shares

|                   |           |
|-------------------|-----------|
| In December 2016  | 1,212,660 |
| Purchase          | 266,500   |
| Sale              | (192,900) |
| Other *           | (961,160) |
| In September 2017 | 325,100   |

(\*) Amount in "Others" refers to variations arising from the dismissal of members of the Executive Board.

## 11. PROPERTY, PLANT AND EQUIPMENT

|   | Parent       |                            |                         |                 |                 |              |                        |                |                           |                  |
|---|--------------|----------------------------|-------------------------|-----------------|-----------------|--------------|------------------------|----------------|---------------------------|------------------|
|   | Land         | Buildings and improvements | Machinery and equipment | Tools and molds | Facilities      | Company cars | Furniture and fixtures | IT equipment   | Constructions in progress | Total            |
| Cost:                                   |              |                            |                         |                 |                 |              |                        |                |                           |                  |
| Balances as at January 1, 2016          | 3,178        | 35,254                     | 142,993                 | 13,536          | 86,498          | 1,415        | 6,411                  | 4,735          | 10,455                    | 304,475          |
| Additions                               | -            | -                          | -                       | -               | -               | -            | -                      | -              | 8,662                     | 8,662            |
| Write-offs                              | -            | (1)                        | (167)                   | -               | (30)            | (66)         | (20)                   | (171)          | -                         | (455)            |
| Transfers                               | -            | 438                        | 15,234                  | 542             | 2,159           | -            | 96                     | 205            | (18,674)                  | -                |
| Balances as at December 31, 2016        | <u>3,178</u> | <u>35,691</u>              | <u>158,060</u>          | <u>14,078</u>   | <u>88,627</u>   | <u>1,349</u> | <u>6,487</u>           | <u>4,769</u>   | <u>443</u>                | <u>312,682</u>   |
| Additions                               | -            | -                          | -                       | -               | -               | -            | -                      | -              | 2,854                     | 2,854            |
| Write-offs                              | -            | -                          | (742)                   | -               | (194)           | (72)         | (44)                   | (83)           | -                         | (1,135)          |
| Transfers                               | -            | 755                        | 1,633                   | 1               | 398             | -            | 25                     | 68             | (2,880)                   | -                |
| Transfer due to tax credit recovery (*) | -            | (282)                      | (5,928)                 | (77)            | (781)           | -            | -                      | -              | -                         | (7,068)          |
| Balances as at September 30, 2017       | <u>3,178</u> | <u>36,164</u>              | <u>153,023</u>          | <u>14,002</u>   | <u>88,050</u>   | <u>1,277</u> | <u>6,468</u>           | <u>4,754</u>   | <u>417</u>                | <u>307,333</u>   |
| Average depreciation rates              | -            | 4%                         | 8,6%                    | 15%             | 10%             | 20%          | 10%                    | 20%            | -                         | -                |
| Accumulated depreciation:               |              |                            |                         |                 |                 |              |                        |                |                           |                  |
| Balances as at January 1, 2016          | -            | (20,870)                   | (52,066)                | (11,412)        | (57,183)        | (987)        | (3,644)                | (3,393)        | -                         | (149,555)        |
| Additions                               | -            | (836)                      | (5,026)                 | (601)           | (5,695)         | (51)         | (490)                  | (454)          | -                         | (13,153)         |
| Write-offs                              | -            | 1                          | 155                     | -               | 30              | 66           | 16                     | 170            | -                         | 438              |
| Balances as at December 31, 2016        | <u>-</u>     | <u>(21,705)</u>            | <u>(56,937)</u>         | <u>(12,013)</u> | <u>(62,848)</u> | <u>(972)</u> | <u>(4,118)</u>         | <u>(3,677)</u> | <u>-</u>                  | <u>(162,270)</u> |
| Additions                               | -            | (634)                      | (3,777)                 | (379)           | (4,196)         | (39)         | (344)                  | (315)          | -                         | (9,684)          |
| Write-offs                              | -            | -                          | 702                     | -               | 191             | 72           | 34                     | 69             | -                         | 1,068            |
| Transfer due to tax credit recovery (*) | -            | 26                         | 946                     | 21              | 211             | -            | -                      | -              | -                         | 1,204            |
| Balances as at September 30, 2017       | <u>-</u>     | <u>(22,313)</u>            | <u>(59,066)</u>         | <u>(12,371)</u> | <u>(66,642)</u> | <u>(939)</u> | <u>(4,428)</u>         | <u>(3,923)</u> | <u>-</u>                  | <u>(169,682)</u> |
| Residual value:                         |              |                            |                         |                 |                 |              |                        |                |                           |                  |
| As at December 31, 2016                 | 3,178        | 13,986                     | 101,123                 | 2,065           | 25,779          | 377          | 2,369                  | 1,092          | 443                       | 150,412          |
| As at September 30, 2017                | 3,178        | 13,851                     | 93,957                  | 1,631           | 21,408          | 338          | 2,040                  | 831            | 417                       | 137,651          |

(\*) Refers to the transfer of the Pis and Cofins amounts allocated to property, plant and equipment items to "Recoverable taxes", in accordance with Law 12,546/2011.

All credits transferred were offset within the period.

|   | Consolidated |                            |                         |                      |                 |            |              |                   |                        |              |                      |                        |                           |           |
|---|--------------|----------------------------|-------------------------|----------------------|-----------------|------------|--------------|-------------------|------------------------|--------------|----------------------|------------------------|---------------------------|-----------|
|   | Land         | Buildings and improvements | Machinery and equipment | Extraction machinery | Tools and molds | Facilities | Company cars | Off-road vehicles | Furniture and fixtures | IT equipment | Mine decommissioning | Mine containment works | Constructions in progress | Total     |
| Cost:                                   |              |                            |                         |                      |                 |            |              |                   |                        |              |                      |                        |                           |           |
| Balances as at January 1, 2016          | 6,561        | 88,111                     | 327,327                 | 30,713               | 27,322          | 240,610    | 23,674       | 1,718             | 18,311                 | 9,699        | 5,778                | 13,387                 | 12,832                    | 806,043   |
| Additions                               | -            | -                          | -                       | -                    | -               | -          | -            | -                 | -                      | -            | -                    | -                      | 14,587                    | 14,587    |
| Write-offs                              | (916)        | (5,257)                    | (14,807)                | -                    | (7,004)         | (4,725)    | (1,557)      | -                 | (428)                  | (686)        | -                    | -                      | (8)                       | (35,388)  |
| Transfers                               | 10           | (2,093)                    | 17,336                  | 146                  | 3,291           | 8,424      | -            | -                 | (2,553)                | 314          | 805                  | -                      | (25,680)                  | -         |
| Balances as at December 31, 2016        | 5,655        | 80,761                     | 329,856                 | 30,859               | 23,609          | 244,309    | 22,117       | 1,718             | 15,330                 | 9,327        | 6,583                | 13,387                 | 1,731                     | 785,242   |
| Additions                               | 240          | 1,141                      | -                       | -                    | -               | 1,022      | -            | -                 | -                      | -            | -                    | -                      | 3,304                     | 5,707     |
| Write-offs                              | -            | -                          | (1,551)                 | -                    | -               | (194)      | (940)        | -                 | (77)                   | (89)         | -                    | -                      | -                         | (2,851)   |
| Transfers                               | (1)          | 794                        | 2,503                   | -                    | 4               | 707        | 5            | (2)               | 76                     | 98           | -                    | -                      | (4,184)                   | -         |
| Transfer due to tax credit recovery (*) | -            | (282)                      | (5,928)                 | -                    | (77)            | (781)      | -            | -                 | -                      | -            | -                    | -                      | -                         | (7,068)   |
| Balances as at September 30, 2017       | 5,894        | 82,414                     | 324,880                 | 30,859               | 23,536          | 245,063    | 21,182       | 1,716             | 15,329                 | 9,336        | 6,583                | 13,387                 | 851                       | 781,030   |
| Average depreciation rates              | -            | 4%                         | 8,6%                    | 28,4%                | 15%             | 10%        | 20%          | 26,8%             | 10%                    | 20%          | 2,9%                 | 5,3%                   | -                         | -         |
| Accumulated depreciation:               |              |                            |                         |                      |                 |            |              |                   |                        |              |                      |                        |                           |           |
| Balances as at January 1, 2016          | -            | (50,981)                   | (116,737)               | (27,809)             | (24,475)        | (184,532)  | (21,078)     | (1,670)           | (10,613)               | (7,237)      | (1,781)              | (5,083)                | -                         | (451,996) |
| Additions                               | -            | (2,221)                    | (11,899)                | (2,244)              | (1,486)         | (13,926)   | (839)        | (46)              | (1,146)                | (880)        | (263)                | (823)                  | -                         | (35,773)  |
| Write-offs                              | -            | 2,101                      | 6,226                   | -                    | 6,619           | 2,807      | 1,527        | -                 | 304                    | 659          | -                    | -                      | -                         | 20,243    |
| Transfers                               | -            | 1,453                      | (1,147)                 | -                    | (1,085)         | (822)      | (2)          | -                 | 1,602                  | 1            | -                    | -                      | -                         | -         |
| Balances as at December 31, 2016        | -            | (49,648)                   | (123,557)               | (30,053)             | (20,427)        | (196,473)  | (20,392)     | (1,716)           | (9,853)                | (7,457)      | (2,044)              | (5,906)                | -                         | (467,526) |
| Additions                               | -            | (2,158)                    | (9,115)                 | (806)                | (1,128)         | (10,751)   | (422)        | -                 | (811)                  | (571)        | (197)                | (617)                  | -                         | (26,576)  |
| Write-offs                              | -            | 13                         | 869                     | -                    | 22              | 208        | 719          | -                 | 67                     | 73           | -                    | -                      | -                         | 1,971     |
| Transfer due to tax credit recovery (*) | -            | 26                         | 946                     | -                    | 21              | 211        | -            | -                 | -                      | -            | -                    | -                      | -                         | 1,204     |
| Balances as at September 30, 2017       | -            | (51,767)                   | (130,857)               | (30,859)             | (21,512)        | (206,805)  | (20,095)     | (1,716)           | (10,597)               | (7,955)      | (2,241)              | (6,523)                | -                         | (490,927) |
| Residual value:                         |              |                            |                         |                      |                 |            |              |                   |                        |              |                      |                        |                           |           |
| As at December 31, 2016                 | 5,655        | 31,113                     | 206,299                 | 806                  | 3,182           | 47,836     | 1,725        | 2                 | 5,477                  | 1,870        | 4,539                | 7,481                  | 1,731                     | 317,716   |
| As at September 30, 2017                | 5,894        | 30,647                     | 194,023                 | -                    | 2,024           | 38,258     | 1,087        | -                 | 4,732                  | 1,381        | 4,342                | 6,864                  | 851                       | 290,103   |

(\*) Refers to the transfer of the Pis and Cofins amounts allocated to property, plant and equipment items to "Recoverable taxes", in accordance with Law 12,546/2011. All credits transferred were offset within the period.

The property, plant and equipment items pledged as collateral are disclosed in note 28.

On August 22, 2017, a decision was handed down against the subsidiary Sama S.A. by the lower court, in the Civil Class Action (ACP) in the State of Bahia, ordering the inalienability of items of noncurrent assets amounting to R\$34,332 as at September 30, 2017 (R\$43,573 as at December 31, 2016). According to our legal counsel, the Company believes that there is a possible likelihood of a favorable outcome.

