Individual and Consolidated Interim Financial Information

Eternit S.A.

Quarter ended March 31, 2017
with Independent Auditor Review Report

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Information from company / Paid-up capital

Number of shares (Thousands)	Current Quarter 03/31/2017
Paid-in Capital	
Common	179,000
Preferred	0
Total	**179,000**
Trasury shares	
Common	59
Preferred	0
Total	**59**

Individual FSs / Balance Sheet Asset

(Thousands of reais)

Account Code	Account Description	Current Quarter 03/31/2017	Previous Exercise 12/31/2016
1	Total Assets	676,275	679,193
1.01	Current Assets	217,874	208,911
1.01.01	Cash and Cash Equivalents	2,091	3,365
1.01.02	Short-term investments	420	32
1.01.02.02	Financial Investments Valued at Amortized Cost	420	32
1.01.02.02.01	Securities held until maturity	420	32
1.01.03	Accounts receivable	73,976	84,835
1.01.03.01	Clients	73,976	84,835
1.01.04	Inventories	98,692	93,582
1.01.06	Taxes Recoverable	9,873	9,289
1.01.06.01	Current and Recoverable Taxes	9,873	9,289
1.01.07	Prepaid expenses	1,273	238
1.01.08	Other Current assets	31,549	17,570
1.01.08.01	Non-Current Assets for Sale	796	796
1.01.08.03	Other	30,753	16,774
1.01.08.03.01	Related parties	27,962	14,819
1.01.08.03.02	Other	2,791	1,955
1.02	Non-current asset	458,401	470,282
1.02.01	Long-term assets	89,030	110,094
1.02.01.03	Accounts receivable	1,084	1,078
1.02.01.03.02	Other Accounts Receivable	1,084	1,078
1.02.01.06	Deferred Taxes	43,037	42,315
1.02.01.06.01	Differed Income Tax And Social Contribution	43,037	42,315
1.02.01.08	Credits with Related Parties	5,635	27,982
1.02.01.08.02	Credits with Subsidiaries	5,635	27,982
1.02.01.09	Other noncurrent assets	39,274	38,719
1.02.01.09.03	Recoverable taxes	24,415	24,335
1.02.01.09.04	Escrow deposits and tax incentives	14,859	14,384
1.02.02	Investments	221,772	203,707
1.02.02.01	Shareholdings	221,772	203,707
1.02.02.01.02	Shareholding in Subsidiaries	221,772	203,707
1.02.03	Fixed	141,937	150,412
1.02.03.01	Non-current in Operation	140,827	149,969
1.02.03.01.01	Non-current in Operation	144,565	153,707
1.02.03.01.02	Provision for Loss with Non-current	-3,738	-3,738
1.02.03.03	Non-current in progress	1,110	443
1.02.04	Intangible	5,662	6,069
1.02.04.01	Intangible	5,662	6,069
1.02.04.01.02	Software	5,267	5,650
1.02.04.01.03	Other intangible assets	395	419

Individual FSs / Balance Sheet Liability

(Thousands of reais)