## 12. TRADE PAYABLES

|                 | Parent        |               | Consolidated  |               |
|-----------------|---------------|---------------|---------------|---------------|
|                 | 9/30/2017     | 12/31/2016    | 9/30/2017     | 12/31/2016    |
| Domestic market | 18,797        | 18,989        | 28,990        | 31,694        |
| Foreign market  | -             | 1,613         | -             | 1,872         |
|                 | <u>18,797</u> | <u>20,602</u> | <u>28,990</u> | <u>33,566</u> |

## 13. BORROWINGS AND FINANCING

| BM20  | Finance charges                                      | Parent        |               |                |               |               |                |
|---|--|---------------|---------------|----------------|---------------|---------------|----------------|
|   |  | 9/30/2017     |               |                | 12/31/2016    |               |                |
|   |  | Current       | Noncurrent    | Total          | Current       | Noncurrent    | Total          |
| Local currency  |  |               |               |                |               |               |                |
| For acquisition of machinery and equipment                        | 2.85% p.a.+ Selic and 3.85% p.a.+ TJLP               | 932           | 302           | 1,234          | 1,487         | 1,365         | 2,852          |
| Total local currency  |  | <u>932</u>    | <u>302</u>    | <u>1,234</u>   | <u>1,487</u>  | <u>1,365</u>  | <u>2,852</u>   |
| Foreign currency  |  |               |               |                |               |               |                |
| For acquisition of machinery and equipment                        | 2.85% p.a.+ Selic and 3.85% p.a.+ TJLP               | 1,787         | -             | 1,787          | 2,890         | 1,339         | 4,229          |
| For acquisition of raw material                                   | From 2.71% to 2.73% p.a. + Exchange differences US\$ | 2,074         | -             | 2,074          | 4,800         | 1,110         | 5,910          |
| For acquisition of raw material                                   | 116.76% p.a. of CDI                                  | 839           | -             | 839            | 1,699         | -             | 1,699          |
| Total foreign currency  |  | <u>4,700</u>  | <u>-</u>      | <u>4,700</u>   | <u>9,389</u>  | <u>2,449</u>  | <u>11,838</u>  |
|   |  | <u>5,632</u>  | <u>302</u>    | <u>5,934</u>   | <u>10,876</u> | <u>3,814</u>  | <u>14,690</u>  |
|   |  |               |               |                |               |               |                |
| BM20  | Finance charges                                      | Consolidated  |               |                |               |               |                |
|   |  | 9/30/2017     |               |                | 12/31/2016    |               |                |
|   |  | Current       | Noncurrent    | Total          | Current       | Noncurrent    | Total          |
| Local currency  |  |               |               |                |               |               |                |
| For acquisition of machinery and equipment                        | 2.85% p.a.+ Selic and 3.85% p.a.+ TJLP               | 932           | 302           | 1,234          | 2,291         | 2,008         | 4,299          |
| For working capital (overdraft account)                           |  | -             | -             | -              | -             | -             | -              |
| For acquisition of machinery, equipment and services              | 100% of CDI From 7.06% to 8.24% p.a.                 | 1,847         | 34,803        | 36,650         | 165           | 36,493        | 36,658         |
| For working capital - export credit note (NCE)                    | From 123.40% to 125.00% of CDI                       | 15,842        | -             | 15,842         | 21,091        | -             | 21,091         |
| Total local currency  |  | <u>18,621</u> | <u>35,105</u> | <u>53,726</u>  | <u>23,547</u> | <u>38,501</u> | <u>62,048</u>  |
| Foreign currency  |  |               |               |                |               |               |                |
| For acquisition of machinery and equipment                        | From 2.98% to 3.23% p.a. + Exchange differences US\$ | 10,384        | 4,578         | 14,962         | 12,129        | 15,468        | 27,597         |
| For acquisition of raw material                                   | From 2.71% to 2.73% p.a. + Exchange differences US\$ | 2,074         | -             | 2,074          | 4,800         | 1,110         | 5,910          |
| For acquisition of raw material                                   | 116.76% p.a. of CDI                                  | 839           | -             | 839            | 1,699         | -             | 1,699          |
| For working capital - export credit note (NCE)                    | 118.00% of CDI                                       | -             | -             | -              | 15,561        | -             | 15,561         |
| For working capital - advance on foreign exchange contracts (ACE) | 2.80% and 4.22% p.a. + Exchange differences US\$     | 28,541        | -             | 28,541         | 11,552        | -             | 11,552         |
| Total foreign currency  |  | <u>41,838</u> | <u>4,578</u>  | <u>46,416</u>  | <u>45,741</u> | <u>16,578</u> | <u>62,319</u>  |
|   |  | <u>60,459</u> | <u>39,683</u> | <u>100,142</u> | <u>69,288</u> | <u>55,079</u> | <u>124,367</u> |

Payment flow of the noncurrent portion

|              | Parent           |                   | Consolidated     |                   |
|--------------|------------------|-------------------|------------------|-------------------|
|              | <u>9/30/2017</u> | <u>12/31/2016</u> | <u>9/30/2017</u> | <u>12/31/2016</u> |
| 2018         | 226              | 3,089             | 1,239            | 12,921            |
| 2019         | 76               | 725               | 8,708            | 9,720             |
| 2020         | -                | -                 | 4,055            | 4,131             |
| 2021         | -                | -                 | 4,055            | 4,055             |
| 2022         | -                | -                 | 4,055            | 4,055             |
| 2023 to 2027 | -                | -                 | 17,571           | 20,197            |
|              | <u>302</u>       | <u>3,814</u>      | <u>39,683</u>    | <u>55,079</u>     |

The Group is not subject to covenants. Any collaterals are disclosed in note 28.

## 14. PAYROLL AND RELATED TAXES

|                                     | Parent           |                   | Consolidated     |                   |
|-------------------------------------|------------------|-------------------|------------------|-------------------|
|                                     | <u>9/30/2017</u> | <u>12/31/2016</u> | <u>9/30/2017</u> | <u>12/31/2016</u> |
| 13th salary                         | 3,588            | -                 | 5,621            | -                 |
| Vacation pay                        | 6,764            | 8,576             | 10,389           | 14,322            |
| Profit sharing (a)                  | 389              | 1,314             | 2,238            | 4,232             |
| Bonuses                             | 546              | -                 | 926              | -                 |
| Severance Pay Fund (FGTS)           | 280              | 576               | 386              | 1,002             |
| Social Security Contribution (INSS) | 1,506            | 1,941             | 2,769            | 3,322             |
| Other                               | 56               | 6                 | 91               | 510               |
|                                     | <u>13,129</u>    | <u>12,413</u>     | <u>22,420</u>    | <u>23,388</u>     |

- (a) The Group offers profit sharing to its employees and the amount payable is calculated pursuant to the collective bargaining agreement entered into with the Group companies. The amounts of profit sharing expenses recorded are broken down below:

|                         | Parent           |                  | Consolidated     |                  |
|-------------------------|------------------|------------------|------------------|------------------|
|                         | <u>9/30/2017</u> | <u>9/30/2016</u> | <u>9/30/2017</u> | <u>9/30/2016</u> |
| Profit sharing expenses | -                | 109              | 1,723            | 2,205            |

## 15. TAXES, FEES AND CONTRIBUTIONS PAYABLE

|  | Parent        |               | Consolidated  |               |
|--|---------------|---------------|---------------|---------------|
|  | 9/30/2017     | 12/31/2016    | 9/30/2017     | 12/31/2016    |
| Current:                                     |               |               |               |               |
| Corporate Income Tax (IRPJ)                  | -             | -             | 208           | 1,940         |
| Social Contribution on Net Profit (CSLL)     | -             | -             | 81            | 344           |
| State VAT (ICMS)                             | 6,157         | 8,108         | 7,892         | 10,657        |
| Federal VAT (IPI)                            | 1,775         | 2,410         | 2,159         | 2,832         |
| Tax on revenue (COFINS)                      | 1,706         | 1,960         | 2,253         | 2,642         |
| Tax on revenue (PIS)                         | 370           | 397           | 489           | 546           |
| Withholding Income Tax (IRRF)                | 454           | 1,021         | 755           | 1,967         |
| Federal VAT (IPI)                            | 7             | 31            | 36            | 74            |
| Financial compensation for mineral resources | -             | -             | 709           | 885           |
| Social Security Contribution (INSS)          | 41            | 41            | 135           | 154           |
| Service Tax (ISS)                            | 32            | 12            | 74            | 63            |
| Other  | 59            | 50            | 121           | 156           |
|  | <u>10,601</u> | <u>14,030</u> | <u>14,912</u> | <u>22,260</u> |
| Noncurrent:                                  |               |               |               |               |
| ICMS (*)                                     | <u>542</u>    | <u>1,746</u>  | <u>3,739</u>  | <u>4,699</u>  |

(\*) ICMS originated from the tax incentive programs PRODUIZIR and DESENVOLVE in the Parent and FOMENTAR in subsidiary Precon, and also FUNDOPEM and PRODUIZIR in subsidiary Tégula and INCENTIVE of 7% and 90.25%, respectively, in Eternit da Amazônia.

## 16. ACCRUED POST-EMPLOYMENT BENEFITS

## a) Future benefits

The Group, based on an actuarial report prepared by an independent specialized company, accounts for an accrual to cover future health benefits (healthcare plan and laboratory tests) of former employees. The assumptions and calculations are reviewed on annual basis.

## (i) Main actuarial assumptions used to determine the present value of benefits

|   |         |
|---|---------|
| Annual real actuarial interest rate         | 6.14%   |
| Annual real growth rate of healthcare costs | 3.80%   |
| Annual projected inflation rate             | 5.15%   |
| General mortality table                     | AT-2000 |

## (ii) Post-employment benefit plan liability

|            | Parent        |               | Consolidated  |               |
|------------|---------------|---------------|---------------|---------------|
|            | 9/30/2017     | 12/31/2016    | 9/30/2017     | 12/31/2016    |
| Current    | 3,184         | 3,184         | 5,115         | 5,115         |
| Noncurrent | <u>37,972</u> | <u>37,128</u> | <u>50,632</u> | <u>50,104</u> |
|            | <u>41,156</u> | <u>40,312</u> | <u>55,747</u> | <u>55,219</u> |

- (iii) The benefit expense was recorded in "Other operating income (expenses), net" in profit or loss.

|                                       | Parent           |                  | Consolidated     |                  |
|---------------------------------------|------------------|------------------|------------------|------------------|
|                                       | <u>9/30/2017</u> | <u>9/30/2016</u> | <u>9/30/2017</u> | <u>9/30/2016</u> |
| Cost of interest and current services | 3,232            | 3,401            | 4,364            | 4,750            |
| Benefits paid                         | <u>(2,388)</u>   | <u>(2,063)</u>   | <u>(3,836)</u>   | <u>(3,669)</u>   |
| Net benefit gain                      | <u>844</u>       | <u>1,338</u>     | <u>528</u>       | <u>1,081</u>     |

b) Supplementary pension plan

The Group has an open-end supplementary pension plan contracted from a duly authorized private pension entity. The contribution is made for all employees and officers under the Free Benefit Generating Plan (PGBL) and defined contribution plan. There was no need to supplement the accrual recorded as at September 30, 2017.

In the period ended September 30, 2017, the Group and its participants made contributions to sponsor the benefit plans at the following amounts:

|   | Parent           |                  | Consolidated     |                  |
|---|------------------|------------------|------------------|------------------|
|   | <u>9/30/2017</u> | <u>9/30/2016</u> | <u>9/30/2017</u> | <u>9/30/2016</u> |
| Contributions made in the periods ended | 424              | 876              | 1,617            | 2,357            |

## 17. EQUITY

a) Capital

As at September 30, 2017 and December 31, 2016, the Company's capital, fully subscribed and paid in amounted to R\$334,251 and was represented by 179,000,000 registered, book-entry common shares, without par value and with voting rights at the resolutions of the General Meeting, held as follows:

| Shareholding structure       | 9/30/2017           |                    | 12/31/2016          |                    |
|------------------------------|---------------------|--------------------|---------------------|--------------------|
|                              | <u>Shareholders</u> | <u>Shares</u>      | <u>Shareholders</u> | <u>Shares</u>      |
| Individuals                  | 9,883               | 146,846,057        | 10,507              | 138,669,276        |
| Legal entities               | 84                  | 2,364,113          | 80                  | 2,698,925          |
| Individuals residing abroad  | 49                  | 7,577,212          | 71                  | 12,990,161         |
| Clubs, funds and foundations | <u>49</u>           | <u>22,153,886</u>  | <u>62</u>           | <u>24,582,906</u>  |
|                              | 10,065              | 178,941,268        | 10,720              | 178,941,268        |
| Treasury shares              | <u>1</u>            | <u>58,732</u>      | <u>1</u>            | <u>58,732</u>      |
|                              | <u>10,066</u>       | <u>179,000,000</u> | <u>10,721</u>       | <u>179,000,000</u> |

The Company is authorized to increase its capital up to the limit of R\$1,000 thousand, regardless of any amendment to the bylaws, upon resolution of the Board of Directors, which will establish the issuance price of the shares and other conditions for the respective subscription and payment.

## b) Treasury shares

As at September 30, 2017, the fair value of the Company's treasury shares was R\$68.00 (R\$78.00 as at December 31, 2016).

## c) Earnings (loss) per share

Loss is reconciled to the amounts used to calculate basic and diluted loss per share as follows:

|   | Parent           |                  |
|---|------------------|------------------|
|   | <u>9/30/2017</u> | <u>9/30/2016</u> |
| Dilution effect:  |                  |                  |
| Loss for the period attributable to the controlling shareholders  | (46,645)         | (8,056)          |
| Weighted average number of outstanding common shares, less average number of common shares held in treasury | 178,941          | 178,941          |
| Basic and diluted loss per share - R\$  | (0,2607)         | (0,0450)         |

There is no dilutive effect that must be taken into consideration in the calculation.

## d) Dividends and interest on capital

There was no payment of dividends and interest on capital in the period ended September 30, 2017. The balance of outstanding prior-period dividends payable as at September 30, 2017 is broken down as follows:

|                        | Parent and Consolidated |                   |
|------------------------|-------------------------|-------------------|
|                        | <u>9/30/2017</u>        | <u>12/31/2016</u> |
| Prior-period dividends | <u>250</u>              | <u>426</u>        |
|                        | <u>250</u>              | <u>426</u>        |

## 18. GOVERNMENT GRANTS

## a) Precon – investment grant - Agência de Fomento Goiás S.A., Goiás State company - FOMENTAR

Precon is eligible to a tax decrease of 70% on the ICMS calculated arising from the sale of products manufactured at the unit established in the municipality of Anápolis -GO. Out of the contractual amount, R\$57,768 was used, remaining a balance of R\$26,991 to be used through the end of such benefit agreement on December 31, 2040.

In the period ended September 30, 2017, the benefit amount totaled R\$882 (R\$2,032 as at December 31, 2016). The benefit is treated as investment grant, as Precon conceptually benefits from the grant through a tax decrease, refund or exemption, which is intended to expand its activity.

b) Eternit – investment grant - Programa de Desenvolvimento Industrial de Goiás - PRODUZIR

Eternit is eligible to a tax decrease of 73% on the ICMS calculated arising from the sale of products manufactured at the unit established in the municipality of Goiânia -GO. The Company used R\$30,527 out of the contractual amount, a balance of R\$33,242 remaining for use through the end of such benefit agreement, the residual balance being adjusted based on the General Market Price Index (IGP-M), on December 31, 2020.

In the period ended September 30, 2017, the benefit amount totaled R\$1,800 (R\$6,083 as at December 31, 2016). The benefit is treated as investment grant, as the Company conceptually benefits from the grant through a tax decrease, refund or exemption, which is intended to expand its activity.

c) Eternit - investment grant - Northeast Development Authority (SUDENE)

The Company is eligible to a tax decrease of 75% of the non-refundable income tax and surtaxes based on the exploration profit in favor of the Company. The benefit period expires in calendar year 2020.

Grants are recorded in "Net operating revenue" in the statement of profit and loss for the year.

## 19. INCOME TAX AND SOCIAL CONTRIBUTION

a) Reconciliation of income tax and social contribution expenses to their notional amounts.

The reconciliation of effective and statutory income tax and social contribution rates is as follows:

|  | Parent       |              | Consolidated |                |
|--|--------------|--------------|--------------|----------------|
|  | 9/30/2017    | 9/30/2016    | 9/30/2017    | 9/30/2016      |
| Profit (loss) before income tax and social contribution                | (51,354)     | (12,098)     | (48,473)     | 1,234          |
| Statutory rate   | 34%          | 34%          | 34%          | 34%            |
| Income tax and social contribution at statutory rates                  | 17,460       | 4,113        | 16,481       | (420)          |
| Effect of income tax and social contribution on permanent differences: |              |              |              |                |
| Share of profit (loss) of subsidiaries                                 | (6,820)      | 2,311        | (7,053)      | (6,477)        |
| Interest on capital  | (1,600)      | (2,238)      | -            | -              |
| Donations and gifts  | (24)         | (41)         | (346)        | (598)          |
| Non-deductible taxes and fines   | (32)         | (96)         | (91)         | (157)          |
| Tax incentive  | -            | -            | 303          | 48             |
| Provision for tax, civil and labor risks                               | 267          | -            | (1,731)      | -              |
| Provision for PIS and COFINS (finance income)                          | (52)         | (298)        | (67)         | (298)          |
| Allowance for property, plant and equipment losses                     | -            | -            | 1,306        | -              |
| Gain (loss) on swap transaction  | (51)         | (154)        | (51)         | (270)          |
| Tax loss without recognition of deferred tax                           | (4,266)      | -            | (7,240)      | (2,429)        |
| Other (additions) deductions, net                                      | (173)        | 445          | 317          | 1,309          |
| Income tax and social contribution in profit or loss                   | <u>4,709</u> | <u>4,042</u> | <u>1,828</u> | <u>(9,292)</u> |

## b) Breakdown of deferred income tax and social contribution

The estimated realization of deferred taxes can be subject to changes, as a major portion of such changes is subject to court rulings over which the Group has no control, nor can it estimate when the appellate court's decision will be handed down.

Deferred income tax and social contribution in noncurrent assets refer to the income tax and social contribution on temporary differences in the calculation of taxable income and tax loss carryforwards, as follows:

|                                      | <u>Parent</u> | <u>Consolidated</u> |
|--------------------------------------|---------------|---------------------|
| Balance as at January 1, 2016        | 34,264        | 63,823              |
| Recognition of temporary differences | 8,862         | 70,756              |
| Reversal of temporary differences    | (6,781)       | (66,837)            |
| Recognition of tax loss              | 5,970         | 5,970               |
| Profit from inventories              | <u>-</u>      | <u>(1,057)</u>      |
| Balance as at December 31, 2016      | 42,315        | 72,655              |
| Recognition of temporary differences | 7,506         | 56,110              |
| Reversal of temporary differences    | (7,907)       | (53,999)            |
| Recognition of tax loss              | 5,110         | 5,110               |
| Profit from inventories              | <u>-</u>      | <u>(1,696)</u>      |
| Balance as at September 30, 2017     | <u>47,024</u> | <u>78,180</u>       |

|  | <u>Parent</u>    |                   | <u>Consolidated</u> |                   |
|--|------------------|-------------------|---------------------|-------------------|
|  | <u>9/30/2017</u> | <u>12/31/2016</u> | <u>9/30/2017</u>    | <u>12/31/2016</u> |
| Income tax loss and social contribution loss carryforwards | 24,105           | 18,995            | 30,511              | 25,401            |
| Postemployment benefit                                     | 13,993           | 13,706            | 18,954              | 18,774            |
| Provision for tax, civil and labor risks                   | 7,343            | 7,610             | 21,429              | 19,714            |
| Unrealized profit from inventories                         | -                | -                 | 537                 | 2,232             |
| Allowance for doubtful debts                               | 1,135            | 1,660             | 2,262               | 2,810             |
| Accrued profit sharing                                     | 132              | 447               | 751                 | 1,429             |
| Non-shipped goods  | -                | -                 | 1,452               | 821               |
| Other provisions   | <u>316</u>       | <u>(103)</u>      | <u>2,284</u>        | <u>1,474</u>      |
|  | <u>47,024</u>    | <u>42,315</u>     | <u>78,180</u>       | <u>72,655</u>     |

Expected realization of tax credits

## (i) Income tax loss and social contribution loss carryforwards

Based on the projected generation of future taxable income, the estimated recovery of deferred income tax and social contribution on income tax loss and social contribution loss carryforwards in noncurrent assets is as follows:

|                      | <u>Parent</u><br><u>9/30/2017</u> | <u>Consolidated</u><br><u>9/30/2017</u> |
|----------------------|-----------------------------------|---|
| After September 2017 | 198                               | 517                                     |
| 2018                 | 932                               | 1,327                                   |
| 2019                 | 1,544                             | 2,012                                   |
| 2020                 | 2,144                             | 2,708                                   |
| 2021 to 2026         | <u>19,287</u>                     | <u>23,947</u>                           |
|                      | <u>24,105</u>                     | <u>30,511</u>                           |

The deferred tax asset recorded is limited to the amounts whose offset is supported by taxable income projections made by the Company and its subsidiary Tégula for the next ten years, also considering that the offset of income tax loss and social contribution loss carryforwards is limited to 30% of annual profit, determined in accordance with the prevailing Brazilian tax legislation, and it is critical and offsettable against future taxable income.

In the period ended September 30, 2017, of the amount of R\$151,176 of the consolidated income tax loss balance (R\$114,855 as at December 31, 2016) and R\$209,313 of the social contribution loss carryforwards (R\$172,992 as at December 31, 2016), the Company did not recognize deferred taxes for the portion of R\$76,461 of income tax loss (R\$55,168 as at December 31, 2016) and R\$77,842 of social contribution loss carryforwards (R\$56,549 as at December 31, 2016). Both because of the lack of future taxable income projections that would confirm their realization.

(ii) Temporary differences

Noncurrent asset balance, relating to deferred income tax and social contribution arising from temporary differences, is estimated to be realized as follows:

|                      | <u>Parent</u><br><u>9/30/2017</u> | <u>Consolidated</u><br><u>9/30/2017</u> |
|----------------------|-----------------------------------|---|
| After September 2017 | 2,567                             | 6,207                                   |
| 2018                 | 1,853                             | 9,518                                   |
| 2019                 | 2,563                             | 3,278                                   |
| 2020                 | 2,996                             | 6,259                                   |
| 2021 to 2026         | <u>12,940</u>                     | <u>22,407</u>                           |
|                      | <u>22,919</u>                     | <u>47,669</u>                           |

As income tax and social contribution depend not only on taxable income but also on the existence of nontaxable income, nondeductible expenses and several other variables, there is no relevant correlation between the Group's profit and income tax and social contribution on profit.

## 20. PROVISION FOR TAX, CIVIL AND LABOR RISKS

The Group is a party to numerous civil, labor and tax lawsuits under discussion at different courts.