Account Code	Account Description	Current Quarter 03/31/2017	Previous Exercise 12/31/2016
2	Total Liabilities	676,275	679,193
2.01	Current liabilities	91,934	93,337
2.01.01	Labor and Social Obligations	12,345	12,413
2.01.01.01	Social obligations	2,125	2,524
2.01.01.02	Labor Obligations	10,220	9,889
2.01.02	Trade accounts payable	15,538	20,602
2.01.02.01	National Trade accounts payable	14,501	18,989
2.01.02.02	Foreign Trade accounts payable	1,037	1,613
2.01.03	Tax obligations	10,209	14,030
2.01.03.01	Federal Taxes Obligations	2,975	5,922
2.01.03.01.02	Other Federal Taxes	2,975	5,922
2.01.03.02	State tax obligations	7,234	8,108
2.01.04	Loans and financing	8,445	10,337
2.01.04.01	Loans and financing	8,445	10,337
2.01.04.01.01	In national currency	1,475	1,487
2.01.04.01.02	In foreign currency	6,970	8,850
2.01.05	Other Obligations	42,213	32,771
2.01.05.01	Liabilities with Related Parties	35,208	25,393
2.01.05.02	Other	7,005	7,378
2.01.05.02.01	Payable dividends and interest on capital	426	426
2.01.05.02.04	Other accounts payable	6,094	6,578
2.01.05.02.05	Derivative financial instruments	485	374
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	127,663	126,223
2.02.01	Loans and financing	2,627	4,362
2.02.01.01	Loans and financing	2,627	4,362
2.02.01.01.01	In national currency	1,017	1,365
2.02.01.01.02	In foreign currency	1,610	2,997
2.02.02	Other Obligations	39,568	37,758
2.02.02.01	Liabilities with Related Parties	37,666	36,012
2.02.02.02	Other	1,902	1,746
2.02.02.02.03	Taxes, fees and contributions payable	1,902	1,746
2.02.04	Provisions	85,468	84,103
2.02.04.01	Labor and Civil Social Security Tax Provisions	85,468	84,103
2.02.04.01.01	Tax Provisions	-	7,610
2.02.04.01.02	Labor and Social Security Provisions	39,780	39,365
2.02.04.01.04	Civil Provisions	8,278	-
2.02.04.01.05	Provision for future benefits to former employees	37,410	37,128
2.03	Net Property	456,678	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	118,047	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	49,137	49,137
2.03.04.09	Treasury shares	-174	-174
2.03.05	Accumulated Profits/Losses	-2,955	-
2.03.08	Other Comprehensive Results	-12,125	-12,125

Individual FSs / Income Statement

(Thousands of reais)

Account Code	Account Description	Accumulated from Current Year 01/01/2017 to 03/31/2017	Accumulated from Previous Year 01/01/2016 to 03/31/2016
3.01	Revenue from Sale of Goods and/or Services	109,959	131,430
3.02	Cost of Goods and/or Services Sold	-87,700	-99,672
3.03	Gross Income	22,259	31,758
3.04	Operational Expenses/Revenues	-23,521	-21,324
3.04.01	Sale expenses	-11,315	-14,415
3.04.02	General and administrative expenses	-10,484	-12,722
3.04.04	Other Operational Incomes	56	48
3.04.05	Other Operational Expenses	-2,296	-1,781
3.04.06	Result of equity equivalence	518	7,546
3.05	Result Before Financial Result and Taxes	-1,262	10,434
3.06	Financial Results	-2,415	-694
3.06.01	Financial income	1,879	12,840
3.06.02	Financial expenses	-4,294	-13,534
3.07	Result Before Income Taxes	-3,677	9,740
3.08	Income Tax and Social Contribution on Profit	722	-1,470
3.08.01	Current	-	-1,743
3.08.02	Deferred	722	273
3.09	Net result from continued operations	-2,955	8,270
3.11	Profit/Loss for the Period	-2,955	8,270
3.99	Profit per share - (Reais/Share)	-	-
3.99.01	Basic Profit per Share	-	-
3.99.01.01	ON	-0.0165	0.0462
3.99.02	Diluted Profit per Share	-	-
3.99.02.01	ON	-0.0165	0.0462

Individual FSs / Income Statement per Nature

(Thousands of reais)

Account Code	**Account Description**	**Accumulated from Current Year 01/01/2017 to 03/31/2017**	**Accumulated from Previous Year 01/01/2016 to 03/31/2016**
4.01	Net Income for the Period	-2,955	8,270
4.03	Comprehensive Result for the Period	-2,955	8,270

Individual FSs / Cash Flow

(Thousands of reais)