The Group's Management believes that the provision for risks recognized is sufficient and represents the best probable estimate of the Company's future disbursement, based on information available up to the date of authorization of this interim financial information, to cover probable losses on lawsuits, the impacts of which can be reliably estimated, as follows:

|                    | Parent        |               | Consolidated  |               |
|--------------------|---------------|---------------|---------------|---------------|
|                    | 9/30/2017     | 12/31/2016    | 9/30/2017     | 12/31/2016    |
| Labor lawsuits (i) | 37,900        | 39,280        | 53,220        | 51,282        |
| Civil lawsuits     | -             | -             | 6,135         | 5,578         |
| Tax lawsuits (ii)  | 8,443         | 7,695         | 35,434        | 33,143        |
|                    | <u>46,343</u> | <u>46,975</u> | <u>94,789</u> | <u>90,003</u> |

Variation in the provision for tax, civil and labor risks is broken down as follows:

|                                  | Parent                    |                         |               |
|----------------------------------|---------------------------|-------------------------|---------------|
|                                  | Provision for labor risks | Provision for tax risks | Total         |
| Balance as at January 1, 2016    | 39,177                    | 7,919                   | 47,096        |
| Additions                        | 2,167                     | 1,078                   | 3,245         |
| Write-offs                       | (1,325)                   | (140)                   | (1,465)       |
| Reversals                        | (739)                     | (1,162)                 | (1,901)       |
| Balance as at December 31, 2016  | 39,280                    | 7,695                   | 46,975        |
| Additions                        | 3,139                     | 748                     | 3,887         |
| Write-offs                       | (2,966)                   | -                       | (2,966)       |
| Reversals                        | (1,553)                   | -                       | (1,553)       |
| Balance as at September 30, 2017 | <u>37,900</u>             | <u>8,443</u>            | <u>46,343</u> |

|                                  | Consolidated              |                           |                         |               |
|----------------------------------|---------------------------|---------------------------|-------------------------|---------------|
|                                  | Provision for labor risks | Provision for civil risks | Provision for tax risks | Total         |
| Balance as at January 1, 2016    | 48,581                    | 4,918                     | 30,782                  | 84,281        |
| Additions                        | 5,207                     | 660                       | 3,663                   | 9,530         |
| Write-offs                       | (1,545)                   | -                         | (140)                   | (1,685)       |
| Reversals                        | (961)                     | -                         | (1,162)                 | (2,123)       |
| Balance as at December 31, 2016  | 51,282                    | 5,578                     | 33,143                  | 90,003        |
| Additions                        | 6,651                     | 557                       | 2,754                   | 9,962         |
| Write-offs                       | (2,973)                   | -                         | -                       | (2,973)       |
| Reversals                        | (1,740)                   | -                         | (463)                   | (2,203)       |
| Balance as at September 30, 2017 | <u>53,220</u>             | <u>6,135</u>              | <u>35,434</u>           | <u>94,789</u> |

(i) Labor lawsuits

In the labor area, the main provisions comprise:

- a) Indemnities that include pain and suffering and property damages and labor claims brought by former employees claiming overtime, night shift allowance, health hazard and hazardous duty premiums and severance amounts, etc.

- b) Civil Class Action filed in 2013 with the Court of Labor of São Paulo by the General Labor Attorneys' Office against the Company. This action discusses matters related to the work environment and the occupational health of the industrial unit whose activities were discontinued at the beginning of the 1990s. Concurrently with this action, another Civil Class Action filed by the Brazilian Association of Workers Exposed to Asbestos (ABREA) was distributed to a specific judge also in the Labor Court; for this reason, the two actions were consolidated upon court decision. The purpose of the claims is the payment of indemnity for collective pain and suffering and individual damages, among others. Both actions were judged partially with grounds by the lower court on March 1, 2016. Part of the lower court decision was assessed as probable loss by the Company's legal counsel. The provision was recognized considering the uncertainties surrounding the amount recognized by various means according to the circumstances, in conformity with IAS 37,39 (technical pronouncement CPC 25,39), which sets forth that, in measuring the provision that involves a large population of items, the obligation must be estimated by weighting all possible outcomes due to the related probabilities. The Company filed an appeal against the lower court decision, and the Regional Labor Court has partially reversed the lower court decision. The most significant terms are:
- The following sentences were excluded: indemnity for collective pain and suffering in the amount of R\$100 million, indemnity for pain and suffering in the amount of R\$50 thousand on behalf of each former employee not diagnosed with asbestos-related diseases, any and all discussion involving the family members of former employees.
  - The following sentences were reduced: pain and suffering and non-material damages set on behalf of each former employee already diagnosed with asbestos-related diseases to R\$100 thousand and R\$50 thousand, respectively, pain and suffering set on behalf of the estate of each former employee deceased after the bringing of the lawsuits to R\$100 thousand.
  - The following sentence was upheld: full healthcare to the former employees diagnosed with asbestos-related diseases. This decision will be appealed by the parties.
- c) In 2014, a Civil Class Action was filed by the General Labor Attorneys' Office against the Company with the Labor Court of Rio de Janeiro. This action discusses matters related to the work environment and occupational health, in addition to a request for indemnity for collective pain and suffering in the amount of R\$1 billion. Concurrently with this action, another Civil Class Action was distributed to a specific judge by ABREA also in the same Labor Court. The action brought by the General Labor Attorneys' Office was judged partially with grounds; the decision was published on March 27, 2017. The sentence involves (i) substituting the raw material (asbestos) at the Rio de Janeiro unit within a period of 18 months, beginning September 2018; and (ii) fulfill the maximum limit of 0.1 fiber per cm<sup>3</sup> of asbestos in all workplaces established in the National Agreement coupled with article 3 of Law 9,055/1995; (iii) expand the list of medical control tests of all current employees in the Rio de Janeiro plant; (iv) bear the transportation and lodging expenses of all former employees of the Rio de Janeiro plant who reside in a location more than 100 km distant from the medical service site; (v) pay indemnity for collective pain and suffering in the amount of R\$30 million. The Company has filed motions to clarify and will subsequently file an appeal with the Superior Court. The action filed by ABREA has not been judged yet. The parties will file appeals against this decision. The provision was recognized for the

collective pain and suffering only considering the agreements already entered into by companies operating in the same sector. The provision for the other items assessed as probable loss is not necessary, as it depends on the compliance with the legislation with respect to the maximum asbestos exposure limit set forth in the National Agreement and the specific legislation. With respect to the substitution of the raw material within a period of 18 months, the Company believes that recognizing a provision is precipitate, considering that the deadline established by the court is still in progress. As to the payment of transportation and lodging expenses of all former employees of the Rio de Janeiro plant who reside in a location more than 100 km distant from the medical service site, there are no objective parameters to recognize the related provision. The other items of the sentence were assessed by the outside legal counsel as possible loss; for this reason, no provision must be recognized for the period ended September 30, 2017, in conformity with IAS 37,39 (technical pronouncement CPC 25,39), which sets forth that, in measuring the provision that involves a large population of items, the obligation must be estimated by weighting all possible outcomes due to the related probabilities. The escrow deposits made to guarantee enforcement and appeal deposits related to the provisions for risks, are classified in a specific line item of noncurrent assets.

- d) The STF started to judge on October 31, 2012 ADIs No. 3,357 and No. 3,937, in conformity with State Laws 11,643/2001 of the State of Rio Grande do Sul and 12,684/2007 of the State of São Paulo, respectively. The session was adjourned after the vote from the reporting Justice Ayres Britto, who voted for the constitutionality of the laws, and Justice Marco Aurélio Mello, who voted for the unconstitutionality of the laws. In August 2017, the judgment of ADI 3,937 was resumed, in conformity with São Paulo State Law, where the STF ruled in favor of the constitutionality of the State Law. The decision has not been published so far. There was also the judgment of ADI 4,066 challenging the unconstitutionality of Federal Law 9,055/95, where STF computed five votes for action with grounds, and four votes for action without grounds and, as the quorum required by Article 97 of the Federal Constitution was not met, Article 2 of Law 9,055/1995 was not considered unconstitutional, in a judgment without binding effectiveness. In addition to the ADI of the State of São Paulo, we have the ADIS of the States of Pernambuco, Rio de Janeiro and Rio Grande do Sul currently pending judgment at the STF.

(ii) Tax lawsuits

In the tax area, the main provisions comprise:

- Variation of amounts paid as ICMS.
- Difference in INSS tax rates.
- Difference in amounts recognized related to the Financial Compensation for Exploration of Mineral Resources (CEFEM).

(iii) Lawsuits whose likelihood of loss is assessed as possible

As at September 30, 2017, there were labor claims and civil, tax and administrative proceedings filed against the Group assessed by the legal counsel as possible loss and that can be reliably measured, the consolidated amount is R\$15,146 (R\$15,146 as at December 31, 2016).

Additionally, the Group was a party to the following lawsuits, the likelihood of loss of which was assessed as possible by the legal counsel and with respect to which some amounts are not measurable up to this date:

- a) Civil class actions of environmental and health nature brought by the State and Federal General Attorneys' Office of the State of Bahia, as well as popular action with the same subject of the civil class actions.
- b) The Civil Class Action related to health damages was judged partially with grounds, sentencing the Company to pay collective pain and suffering amounting to R\$500 million. The Company will file an appeal against this decision.
- c) Consumer civil class actions in the States of Rio de Janeiro and Pernambuco, to ban the sale of products containing chrysotile in those States. Both actions were judged with grounds, and Eternit was sentenced in the action filed by the General Attorney's Office (MPE) of the State of Rio de Janeiro to pay collective pain and suffering amounting to R\$1 million, while in the action filed by the General Labor Attorney's Office of the State of Pernambuco it was sentenced to pay R\$500 thousand.
- d) Administrative misconduct action related to CEFEM, as well as annulment action and tax execution of the same nature.
- e) Civil class action and popular action, both related to the sale by the State of Goiás of a tract of land where the residential complex of subsidiary Sama is located.
- f) Parts of the appellate court decision of the action referred to in item i.b) of this note were assessed as possible loss by the Company's legal counsel.
- g) On March 10, 2017, the Company was mentioned in a Civil Class Action filed by the General Labor Attorneys' Office, which is in progress before the 1st Labor Court of Colombo, State of Paraná. Two distinct claims are made in this action, including the Company's sentence to pay R\$85 million as collective pain and suffering and the substitution of the raw material within a period of 90 days. Also, numerous claims were made on preliminary basis, including the substitution of the raw material within the 90-day period, which were rejected by the lower court judge. The Company has already filed a defense.
- h) On September 5, 2017, the Company was summoned in a Civil Class Action filed by the General Labor Attorneys' Office, which is in progress at the 2<sup>nd</sup> Labor Court of Simões Filho, State of Bahia. Two distinct claims are made in this action, including the Company's sentence to pay R\$225 million as collective pain and suffering and the substitution of the raw material within a period of 10 days. Also, numerous claims were made on preliminary basis, including the substitution of the raw material within the 10-day period, which were rejected by the lower court judge. The Company has already filed a defense.
- i) The Company stresses that it complies with the safety rules and procedures established by Federal Law 9,055/19995 and the decree that enacted it. The Company will timely file its defense and expects that the technical and scientific evidences are taken into consideration when judging this action. As the action is at the preliminary stage, the legal counsel assesses as possible the likelihood of loss.