Account Code	Account Description	Accumulated from Current Year 01/01/2017 to 03/31/2017	Accumulated from Previous Year 01/01/2016 to 03/31/2016
6.01	Net Cash Operational Activities	2,205	5,707
6.01.01	Cash Generated by Operations	2,164	8,218
6.01.01.01	Net Income for the Period	-3,677	9,740
6.01.01.02	Result of equity equivalence	-518	-7,546
6.01.01.03	Depreciation, amortization and exhaustion	3,736	3,641
6.01.01.04	Result on discharge of fixed assets	20	-
6.01.01.05	Allowance for doubtful accounts	430	308
6.01.01.06	Provision for tax, civil, and labor risks	1,083	491
6.01.01.07	Miscellaneous Provisions	0	399
6.01.01.08	Financial charges, monetary and exchange variation	234	-637
6.01.01.09	Short-term investment yield	-90	-
6.01.01.10	Net changes in prepaid expenses	705	1,822
6.01.01.13	Estimated impairment of net realizable value	-41	-
6.01.01.16	Provision for post-employment benefits	282	-
6.01.02	Variations in assets e liabilities	41	-2,511
6.01.02.01	Accounts receivable from clients	10,429	-8,530
6.01.02.02	Receivables from Related parties	-9,347	3,706
6.01.02.03	Inventories	-1,223	-11,181
6.01.02.04	Taxes recoverable	5,536	3,386
6.01.02.05	Judicial deposits	-475	-3,168
6.01.02.06	Dividends and interest on equity received	1,011	6,250
6.01.02.07	Other assets	-2,578	-6,317
6.01.02.08	Trade accounts payable	-5,064	8,865
6.01.02.09	Payables to related parties	5,971	5,316
6.01.02.10	Taxes, charges and contributions payable	-3,506	-2,867
6.01.02.11	Provisions and social charges	-68	2,392
6.01.02.12	Other liabilities	-484	-145
6.01.02.13	Interest paid	-161	-218
6.02	Net Cash Investing Activities	-979	-2,858
6.02.01	Intercompany loan receivable	10,720	-671
6.02.02	Amount received on disposal of PP&E items	37	0
6.02.03	Additions to PP&E and intangible assets	-777	-2,232
6.02.04	Addition to capitalized exchange variation	-	45
6.02.06	Short term investments	-22,100	-
6.02.07	Redemption of short term investments	21,800	-
6.02.08	Intercompany loans receivable	-10,659	-
6.03	Net Cash from Financing Activities	-2,500	-182
6.03.01	Loans and financing raised	-	1,976
6.03.02	Repayment of loans and financing	-3,350	-1,982
6.03.03	Intercompany loans	850	-176
6.05	Increase (Decrease) in Cash and Cash Equivalents	-1,274	2,667
6.05.01	Initial Balance and Cash and Cash Equivalents	3,365	2,850
6.05.02	Final Balance of Cash and Cash Equivalents	2,091	5,517

Individual FSs / Changes in Equity - 03/31/2017

(Thousands of reais)

Account Code	Account Description	Paid-in Capital	Capital Reserves, Options Granted and Treasury Shares	Profit Reserves	Accumulated Profits or Losses	Other Comprehensive Results	Net Property
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
5.05	Total Comprehensive Result	-	-	-	(2,955)	-	(2,955)
5.05.01	Net Income for the Period	-	-	-	(2,955)	-	(2,955)
5.07	Final Balances	334,251	19,286	118,221	(2,955)	(12,125)	456,678

Individual FSs / Changes in Equity - 03/31/2016

(Thousands of reais)

Account Code	Account Description	Paid-in Capital	Capital Reserves, Options Granted and Treasury Shares	Profit Reserves	Accumulated Profits or Losses	Other Comprehensive Results	Net Property
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	-	-	41	-	-	41
5.04.08	Dividends Expired	-	-	41	-	-	41
5.05	Total Comprehensive Result	-	-	-	8,270	-	8,270
5.05.01	Net Income for the Period	-	-	-	8,270	-	8,270
5.07	Final Balances	334,251	19,286	155,779	8,270	(9,177)	508,409