## 21. NET OPERATING REVENUE

|                                     | Parent         |                | Consolidated   |                |
|-------------------------------------|----------------|----------------|----------------|----------------|
|                                     | 9/30/2017      | 9/30/2016      | 9/30/2017      | 9/30/2016      |
| Gross sales revenue                 | 413,907        | 493,376        | 631,007        | 804,184        |
| Gross service revenue               | 1,257          | 1,413          | 1,257          | 1,413          |
| Gross rental revenue                | -              | -              | 277            | 191            |
| Unconditional discounts and rebates | (878)          | (1,263)        | (1,204)        | (1,525)        |
| Taxes on sales                      | (102,024)      | (119,590)      | (130,361)      | (167,140)      |
| Net operating revenue               | <u>312,262</u> | <u>373,936</u> | <u>500,976</u> | <u>637,123</u> |

## 22. INFORMATION ON THE NATURE OF EXPENSES

|   | Parent           |                  | Consolidated     |                  |
|---|------------------|------------------|------------------|------------------|
|   | 9/30/2017        | 9/30/2016        | 9/30/2017        | 9/30/2016        |
| Cost of sales and services                      | (260,632)        | (297,060)        | (366,080)        | (436,231)        |
| Selling expenses                                | (30,764)         | (46,875)         | (59,732)         | (81,721)         |
| General and administrative expenses             | (28,158)         | (30,398)         | (70,110)         | (67,456)         |
| Management compensation                         | (6,100)          | (5,094)          | (7,920)          | (7,618)          |
|   | <u>(325,654)</u> | <u>(379,427)</u> | <u>(503,842)</u> | <u>(593,026)</u> |
| Raw material consumed                           | (167,945)        | (193,848)        | (238,837)        | (287,991)        |
| Break of product in the production process (**) | (4,589)          | (1,703)          | (4,842)          | (1,784)          |
| Personnel expenses and charges                  | (73,877)         | (87,383)         | (97,524)         | (120,430)        |
| Materials, power and services                   | (26,391)         | (34,365)         | (33,351)         | (45,239)         |
| Outside services                                | (12,769)         | (16,786)         | (33,456)         | (37,880)         |
| Depreciation and amortization (*)               | (10,926)         | (11,046)         | (27,161)         | (29,282)         |
| Sales commissions                               | (7,829)          | (9,291)          | (11,825)         | (13,676)         |
| Variable selling expenses (***)                 | -                | -                | (10,744)         | (14,714)         |
| Lease of chattels                               | (4,715)          | (4,962)          | (6,646)          | (7,791)          |
| Restructuring costs                             | (5,571)          | -                | (18,643)         | -                |
| Expenses on exceptional shutdown                | (2,796)          | (2,207)          | (6,525)          | (5,134)          |
| Travel expenses                                 | (1,537)          | (2,894)          | (2,675)          | (4,850)          |
| Expenses on IT material and services            | (2,248)          | (2,745)          | (3,245)          | (4,348)          |
| Advertising and publicity                       | (781)            | (7,797)          | (1,410)          | (9,180)          |
| Contribution to professional entities           | (289)            | (1,164)          | (1,354)          | (3,446)          |
| Taxes and fees                                  | (900)            | (889)            | (2,017)          | (2,771)          |
| Estimated net impairment loss                   | (657)            | 275              | (126)            | 275              |
| Allowance for doubtful debts                    | (1,253)          | (1,997)          | (2,121)          | (3,179)          |
| Other   | (581)            | (625)            | (1,340)          | (1,606)          |
|   | <u>(325,654)</u> | <u>(379,427)</u> | <u>(503,842)</u> | <u>(593,026)</u> |

(\*) Depreciation of exceptional shutdown in the Parent of R\$564 and in the consolidated of R\$2,551 (R\$195 in the Parent and R\$1,297 in the consolidated as at September 30, 2016)

(\*\*) Break of product in the production process derives from the increase in transfers between plants in the participation of synthetic threads.

(\*\*\*) Expense related to variable royalties on revenues of subsidiary SAMA paid to the State Government of Goiás.

## 23. OTHER OPERATING INCOME (EXPENSES), NET

|  | Parent           |                  | Consolidated     |                  |
|--|------------------|------------------|------------------|------------------|
|  | <u>9/30/2017</u> | <u>9/30/2016</u> | <u>9/30/2017</u> | <u>9/30/2016</u> |
| Other operating income:  |                  |                  |                  |                  |
| Sale of property, plant and equipment items                              | 48               | 114              | 456              | 3,468            |
| Rentals  | -                | -                | 505              | 446              |
| Untimely PIS and COFINS credit   | 32               | -                | 3,885            | 3,733            |
| Estimated ICMS credit benefit  | -                | -                | 3,402            | 1,852            |
| Other  | 868              | 279              | 1,626            | 1,072            |
|  | <u>948</u>       | <u>393</u>       | <u>9,874</u>     | <u>10,571</u>    |
| Other operating expenses:  |                  |                  |                  |                  |
| Provision for tax, civil and labor risks                                 | (384)            | (129)            | (2,592)          | (951)            |
| Accrued post-employment benefits   | (3,232)          | (3,401)          | (4,364)          | (4,750)          |
| Environmental recovery   | -                | -                | (1,028)          | (935)            |
| Taxes on other sales   | (15)             | (26)             | (163)            | (373)            |
| Quality assurance  | (619)            | (701)            | (770)            | (876)            |
| Substitution of damaged product  | (261)            | (228)            | (261)            | (228)            |
| Expenses on labor and civil indemnities                                  | (7,200)          | (4,326)          | (8,441)          | (4,642)          |
| Cost of write-off of property, plant and equipment and intangible assets | (68)             | (6)              | (976)            | (247)            |
| Estimated impairment losses  | -                | -                | 100              | -                |
| FibraPrev – pension plan   | -                | -                | -                | (5,387)          |
| Losses on sundry securities  | 45               | (91)             | 45               | (91)             |
| Other  | -                | (261)            | (3,381)          | (350)            |
|  | <u>(11,734)</u>  | <u>(9,169)</u>   | <u>(21,831)</u>  | <u>(18,830)</u>  |
|  | <u>(10,786)</u>  | <u>(8,776)</u>   | <u>(11,957)</u>  | <u>(8,259)</u>   |

## 24. FINANCE INCOME (COSTS)

|  | Parent           |                  | Consolidated     |                  |
|--|------------------|------------------|------------------|------------------|
|  | <u>9/30/2017</u> | <u>9/30/2016</u> | <u>9/30/2017</u> | <u>9/30/2016</u> |
| Finance income:  |                  |                  |                  |                  |
| Income from short-term investments – including bank deposit certificates | 238              | 206              | 755              | 1,052            |
| Discounts obtained   | 82               | 226              | 447              | 533              |
| Interest income  | 917              | 981              | 2,920            | 3,113            |
| Interest on loan   | 896              | 1,566            | 863              | 530              |
| Inflation adjustment gains   | 1,038            | 841              | 1,164            | 856              |
| Foreign exchange gains   | 1,055            | 14,496           | 11,993           | 35,997           |
|  | <u>4,226</u>     | <u>18,316</u>    | <u>18,142</u>    | <u>42,081</u>    |

|   | Parent          |                 | Consolidated    |                 |
|---|-----------------|-----------------|-----------------|-----------------|
|   | 9/30/2017       | 9/30/2016       | 9/30/2017       | 9/30/2016       |
| Finance costs:  |                 |                 |                 |                 |
| Interest on financing   | (644)           | (803)           | (6,126)         | (9,805)         |
| Interest on borrowings  | (2,451)         | (3,806)         | (11)            | -               |
| Interest payable  | (44)            | (154)           | (772)           | (506)           |
| Banking fees  | (1,507)         | (1,621)         | (1,818)         | (1,945)         |
| Discounts granted   | (2,796)         | (2,384)         | (3,070)         | (3,768)         |
| Tax on financial transactions (IOF)                                 | (431)           | (439)           | (548)           | (644)           |
| PIS and COFINS  | (638)           | (813)           | (840)           | (1,141)         |
| Foreign exchange losses   | (746)           | (11,240)        | (12,529)        | (34,715)        |
| Inflation adjustment of provision<br>for tax, civil and labor risks | (1,950)         | (1,382)         | (5,167)         | (4,334)         |
| Other   | (135)           | (302)           | (167)           | (778)           |
|   | <u>(11,342)</u> | <u>(22,944)</u> | <u>(31,048)</u> | <u>(57,636)</u> |
| Finance income (costs), net   | <u>(7,116)</u>  | <u>(4,628)</u>  | <u>(12,906)</u> | <u>(15,555)</u> |

## 25. BUSINESS SEGMENT INFORMATION

The Senior Management has defined Fibrocement, Chrysotile and Concrete Roof Tiles as operating segments, which are shown below, as well as the geographic areas of operation. The information in "Others" refer to expenses not directly attributable to the Fibrocement, Chrysotile and Concrete Roof Tiles segments.

| Parent and Consolidated |  |
|-------------------------|--|
| Segment                 | Geographic area                                |
| Fibrocement             | Southeast, South, Midwest, North and Northeast |
| Chrysotile              | Local and foreign markets                      |
| Concrete roof tiles     | Local market                                   |
| Other                   | Local market                                   |

The main consolidated information by business segment, corresponding to the period ended September 30, 2017 is as follows:

| Segment and geographic area | 9/30/2017      |                | 9/30/2017      |                |                      |                               |                             |                |
|-----------------------------|----------------|----------------|----------------|----------------|----------------------|-------------------------------|-----------------------------|----------------|
|                             | Total assets   | Liabilities    | Net revenue    | Gross profit   | Pretax profit (loss) | Depreciation and amortization | Finance income (costs), net | IRPJ and CSLL  |
| Fibrocement:                |                |                |                |                |                      |                               |                             |                |
| Southeast                   | 242,435        | 26,612         | 64,593         | 10,680         | (5,311)              | (3,371)                       | (1,272)                     | 572            |
| South                       | 36,384         | 35,924         | 88,650         | 14,664         | (7,281)              | (3,707)                       | (1,746)                     | 785            |
| Midwest                     | 83,349         | 51,324         | 122,072        | 26,788         | (3,463)              | (3,650)                       | (2,403)                     | 1,081          |
| North and Northeast         | 20,850         | 25,079         | 62,242         | 10,291         | (5,117)              | (1,983)                       | (1,225)                     | 551            |
|                             | <u>383,018</u> | <u>138,939</u> | <u>337,557</u> | <u>62,423</u>  | <u>(21,172)</u>      | <u>(12,711)</u>               | <u>(6,646)</u>              | <u>2,989</u>   |
| Chrysotile                  |                |                |                |                |                      |                               |                             |                |
| Local market                | 217,318        | 140,450        | 20,761         | 10,697         | 20,221               | (3,952)                       | (654)                       | (210)          |
| Foreign market              | -              | -              | 100,625        | 53,381         | (20,318)             | (5,749)                       | (3,167)                     | (1,017)        |
|                             | <u>217,318</u> | <u>140,450</u> | <u>121,386</u> | <u>64,078</u>  | <u>(97)</u>          | <u>(9,701)</u>                | <u>(3,821)</u>              | <u>(1,227)</u> |
| Concrete roof tiles         |                |                |                |                |                      |                               |                             |                |
| Local market                | 40,148         | 7,694          | 23,223         | 6,602          | (2,492)              | (2,217)                       | (264)                       | 13             |
| Other (*):                  |                |                |                |                |                      |                               |                             |                |
| Local market                | 132,980        | 73,252         | 18,810         | 1,793          | (24,712)             | (2,532)                       | (2,175)                     | 53             |
| Total                       | <u>773,464</u> | <u>360,335</u> | <u>500,976</u> | <u>134,896</u> | <u>(48,473)</u>      | <u>(27,161)</u>               | <u>(12,906)</u>             | <u>1,828</u>   |

(\*) Contemplate (R\$20,744) of share of profit (loss) of joint venture CSC, operating in the dishware segment. See note 9.

| Segment and geographic area | 12/31/2016     |                | 9/30/2016      |                |                      |                               |                             |                |
|-----------------------------|----------------|----------------|----------------|----------------|----------------------|-------------------------------|-----------------------------|----------------|
|                             | Total assets   | Liabilities    | Net revenue    | Gross profit   | Pretax profit (loss) | Depreciation and amortization | Finance income (costs), net | IRPJ CSLL      |
| Fibrocement:                |                |                |                |                |                      |                               |                             |                |
| Southeast                   | 254,781        | 27,460         | 71,699         | 14,765         | (1,192)              | (3,450)                       | (767)                       | 497            |
| South                       | 48,207         | 36,721         | 113,216        | 23,351         | (1,845)              | (3,900)                       | (1,211)                     | 786            |
| Midwest                     | 85,579         | 48,534         | 140,719        | 32,552         | 1,265                | (3,563)                       | (1,505)                     | 976            |
| North and Northeast         | 32,219         | 25,147         | 69,860         | 14,386         | (1,161)              | (1,933)                       | (747)                       | 485            |
|                             | <u>420,786</u> | <u>137,862</u> | <u>395,494</u> | <u>85,054</u>  | <u>(2,933)</u>       | <u>(12,846)</u>               | <u>(4,230)</u>              | <u>2,744</u>   |
| Chrysotile:                 |                |                |                |                |                      |                               |                             |                |
| Local market                | 229,984        | 144,620        | 77,409         | 60,149         | 29,406               | (4,509)                       | (5,860)                     | (3,978)        |
| Foreign market              | -              | -              | 106,268        | 43,794         | 1,589                | (6,581)                       | (8,044)                     | (5,461)        |
|                             | <u>229,984</u> | <u>144,620</u> | <u>183,677</u> | <u>103,943</u> | <u>30,995</u>        | <u>(11,090)</u>               | <u>(13,904)</u>             | <u>(9,439)</u> |
| Concrete roof tiles:        |                |                |                |                |                      |                               |                             |                |
| Local market                | 48,609         | 21,601         | 33,000         | 6,840          | (5,431)              | (2,724)                       | (1,119)                     | (655)          |
| Other (*):                  |                |                |                |                |                      |                               |                             |                |
| Local market                | 143,069        | 78,716         | 24,952         | 5,055          | (21,397)             | (2,622)                       | 3,698                       | (1,942)        |
| Total                       | <u>842,448</u> | <u>382,799</u> | <u>637,123</u> | <u>200,892</u> | <u>1,234</u>         | <u>(29,282)</u>               | <u>(15,555)</u>             | <u>(9,292)</u> |

(\*) Contemplate (R\$19,049) of share of profit (loss) of joint venture CSC, operating in the dishware segment. See note 9.

## 26. INSURANCE

As at September 30, 2017, the insurance policies taken by the Group against possible risks, under the guidance of its insurance brokers, are listed below. These insurance policies expire on average in July 2018.

| Type  | Insured assets                              | Insured amount |
|---|---|----------------|
| Engineering, operating and general civil liability risks, D&O, loss of profits and vehicles | Buildings, facilities, equipment and others | R\$396,716     |

## 27. FINANCIAL INSTRUMENTS

### 27.1 Identification and measurement of financial instruments

#### a) Analysis of financial instruments

In order to protect its assets and liabilities, the Group maintains insurance coverage for those risks that, if occurring, may result in losses that significantly impact its assets and/or results of operations, considering the risks subject to mandatory insurance, due to legal or contractual provisions.

Below is a comparison by class of the Group's financial instruments, disclosed in the interim financial information:

|                         | Parent               |                       | Consolidated         |                       |
|-------------------------|----------------------|-----------------------|----------------------|-----------------------|
|                         | 9/30/2017<br>Level 2 | 12/31/2016<br>Level 2 | 9/30/2017<br>Level 2 | 12/31/2016<br>Level 2 |
| Measured at fair value: |                      |                       |                      |                       |
| Derivatives             | <u>225</u>           | <u>383</u>            | <u>225</u>           | <u>687</u>            |

#### b) Fair value hierarchy

In the period ended September 30, 2017, there were no transfers between fair value measurements of level 1 and level 2 or between level 3 and level 2.

### 27.2 Financial risk management

The main financial liabilities recognized by the Group are trade payables, borrowings and financing. The main purpose of such financial liabilities is to raise funds to finance the Company's operations. The Group's financial assets comprise trade receivables, demand deposits and short-term investments that derive directly from its operations. Accordingly, the Group is exposed to market, credit and liquidity risks.

The Company and its subsidiaries are exposed to market risks related to interest rate fluctuations and exchange rate and credit variations.

The Group has procedures to manage and use hedging instruments.

#### a) Market risk

The market risk is the risk that the fair value of future cash flows of a financial instrument fluctuates due to changes in market prices. The market risk comprises four types of risk in the case of the Group: (i) foreign exchange risk; (ii) interest rate risk; (iii) risk of loss in production due to the shortage of raw material and inputs; and (iv) risk related to growth.

## (i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument fluctuates due to changes in exchange rates. The Group's exposure to the risk of exchange rate changes refers mainly to the Group's operating activities (when income or expenses are denominated in a currency different from the Group's functional currency).

As at September 30, 2017, the Group had the following exposures to a currency other than its functional currency:

|                                    | Consolidated |                | Quotation as at<br>9/30/2017<br>(US\$ = R\$1.00) (*) |
|------------------------------------|--------------|----------------|--|
|                                    | 9/30/2017    | 12/31/2016     |  |
| Foreign customers                  | 52,970       | 46,124         | 3.1674 US\$  |
| Trade payables - foreign market    | -            | (1,872)        | 3.1680 US\$  |
| Advances on export contracts (ACE) | (28,541)     | (11,552)       | 3.1680 US\$  |
| Financing                          | (17,875)     | (33,495)       | 3.1680 US\$  |
| Financial derivative "swap"        | (225)        | (678)          | 3.1680 US\$  |
| Total foreign exchange exposure    | <u>6,329</u> | <u>(1,473)</u> |  |

(\*) Source: Central Bank of Brazil, website: www.bacen.gov.br

Sensitivity analysis

In order to measure the economic impact of currency fluctuations of the Group's financial instruments, four stress scenarios have been prepared in relation to the exchange rate effective as at September 30, 2017, as follows:

|                                       | Risk | Consolidated                   |                         |                          |                           |                          |
|---------------------------------------|------|--------------------------------|-------------------------|--------------------------|---------------------------|--------------------------|
|                                       |      | Rate (*)                       | Rate depreciation       |                          | Rate appreciation         |                          |
|                                       |      | Position as<br>at<br>9/30/2017 | Scenario<br>I<br>(-50%) | Scenario<br>II<br>(-25%) | Scenario<br>III<br>(+25%) | Scenario<br>IV<br>(+50%) |
| Balances in foreign currency          |      |                                |                         |                          |                           |                          |
| US\$:                                 |      | 3.1674                         | 1.5837                  | 2.3756                   | 3.9593                    | 4.7511                   |
| Foreign customers                     | US\$ | 52,970                         | (26,485)                | (13,243)                 | 13,243                    | 26,485                   |
| Trade payables - foreign market       | US\$ | 3.1680                         | 1.5840                  | 2.3760                   | 3.9600                    | 4.7520                   |
| Advances on export contracts<br>(ACE) | US\$ | -                              | -                       | -                        | -                         | -                        |
| Financing                             | US\$ | (28,541)                       | 14,271                  | 7,135                    | (7,135)                   | (14,271)                 |
| Financial derivative - "swap"         | US\$ | (17,875)                       | 8,938                   | 4,469                    | (4,469)                   | (8,938)                  |
| Financial derivative - "swap"         | US\$ | (225)                          | 113                     | 56                       | (56)                      | (113)                    |
| Total exposures                       |      | <u>6,329</u>                   | <u>(3,163)</u>          | <u>(1,583)</u>           | <u>1,583</u>              | <u>3,163</u>             |

(\*) Source: Central Bank of Brazil, website: www.bacen.gov.br

Derivatives

There are no verifications, monthly settlements or margin calls in derivative transactions, and the agreement is settled on maturity date and stated at fair value, considering the market conditions in terms of deadline and interest rates.

Swap agreements - US\$ and CDI

The Company is a party to an agreement of this nature, maturing through October 11, 2017, with long position in US dollars and short position in CDI.

The fair value of the financial instruments was calculated using the pricing made at fair value, both for the long position and the short position, where the difference between both generates the swap fair value.

The breakdown of the agreement as at September 30, 2017 is as follows:

| Instrument                      | Fair value hierarchy | Hedged item | Notional currency | Maturity   | Parent                  |                   |                         |                   | Consolidated            |                   |                         |                   |
|---------------------------------|----------------------|-------------|-------------------|------------|-------------------------|-------------------|-------------------------|-------------------|-------------------------|-------------------|-------------------------|-------------------|
|                                 |                      |             |                   |            | 9/30/2017               |                   | 12/31/2016              |                   | 9/30/2017               |                   | 12/31/2016              |                   |
|                                 |                      |             |                   |            | Notional amount in US\$ | Fair value in R\$ | Notional amount in US\$ | Fair value in R\$ | Notional amount in US\$ | Fair value in R\$ | Notional amount in US\$ | Fair value in R\$ |
| Currency swap – US dollar (USA) | Level 2              | Currency    | USD               | 10/11/2017 | (262)                   | (225)             | (524)                   | (383)             | (262)                   | (225)             | (524)                   | (383)             |
| Currency swap – US dollar (USA) | Level 2              | Currency    | USD               | 1/27/2017  | -                       | -                 | -                       | -                 | -                       | -                 | (3,049)                 | (267)             |
| Currency swap – US dollar (USA) | Level 2              | Currency    | USD               | 2/17/2017  | -                       | -                 | -                       | -                 | -                       | -                 | (1,700)                 | (37)              |
| Total                           |                      |             |                   |            | <u>(262)</u>            | <u>(225)</u>      | <u>(524)</u>            | <u>(383)</u>      | <u>(262)</u>            | <u>(225)</u>      | <u>(5,273)</u>          | <u>(687)</u>      |

(ii) Interest rate risks

Interest rate risk derives from possible changes in the fair values of a financial instrument's future cash flows due to fluctuations in market interest rates.

Management adopts the policy of maintaining its rates of exposure to interest rates receivable and payable linked to floating rates. Short-term investments are adjusted based on the CDI rate and borrowings are adjusted based on the CDI, SELIC and TJLP.

Asset (liability) exposures to interest rates are as follows:

|   | Parent         |                | Consolidated    |                 |
|---|----------------|----------------|-----------------|-----------------|
|   | 9/30/2017      | 12/31/2016     | 9/30/2017       | 12/31/2016      |
| Short-term investments (cash equivalents) | 2,889          | 3,313          | 2,948           | 3,504           |
| Short-term investments                    | 5,259          | 32             | 21,033          | 2,708           |
| Borrowings and financing                  | <u>(1,233)</u> | <u>(1,878)</u> | <u>(17,076)</u> | <u>(22,969)</u> |
| Total interest rate exposure              | <u>6,915</u>   | <u>1,467</u>   | <u>6,905</u>    | <u>(16,757)</u> |

The Group's Management periodically assesses its short-term investments and cash equivalents to avoid risk of loss, considering the instability of the current monetary policy adopted by the Federal Government, as well as the history of raise of the benchmark interest rate in the past months. Accordingly, the Company assesses the possibility of derivative agreements to hedge against this risk.