Individual FSs / Added Value

(Thousands of reais)

Account Code	Account Description	Accumulated from Current Year 01/01/2017 to 03/31/2017	Accumulated from Previous Year 01/01/2016 to 03/31/2016
7.01	Revenues	147,006	169,755
7.01.01	Sales of goods, products and services	147,456	170,063
7.01.02	Other revenues	-20	-
7.01.04	Provision / Reversal of creds. Doubtful Settlement	-430	-308
7.02	Inputs Purchased From Third Parties	-104,331	-117,447
7.02.01	Costs Prods., Mercs. and servs. Sold	-76,952	-82,857
7.02.02	Materials, energy and services from third parties and others	-27,084	-32,395
7.02.03	Loss / Recovery of asset values	-	-1,588
7.02.04	Other	-295	-607
7.03	Gross Added Value	42,675	52,308
7.04	Retentions	-3,736	-3,641
7.04.01	Depreciation, amortization and exhaustion	-3,736	-3,641
7.05	Net added value produced	38,939	48,667
7.06	Added value received in transfer	2,416	20,434
7.06.01	Result of equity equivalence	518	7,546
7.06.02	Financial income	1,879	12,840
7.06.03	Other	19	48
7.07	Total Added Value To Distribute	41,355	69,101
7.08	Distribution Of Value Added	41,355	69,101
7.08.01	Personal	22,728	26,048
7.08.01.01	Direct compensation	15,574	17,491
7.08.01.02	Benefits	5,517	7,080
7.08.01.03	F.G.T.S.	1,637	1,477
7.08.02	Taxes, fees and contributions	15,673	19,468
7.08.02.01	Federal	8,864	17,497
7.08.02.02	State	6,347	1,476
7.08.02.03	Municipal	462	495
7.08.03	Remuneration of capital from third parties	5,909	15,315
7.08.03.01	Interest	4,294	13,534
7.08.03.02	Rentals	1,615	1,781
7.08.04	Remuneration of own capital	-2,955	8,270
7.08.04.03	Retained Profit/Loss for the Period	-2,955	8,270

Consolidated FSs / Balance Sheet Asset

(Thousands of reais)