The table below shows the economic impact of parallel shocks in the interest curve used in the financial instruments:

|   |       | Consolidated                        |                   |                   |                    |                     |                    |
|---|-------|-------------------------------------|-------------------|-------------------|--------------------|---------------------|--------------------|
|   |       | Projected finance income – one year |                   |                   |                    |                     |                    |
|   |       |                                     |                   | Risk of decrease  |                    | Risk of increase    |                    |
|   | Index | Position as at 9/30/2017            | Probable scenario | Scenario I (-50%) | Scenario II (-25%) | Scenario III (+25%) | Scenario IV (+50%) |
| Short-term investments                    |       |                                     |                   |                   |                    |                     |                    |
| CDI                                       |       |                                     | 8.14%             | 4.07%             | 2.04%              | 2.04%               | 4.07%              |
| Short-term investments (cash equivalents) | CDI   | 2,948                               | 3,188             | (120)             | (60)               | 60                  | 120                |
| Short-term investments                    | CDI   | 21,033                              | 22,745            | (856)             | (429)              | 429                 | 856                |
| Total                                     |       | 23,981                              | 25,933            | (976)             | (489)              | 489                 | 976                |

|                          |       | Consolidated                       |                   |                   |                    |                     |                    |
|--------------------------|-------|------------------------------------|-------------------|-------------------|--------------------|---------------------|--------------------|
|                          |       | Projected finance costs – one year |                   |                   |                    |                     |                    |
|                          |       |                                    |                   | Risk of decrease  |                    | Risk of increase    |                    |
|                          | Index | Position as at 9/30/2017           | Probable scenario | Scenario I (-50%) | Scenario II (-25%) | Scenario III (+25%) | Scenario IV (+50%) |
| Borrowings and financing |       |                                    |                   |                   |                    |                     |                    |
| CDI                      |       |                                    | 8.14%             | 4.07%             | 2.04%              | 2.04%               | 4.07%              |
| Borrowings and financing | CDI   | 15,842                             | 17,132            | (645)             | (323)              | 323                 | 645                |
| TJLP                     |       |                                    | 7.00%             | 3.50%             | 1.75%              | 1.75%               | 3.50%              |
| Borrowings and financing | TJLP  | 912                                | 976               | (32)              | (16)               | 16                  | 32                 |
| SELIC                    |       |                                    | 8.15%             | 4.08%             | 2.04%              | 2.04%               | 4.08%              |
| Borrowings and financing | SELIC | 322                                | 348               | (13)              | (7)                | 7                   | 13                 |
| Total                    |       | 17,076                             | 18,456            | (690)             | (346)              | 346                 | 690                |

Source: Central Bank of Brazil, website: www.bacen.gov.br

## b) Credit risk

### Trade receivables

The customer credit risk is managed by the Group on a daily basis, and it understands that the risk is mitigated as sales are made to a large number of customers; such risk is managed through a strict credit granting process. Such management, as well as the maximum credit risk exposure, is reflected in "Allowance for doubtful debts", as shown in Note 6.

The Company periodically assesses its customer portfolio and, as at September 30, 2017, no customer was individually relevant in relation to the total trade receivables and individual and consolidated revenues.

### Demand deposits and short-term investments

The Company is also subject to credit risks related to financial instruments contracted for the management of the business. The Company's Management considers the risk of failure to settle the transactions maintained with financial institutions located in Brazil as low.

## c) Liquidity risk

The liquidity risk consists of the possibility of the Company not having sufficient funds to meet its commitments, due to the different currencies and realization/settlement terms of its receivables and payables.

The Company's liquidity and cash flow are monitored on a daily basis by the Company's management to ensure that the operating cash generation and early funding, when necessary, are sufficient to maintain its payment schedule, thus not posing liquidity risks for the Company.

Capital management

For the period ended September 30, 2017, there was no change in the objectives, policies or capital structure processes when compared to the prior year. The Company includes, in the net debt framework, borrowings, financing, derivatives less cash and cash equivalents.

|                           | Parent    |            | Consolidated |            |
|---------------------------|-----------|------------|--------------|------------|
|                           | Leverage  |            | Leverage     |            |
|                           | 9/30/2017 | 12/31/2016 | 9/30/2017    | 12/31/2016 |
| Borrowings and financing  | 5,934     | 14,690     | 100,142      | 124,367    |
| Derivatives               | 225       | 383        | 225          | 687        |
| Cash and cash equivalents | (3,287)   | (3,365)    | (5,651)      | (5,143)    |
| Net debt                  | 2,872     | 11,708     | 94,716       | 119,911    |
| Equity                    | 413,112   | 459,633    | 413,129      | 459,649    |
| Net debt and equity       | 410,240   | 447,925    | 318,413      | 339,738    |

## 28. COMMITMENTS AND GUARANTEES

As at September 30, 2017, the Group had the following guarantees:

- a) Performance bond No. 54-0776-19-0011974 for the purchase and sale of electric power number TBLC-08,258-CVE-CL and its Addenda 01 to 05, borrower Sama S.A. - Minerações Associadas, in the amount of R\$4,680, entered into with Pottencial Seguradora S.A., maturing on December 31, 2017 and beneficiary Engie Brasil Energia Comercializadora Ltda.
- b) Bank Guarantee No. 2,052,898, guarantee of payment of tax execution - National Mineral Product Department (DNPM) entered into with Sama S.A. - Minerações Associadas, in the amount of R\$2,008, with Banco Bradesco, with indeterminate maturity.
- c) Bank Guarantee No. 2,062,549-P, in the amount of R\$40,909, corresponding to 60% of interest of subsidiary CSC, for the establishment of the sanitary plant, before Banco Bradesco, maturing on January 25, 2018.
- d) Corporate guarantee for working capital, import financing (FINIMP) and 4131 transactions of subsidiary CSC with financial institutions, in the amount of R\$68,818, maturing between July 2017 and February 2020.
- e) Property, plant and equipment items posted as bond for lawsuits, in the amount of R\$2,150.
- f) In December 2014, Eternit da Amazônia has entered into a commitment in the amount of R\$37,384, relating to the bank credit note with Banco da Amazônia, to implement its research and development plant in Manaus. A property and related improvements, located in Rio de Janeiro-RJ, in the amount of R\$62,500 was pledged as collateral by the Group.
- g) Performance bond No. 54-0775-23-4000138 to guarantee debts in the CDAs 80,6.15,066685-39 and 80,6.15,068746-00, relating to CSLL and COFINS, in the amount of R\$417, effective from January 29, 2016 to January 29, 2021.
- h) Performance bond No. 16-0775-23-0132155 to guarantee debts in the CDAs 80,6.15,068893-81, 80,7.15,015565-27 and 80,3.15,001323-50; refers to an annulment action relating to the collection of COFINS debt in the amount of R\$6,350. Effective from October 26, 2015 to October 26, 2020.

- i) Performance bond No. 54-0776-19-0011056 for the purchase and sale of electric power number TBLC-15,1015-CVEI-CL and its Addendum 01, borrower Eternit, in the amount of R\$1,549, entered into with Pottencial Seguradora S.A., maturing on December 31, 2017 and beneficiary Engie Energia Comercializadora Ltda.
- j) Performance bond No. 54-0776-19-0011973 for the purchase and sale of electric power number EBC-16,1148-CVEI-CL, borrower Eternit, in the amount of R\$605, entered into with Pottencial Seguradora S.A., maturing on December 31, 2017 and beneficiary Engie Energia Comercializadora Ltda.
- k) Performance bond No. 44-0776-19-0011136 for the purchase and sale of electric power number TBLC-15,1015-CVEI-CL, borrower CSC, in the amount of its interest of R\$217, entered into with Pottencial Seguradora S.A., maturing on December 31, 2017 and beneficiary Engie Brasil Energia Comercializadora Ltda.
- l) Performance bond No. 54-0776-19-0012078 for the purchase and sale of electric power number EBC-16,1171-CVEI-CL, borrower Precon, in the amount of R\$257, entered into with Pottencial Seguradora S.A., maturing on December 31, 2017 and beneficiary Engie Brasil Energia Comercializadora Ltda.
- m) Bank Guarantee No. 2,043,852-5 relating to the collateral for the financing to the Goiás Development Agency, entered into with Eternit S/A, in the amount of R\$4,456 with Bradesco, maturing on April 30, 2018;
- n) Bank Guarantee No. 2,075,216-5 relating to the collateral for the financing to the Goiás Development Agency, entered into with Tégula, in the amount of R\$1,510 with Bradesco, maturing on June 27, 2018.

## 29. PROVISION FOR MINE DECOMMISSIONING

Subsidiary Sama records the adjusted environmental recovery, based the fair value, as follows:

|                          |          |
|--------------------------|----------|
| Discount rate            | 10% p.a. |
| Long-term inflation rate | 5% p.a.  |

| <u>Present value of expected disbursements</u> | <u>Consolidated</u> |                   |
|--|---------------------|-------------------|
|  | <u>9/30/2017</u>    | <u>12/31/2016</u> |
| 2032   | 5,603               | 5,216             |
| 2033   | 4,809               | 4,477             |
| 2034   | 2,492               | 2,320             |
| 2035 to 2043                                   | <u>2,002</u>        | <u>1,865</u>      |
|  | <u>14,906</u>       | <u>13,878</u>     |

Considering the agreement entered into with Mine Closure Environment Plan (PAFEM), the mine environmental recovery will take place between 2032 and 2043.

The total amount of consolidated expenses on the mine environmental recovery in the period ended September 30, 2017 was R\$1,028 (R\$935 as at September 30, 2016), calculated based on the current chrysotile extraction volume.

## 30. ESTIMATED LOSSES ON THE RECOVERY OF ASSETS AND PROVISION FOR RESTRUCTURING AND DECOMMISSIONING

The Company started to implement a restructuring process in its business units focused on recovering profitability. In the period ended September 30, 2017, the outstanding amounts and variations relating to the provision for restructuring and decommissioning of

part of the assets are shown below:

|   | <u>9/30/2017</u> | <u>12/31/2016</u> |
|---|------------------|-------------------|
| Estimated loss on the recoverability of goodwill and other assets       | 3,796            | 3,796             |
| Provision for decommissioning and restructuring                         | 4,271            | 2,586             |
| Estimated loss on the recoverability of asset                           | <u>11,095</u>    | <u>11,727</u>     |
| Total adjustment on recoverability loss and provision for restructuring | <u>19,162</u>    | <u>18,109</u>     |

| <u>Decommissioning</u>            | <u>Estimated loss<br/>on the<br/>recoverability<br/>of goodwill and<br/>other assets</u> | <u>Provision for asset<br/>descommissioning</u> | <u>Estimated loss<br/>on the<br/>recoverability<br/>of asset</u> | <u>Total<br/>decommissioning</u> |
|-----------------------------------|--|---|--|----------------------------------|
| Balances as at December 31, 2016  | 3,796  | 1,064   | 11,727   | 16,587                           |
| Reversal                          | -  | -   | (632)  | (632)                            |
| Write-off due to payment          | -  | (785)   | -  | (785)                            |
| Balances as at September 30, 2017 | <u>3,796</u>   | <u>279</u>                                      | <u>11,095</u>  | <u>15,170</u>                    |

(\*) The additions in the period refer to the Group's units that were not included in the process started in December 2016.

### 31. NON-CASH TRANSACTIONS

|   | <u>Parent</u>    |                   | <u>Consolidated</u> |                   |
|---|------------------|-------------------|---------------------|-------------------|
|   | <u>9/30/2017</u> | <u>12/31/2016</u> | <u>9/30/2017</u>    | <u>12/31/2016</u> |
| Investment increase with loan repayment                 | 11,996           | -                 | -                   | -                 |
| Recoverable tax credit on property, plant and equipment | 5,864            | -                 | 5,864               | -                 |
| Transfer of equity deficiency (*)                       | (6,539)          | -                 | (6,539)             | -                 |
| Acquisition of commercial space - Payment in kind       | -                | 796               | -                   | 796               |
|   | <u>11,321</u>    | <u>796</u>        | <u>(675)</u>        | <u>796</u>        |

(\*) Amount related to loss on investment of joint venture of Companhia Sulamericana.