Account Code	Account Description	Current Quarter 03/31/2017	Previous Exercise 12/31/2016
1	Total Assets	817,458	842,448
1.01	Current Assets	349,506	356,975
1.01.01	Cash and Cash Equivalents	3,834	5,143
1.01.02	Temporary investments	4,351	2,708
1.01.02.02	Financial Investments Valued at Amortized Cost	4,351	2,708
1.01.02.02.01	Securities held until maturity	4,351	2,708
1.01.03	Accounts receivable	139,490	158,663
1.01.03.01	Clients	139,490	158,663
1.01.04	Inventories	168,574	160,867
1.01.06	Taxes Recoverable	18,311	17,861
1.01.06.01	Current and Recoverable Taxes	18,311	17,861
1.01.07	Prepaid expenses	1,604	680
1.01.08	Other Current assets	13,342	11,053
1.01.08.01	Non-Current Assets for Sale	5,291	5,291
1.01.08.03	Other	8,051	5,762
1.01.08.03.01	Related parties	1,514	718
1.01.08.03.02	Other	6,537	5,044
1.02	Non-current asset	467,952	485,473
1.02.01	Long-term assets	129,619	138,195
1.02.01.03	Accounts receivable	2,553	2,545
1.02.01.03.02	Other Accounts Receivable	2,553	2,545
1.02.01.06	Deferred Taxes	73,836	72,655
1.02.01.06.01	Differed Income Tax And Social Contribution	73,836	72,655
1.02.01.08	Credits with Related Parties	5,635	15,985
1.02.01.08.04	Credits with Other Related Parties	5,635	15,985
1.02.01.09	Other noncurrent assets	47,595	47,010
1.02.01.09.03	Taxes Recoverable	24,755	24,746
1.02.01.09.04	Escrow deposits and tax incentives	22,840	22,264
1.02.02	Investments	8,590	3,546
1.02.02.01	Shareholdings	8,590	3,546
1.02.02.01.01	Shareholding in Affiliates	8,590	3,546
1.02.03	Fixed	304,305	317,716
1.02.03.01	Non-current in Operation	302,642	315,985
1.02.03.01.01	Non-current in Operation	306,380	319,723
1.02.03.01.02	Provision for Loss with Non-current	-3,738	-3,738
1.02.03.03	Non-current in progress	1,663	1,731
1.02.04	Intangible	25,438	26,016
1.02.04.01	Intangible	8,880	9,458
1.02.04.01.02	Software	7,512	8,066
1.02.04.01.03	Other intangible assets	1,368	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 03/31/2017	Previous Exercise 12/31/2016
2	Total Liabilities	817,458	842,448
2.01	Current liabilities	149,876	168,489
2.01.01	Labor and Social Obligations	23,605	23,388
2.01.01.01	Social obligations	3,859	4,834
2.01.01.02	Labor Obligations	19,746	18,554
2.01.02	Trade accounts payable	31,200	33,566
2.01.02.01	National Trade accounts payable	30,019	31,694
2.01.02.02	Foreign Trade accounts payable	1,181	1,872
2.01.03	Tax obligations	16,545	22,260
2.01.03.01	Federal Taxes Obligations	7,023	11,603
2.01.03.01.01	Payable income tax and social contribution	1,353	2,284
2.01.03.01.02	Other Federal Taxes	5,670	9,319
2.01.03.02	State tax obligations	9,522	10,657
2.01.04	Loans and financing	58,471	68,750
2.01.04.01	Loans and financing	58,471	68,750
2.01.04.01.01	In national currency	27,112	23,547
2.01.04.01.02	In foreign currency	31,359	45,203
2.01.05	Other Obligations	14,940	14,386
2.01.05.02	Other	14,940	14,386
2.01.05.02.01	Payable dividends and interest on capital	426	426
2.01.05.02.04	Other accounts payable	14,029	13,282
2.01.06	Provisions	5,115	6,139
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	-	1,024
2.01.06.02.02	Provision for Restructuring	-	1,024
2.02	Noncurrent liabilities	210,887	214,310
2.02.01	Loans and financing	48,817	55,626
2.02.01.01	Loans and financing	48,817	55,626
2.02.01.01.01	In national currency	38,049	38,500
2.02.01.01.02	In foreign currency	10,768	17,126
2.02.02	Other Obligations	19,586	4,699
2.02.02.02	Other	19,586	4,699
2.02.02.02.03	Taxes, fees and contributions payable	5,373	4,699
2.02.02.02.04	Reassembling of the mine	14,213	-
2.02.04	Provisions	142,484	153,985
2.02.04.01	Labor and Civil Social Security Tax Provisions	142,484	140,107
2.02.04.01.01	Tax Provisions	-	33,575
2.02.04.01.02	Labor and Social Security Provisions	51,773	50,850
2.02.04.01.04	Civil Provisions	40,431	5,578
2.02.04.01.05	Provision for future benefits to former employees	50,280	50,104
2.02.04.02	Other Provisions	-	13,878
2.03	Consolidated Equity	456,695	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	118,047	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	49,137	49,137
2.03.04.09	Treasury shares	-174	-174
2.03.05	Accumulated Profits/Losses	-2,955	-
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	Accumulated from Current Year 01/01/2017 to 03/31/2017	Accumulated from Previous Year 01/01/2016 to 03/31/2016
3.01	Revenue from Sale of Goods and/or Services	167,699	228,922
3.02	Cost of Goods and/or Services Sold	-114,655	-148,876
3.03	Gross Income	53,044	80,046
3.04	Operational Expenses/Revenues	-48,600	-58,044
3.04.01	Sale expenses	-20,900	-26,578
3.04.02	General and administrative expenses	-21,552	-26,835
3.04.04	Other Operational Incomes	3,213	6,282
3.04.05	Other Operational Expenses	-3,746	-4,684
3.04.06	Result of equity equivalence	-5,615	-6,229
3.05	Result Before Financial Result and Taxes	4,444	22,002
3.06	Financial Results	-4,548	-5,766
3.06.01	Financial income	6,301	23,633
3.06.02	Financial expenses	-10,849	-29,399
3.07	Result Before Income Taxes	-104	16,236
3.08	Income Tax and Social Contribution on Profit	-2,851	-7,967
3.08.01	Current	-4,032	-9,182
3.08.02	Deferred	1,181	1,215
3.09	Net result from continued operations	-2,955	8,269
3.11	Profit/Loss Consolidated for the Period	-2,955	8,269
3.11.01	Assigned to Partners of the Parent Company	-2,955	8,270
3.11.02	Assigned to Non-Controlling Partners	-	-1
3.99	Profit per share - (Reais/Share)	-	-
3.99.01	Basic Profit per Share	-	-
3.99.01.01	ON	-0.0165	0.0462
3.99.02	Diluted Profit per Share	-	-
3.99.02.01	ON	-0.0165	0.0462

Consolidated FSs /Income Statement per Nature

(Thousands of reais)

Account Code	Account Description	Accumulated from Current Year 01/01/2017 to 03/31/2017	Accumulated from Previous Year 01/01/2016 to 03/31/2016
4.01	Net Profit Consolidated for the Period	(2,955)	8,269
4.03	Consolidated Comprehensive Income for the Period	(2,955)	8,269
4.03.01	Assigned to Partners of the Parent Company	(2,955)	8,270
4.03.02	Assigned to Non-Controlling Partners	-	(1)

Consolidated FSs / Cash Flow

(Thousands of reais)

Account Code	Account Description	Accumulated from Current Year 01/01/2017 to 03/31/2017	Accumulated from Previous Year 01/01/2016 to 03/31/2016
6.01	Net Cash Operational Activities	14,974	12,380
6.01.01	Cash Generated by Operations	19,323	36,395
6.01.01.01	Net Income for the Period	-104	16,236
6.01.01.02	Equity pickup	5,615	6,229
6.01.01.03	Depreciation and amortization and exhaustion	9,191	9,868
6.01.01.04	Gain (loss) on disposal of permanent assets	-60	-3,080
6.01.01.05	Allowance for doubtful accounts	636	462
6.01.01.06	Provision for tax, civil, and labor risks	2,157	1,449
6.01.01.07	Provision for sundry losses	-	-48
6.01.01.08	Financial charges, and monetary and exchange variations	775	3,319
6.01.01.09	Short term investment yield	-200	-145
6.01.01.10	Net changes in prepaid expenses	926	2,105
6.01.01.12	Write-off of judicial deposits	16	-
6.01.01.13	Estimated impairment of net realizable value	-41	-
6.01.01.14	Estimated impairment losses	-99	-
6.01.01.16	Provision for post-employment benefits	176	-
6.01.01.17	Provision for decommissioning of mine	335	-
6.01.02	Variations in assets e liabilities	-4,349	-24,015
6.01.02.01	Accounts receivable from clients	18,682	-8,076
6.01.02.02	Receivables from related parties	-796	-847
6.01.02.03	Inventory	-7,666	-7,743
6.01.02.04	Taxes recoverable	5,750	1,382
6.01.02.05	Legal deposits	-592	-3,334
6.01.02.07	Other assets	-3,344	-7,886
6.01.02.08	Trade accounts payable	-2,366	12,577
6.01.02.10	Taxes, charges and contributions payable	-4,214	-1,863
6.01.02.11	Provisions and social charges	217	3,994
6.01.02.12	Other liabilities	-277	550
6.01.02.13	Interest paid	-4,928	-3,755
6.01.02.14	Income and social contribution taxes paid	-4,815	-9,014
6.02	Net Cash Investing Activities	-2,301	10,798
6.02.01	Intercompany loan receivable	10,720	-
6.02.02	Amount received on disposal of PP&E items	207	3,311
6.02.03	Additions to PP&E and intangible assets	-1,118	-3,645
6.02.04	Addition to capitalized exchange variation	-	45
6.02.06	Short-term investments	-33,242	-8,245
6.02.07	Redemption of short-term investments	31,791	19,332
6.02.08	Loan from related-party receivable	-10,659	-
6.03	Net Cash from Financing Activities	-13,982	-12,999
6.03.01	Loans and financing raised	22,791	175,329
6.03.02	Repayment of loans and financing	-36,773	-188,328
6.05	Increase (Decrease) in Cash and Cash Equivalents	-1,309	10,179
6.05.01	Initial Balance and Cash and Cash Equivalents	5,143	5,578
6.05.02	Final Balance of Cash and Cash Equivalents	3,834	15,757