## Other information that the Company considers relevant

| SHAREHOLDING POSITION OF THE OWNERS OF MORE THAN 5% OF SHARES OF EACH SPECIES AND CLASS OF THE COMPANY, TO THE INDIVIDUAL ENTITY LEVEL. |                    |               |                                      |               |  |
|---|--------------------|---------------|--------------------------------------|---------------|--|
| Company: ETERNIT S.A.   |                    |               | Position on 09/30/2017<br>(In Units) |               |  |
| Shareholder   | Ordinary Shares    |               | Total                                |               |  |
|   | Qty.               | %             | Qty.                                 | %             |  |
| Luiz Barsi Filho  | 25,821,000         | 14,43         | 25,821,000                           | 14,43         |  |
| Victor Adler and Controlled   | 21,830,000         | 12,20         | 21,830,000                           | 12,20         |  |
| Generation L. Pair Shares Investment Fund   | 12,038,000         | 6,73          | 12,038,000                           | 6,73          |  |
| Shares in treasury  | 58,732             | 0,03          | 58,732                               | 0,03          |  |
| Others  | 119,252,268        | 66,62         | 119,252,268                          | 66,62         |  |
| <b>Total</b>  | <b>179,000,000</b> | <b>100,00</b> | <b>179,000,000</b>                   | <b>100,00</b> |  |

| SHAREHOLDING POSITION OF THE OWNERS OF MORE THAN 5% OF SHARES OF EACH SPECIES AND CLASS OF THE COMPANY, TO THE INDIVIDUAL ENTITY LEVEL. |                    |               |                                      |               |  |
|---|--------------------|---------------|--------------------------------------|---------------|--|
| Company: ETERNIT S.A.   |                    |               | Position on 09/30/2016<br>(In Units) |               |  |
| Shareholder   | Ordinary Shares    |               | Total                                |               |  |
|   | Qty.               | %             | Qty.                                 | %             |  |
| Luiz Barsi Filho  | 24,485,500         | 13,68         | 24,485,500                           | 13,68         |  |
| Generation L. Pair Shares Investment Fund   | 15,673,100         | 8,76          | 15,673,100                           | 8,76          |  |
| Victor Adler  | 19,028,600         | 10,63         | 19,028,600                           | 10,63         |  |
| Shares in treasury  | 58,732             | 0,03          | 58,732                               | 0,03          |  |
| Others  | 119,754,068        | 66,90         | 119,754,068                          | 66,90         |  |
| <b>Total</b>  | <b>179,000,000</b> | <b>100,00</b> | <b>179,000,000</b>                   | <b>100,00</b> |  |

2. POSITION OF THE CONTROLLERS, MANAGERS AND CURRENT SHARES (not revised by independent auditors)

| ADMINISTRATORS AND CONTROLLERS AND CURRENT SHARES CONSOLIDATED SHAREHOLDING POSITION |  |               |   |  |   |               |
|--|--|---------------|---|--|---|---------------|
| Shareholder  | Quantity of ordinary shares (in units) on 09/30/2017 | %             | Quantity of ordinary shares (in units) Activity |  | Quantity of ordinary shares (in units) 09/30/2016 | %             |
| <b>Controller</b>  | N/A  | -             | N/A   |  | N/A   | -             |
| <b>Administrators</b>  |  |               |   |  |   |               |
| Board of Directors   | 25,902,002   | 14,47         | 1,399,500                                       |  | 24,502,502  | 13,69         |
| Advisory Council   |  |               |   |  | 18,716,000  | 10,46         |
| Management   | 325,100  | 0,18          | -1,325,548                                      |  | 1,650,648   | 0,92          |
| <b>Tax Council</b>   | 369,600  | 0,21          | -355,100  |  | 724,700   | 0,40          |
| <b>Shares in treasury</b>  | 58,732   | 0,03          | 0   |  | 58,732  | 0,03          |
| <b>Other shareholders</b>  | 152,344,566  | 85,11         | 281,148   |  | 152,063,418                                       | 84,95         |
| <b>Total</b>   | <b>179,000,000</b>                                   | <b>100,00</b> | <b>18,716,000</b>                               |  | <b>179,000,000</b>                                | <b>100,00</b> |
| <b>Current shares</b>  | <b>152,344,566</b>                                   | <b>85,11</b>  | <b>281,148</b>                                  |  | <b>152,063,418</b>                                | <b>84,95</b>  |

*(Convenience Translation into English from the Original  
Previously Issued in Portuguese)*

## **Eternit S.A.**

Individual and Consolidated  
Interim Financial Information for the Nine-month  
Period Ended September 30, 2017 and Report on  
Review of Interim Financial Information

Deloitte Touche Tohmatsu Auditores Independentes

(Convenience Translation into English from the Original Previously Issued in Portuguese)

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Shareholders, Directors and Management of  
Eternit S.A.  
São Paulo - SP

### **Introduction**

We have reviewed the accompanying individual and consolidated interim financial information of Eternit S.A. (the "Company"), identified as Parent and Consolidated, respectively, for the nine-month period ended September 30, 2017, which comprises the balance sheet as at September 30, 2017 and the related statement of profit and loss and statement of comprehensive income for the three- and nine-month periods then ended, and the statement of changes in equity and statement of cash flows for the nine-month period then ended, including the explanatory notes.

Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with CPC 21 (R1) and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of review**

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

### **Conclusion on the interim financial information**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the ITR referred to above is not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34.

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## Emphases of matter

### *Provisions for risks*

- i) We draw attention to note 20 to the individual and consolidated interim financial information, which describes the uncertainty in relation to the combined judgment of the merit by the Federal Supreme Court (STF) of the Direct Unconstitutionality Action (ADI) 3357 in light of State Law 11.643/01 of the State of Rio Grande do Sul, which bans the manufacturing and sale of asbestos-made products, in that State, as well as the other ADIs addressing the use of asbestos. Our conclusion is not qualified regarding this matter.
- ii) We draw attention to note 20 to the individual and consolidated interim financial information, which describes the ADI 3937 in light of State Law 12,684/07 of the State of São Paulo, which bans the use in the State of São Paulo of products, materials or artifacts containing any type of asbestos. On August 24, 2017, such ADI was partially upheld by the STF and the Company is currently awaiting new instructions. Our conclusion is not qualified regarding this matter.
- iii) We draw attention to note 20, items i.b), i.c) and iii.e), to the individual and consolidated interim financial information, which describes the civil lawsuits filed against the Company by the General Labor Attorneys' Office of the State of São Paulo and the Brazilian Association of Workers Exposed to Asbestos (ABREA) of the State of São Paulo and the General Labor Attorneys' Office of the State of Rio de Janeiro and ABREA of the State of Rio de Janeiro, whereby matters related to the work environment and occupational disease in the Company's industrial unit are discussed, with respect to which decisions partially unfavorable to the Company were handed down by the appellate and lower courts, respectively. The likelihood of loss for a portion of such lawsuits, as disclosed in note 20, items i.b) and i.c), was assessed by the Company's legal counsel as probable, and a provision for risks has been recognized in prior periods for such portion. No provision for risks was recognized for the portion assessed as possible loss, as disclosed in note 20, items i.c) and iii e). Our conclusion is not qualified regarding this matter.
- iv) We draw attention to note 20, item iii.f) to the individual and consolidated interim financial information, which describes the civil lawsuit filed by the General Labor Attorneys' Office of the State of Paraná against the Company, whereby matters related to the work environment and occupational disease are discussed and which was not judged yet. The likelihood of loss for this civil lawsuit was assessed by the Company's legal counsel as possible; therefore, no provision for risks related to such lawsuit was recognized. Our conclusion is not qualified regarding this matter.
- v) We draw attention to note 20, item iii.b) to the individual and consolidated interim financial information, which describes the civil lawsuit filed by the Federal and State General Labor Attorneys' Office of the State of Bahia against the subsidiary Sama S.A., whereby damages to the population's health are discussed and which was partially upheld by the lower court. This decision also ruled the inalienability of items of Sama's noncurrent assets. The likelihood of loss for this civil lawsuit was assessed by the Company's legal counsel as possible; therefore, no provision for risks related to such lawsuit was recognized. Our conclusion is not qualified regarding this matter.

- vi) We draw attention to note 20, item iii.h) to the individual and consolidated interim financial information, which describes the civil lawsuit filed by the General Labor Attorneys' Office, in which certain claims are discussed, among which the sentence for the Company to pay R\$225 million for collective pain and suffering and the replacement of the raw material within ten days. The likelihood of loss for this civil lawsuit was assessed by the Company's legal counsel as possible; therefore, no provision for risks related to such lawsuit was recognized. Our conclusion is not qualified regarding this matter.

## **Other matters**

### *Statements of value added*

We have also reviewed the individual and consolidated statements of value added ("DVA"), for the nine-month period ended September 30, 2017, prepared under the responsibility of the Company's management, the presentation of which is required by the standards issued by the CVM applicable to the preparation of Interim Financial Information (ITR), and is considered as supplemental information for International Financial Reporting Standards (IFRSs), which do not require the presentation of a DVA. These statements were subject to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they are not prepared, in all material respects, in relation to the individual and consolidated interim financial information taken as a whole.

### *Financial statements and interim financial information for prior periods audited and reviewed by another independent auditor*

The audit of the individual and consolidated balance sheet as at December 31, 2016 and the review of the individual and consolidated interim financial information for the nine-month period ended September 30, 2016, presented for purposes of comparison, were conducted by another auditor, who issued an audit report and review report without modifications, dated March 17, 2017 and November 9, 2016, respectively.

The accompanying individual and consolidated interim financial information has been translated into English for the convenience of readers outside Brazil.

São Paulo, November 9, 2017

DELOITTE TOUCHE TOHMATSU  
Auditores Independentes

Manoel Pinto da Silva  
Engagement Partner

**ETERNIT S.A.**

Corporate Taxpayer ID (C.N.P.J.) 61.092.037/0001-81

Company Registry (NIRE): 35.300.013.344

**AUDIT BOARD REPORT**

The Audit Board of Eternit S.A., in compliance with the law and its Bylaws, examined separate and consolidated interim financial information of the Company related to the three-month period ended September 30, 2017.

Based on its examination, and also taking into account the unqualified report of the independent auditors Deloitte Touche Tohmatsu, which has not been restated thus far, as well as the information and clarifications provided during said period, the Audit Board believes the documents are in fair conditions to be submitted to the Board of Directors.

São Paulo, November 07, 2017.

Undersigned) Paulo Henrique Zukanovich Funchal – Coordinator; Aloisio Macário Ferreira de Souza, Cristiane do Amaral Mendonça; Vera Lucia Martins Ferreira Nogueira Ferraz – Secretary

## **Declaration by the Executive Board**

The members of the Board Executive Officers of Eternit SA declare for the purposes of article 25, paragraph 1, items V and VI, of CVM Instruction 480, of December 7, 2009, that:

- i) reviewed, discussed and agreed with the opinions expressed without the independent auditors' opinion on the quarterly information for the period ended September 30, 2017; and
- ii) reviewed, discussed and agreed to the quarterly information for the period ended September 30, 2017.

São Paulo, November 08, 2017.

Eternit S.A.

The Management