Consolidated FSs / Changes in Equity - 03/31/2017

(Thousands of reais)

Account Code	Account Description	Paid-in Capital	Capital Reserves, Options Granted and Treasury Shares	Profit Reserves	Accumulated Profits or Losses	Other Comprehensive Results	Net Property	Participation of non-controller	Consolidated Equity
5.01	Initial Balance	334,251	19,286	118,221	-	(12,125)	459,633	16	500,116
5.03	Initial Adjusted Balance	334,251	19,286	118,221	-	(12,125)	459,633	16	500,116
5.05	Total Comprehensive Result	-	-	-	(2,955)	-	(2,955)	1	(2,954)
5.05.01	Net Income for the Period	-	-	-	(2,955)	-	(2,955)	1	(2,954)
5.07	Final Balances	334,251	19,286	118,221	(2,955)	(12,125)	456,678	17	456,695

Consolidated FSs / Changes in Equity - 03/31/2016

(Thousands of reais)

Account Code	Account Description	Paid-in Capital	Capital Reserves, Options Granted and Treasury Shares	Profit Reserves	Accumulated Profits or Losses	Other Comprehensive Results	Net Property	Participation of non-controller	Consolidated Equity
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	-	-	41	-	-	41	-	41
5.04.06	Dividends	-	-	-	-	-	41	-	(12,883)
5.04.07	Interest on equity	-	-	-	-	-	-	-	-
5.04.08	Dividends Expired	-	-	41	-	-	41	-	41
5.05	Total Comprehensive Result	-	-	-	8,270	-	8,270	-1	8,269
5.05.01	Net Income for the Period	-	-	-	8,270	-	8,270	-1	8,269
5.07	Final Balances	334,251	19,286	155,779	8,270	(9,177)	508,409	17	508,426

Consolidated FSs / Added Value

(Thousands of reais)

Account Code	Account Description	Accumulated from Current Year 01/01/2017 to 03/31/2017	Accumulated from Previous Year 01/01/2016 to 03/31/2016
7.01	Revenues	214,863	288,529
7.01.01	Sales of goods, products and services	215,386	285,609
7.01.02	Other revenues	113	3,382
7.01.04	Provision / Reversal of creds. Doubtful Settlement	-636	-462
7.02	Inputs Purchased From Third Parties	-148,335	-173,485
7.02.01	Costs Prods., Mercs. and servs. Sold	-104,827	-129,974
7.02.02	Materials, energy and services from third parties and others	-42,883	-40,444
7.02.03	Loss / Recovery of asset values	100	-1,840
7.02.04	Other	-725	-1,227
7.03	Gross Added Value	66,528	115,044
7.04	Retentions	-9,191	-9,868
7.04.01	Depreciation, amortization and exhaustion	-9,191	-9,868
7.05	Net added value produced	57,337	105,176
7.06	Added value received in transfer	947	17,787
7.06.01	Result of equity equivalence	-5,615	-6,229
7.06.02	Financial income	6,301	23,633
7.06.03	Other	261	383
7.07	Total Added Value To Distribute	58,284	122,963
7.08	Distribution Of Value Added	58,284	122,963
7.08.01	Personal	30,753	46,738
7.08.01.01	Direct compensation	20,989	30,894
7.08.01.02	Benefits	7,706	13,391
7.08.01.03	F.G.T.S.	2,058	2,453
7.08.02	Taxes, fees and contributions	17,209	33,677
7.08.02.01	Federal	11,551	21,150
7.08.02.02	State	4,768	11,116
7.08.02.03	Municipal	890	1,411
7.08.03	Remuneration of capital from third parties	13,277	34,278
7.08.03.01	Interest	10,849	29,399
7.08.03.02	Rentals	2,428	4,879
7.08.04	Remuneration of own capital	-2,955	8,270
7.08.04.01	Interest on equity	-	-
7.08.04.02	Dividends	-	-
7.08.04.03	Retained Profit/Loss for the Period	-2,955	8,270
7.08.04.04	Part. Not Controller in Retained Earnings	-	-

Eternit maintains focus on reducing net debt and closes 1Q17 at R$99.6 million

São Paulo, May 11, 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 first quarter of 2017 (1Q17). 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 made in this press release are with the first quarter of 2016 (1Q16), except where stated otherwise.

1Q17

Listing Segment

Novo Mercado of B3 (BM&FBOVESPA)

Stock Price (04/30/17) ETER3

R$/share	1.29
US$/share	0.40

Shareholder base (04/30/17)

Issued shares	179,000,000
Free Float	85.89%

Market Capitalization - (04/30/17)

R$230.9 million
US$72.2 million

Shareholder Payments (2017)

No payments in the period.

Indicators - (Mar/17)

Book value (R$/share)	2.55
Price/Book Value	0.51
Price/Earnings	N/A

Conference Call/Webcast

May 17, 2017

Time: 10:00 a.m. (Brasília) – 9:00 a.m. (New York) and 2:00 p.m. (London)

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In light of the highly challenging economic scenario in 1Q17, the construction materials sector contracted 6.3% when compared to 1Q16, according to the Brazilian Construction Materials Industry Association (ABRAMAT). During the period, the Company adjusted its operations to the reduced inventory levels to meet market demand in the mining, fiber-cement and concrete roofing tiles segments.

Chrysotile sales in 1Q17 amounted to 38,500 tons, down 26.4% from 1Q16, mainly due to the lower share of chrysotile in the industrial process in the domestic market, which was neutralized by an increase in exports as a result of a more competitive policy to face off competition from mining companies in Russia and Kazakhstan. In the same period, fiber-cement sales reached 166,900 tons, down 15.6% from 1Q16, whereas concrete roofing tile sales decreased 39.6%, mainly due to the industry slowdown, increasing unemployment, lower household income and credit restrictions, all of which inhibited consumption of construction materials for both renovations and new constructions.

Consolidated net revenue totaled R$167.7 million in 1Q17, down 26.7% from 1Q16, mainly due to lower sales volume in the company's operating segments on account of the industry slowdown and higher sales of a cheaper mix, while performance in the export market was impacted by the reduction in US dollar prices to face the stiff competition, and the 19.4% depreciation of the US dollar against the Brazilian real.

Adjusted EBITDA reached R$19.3 million in 1Q17, down 49.5% from 1Q16, due to lower sales volume in the operating segments, low industrial capacity utilization and the decline in operating margins due to a lower value-added sales mix. To reduce the negative effects of adjusted EBITDA, the Company has been concentrating its efforts in reducing operating expenses, in line with the structured program. As a result of the factors discussed in Adjusted EBITDA, and despite the improvement in equity pickup and net financial result in 1Q17, Eternit posted loss of R$3.0 million.

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

In line with the Company´s restructuring plan, the Board of Directors elected Mr. Luis Augusto Barcelos Barbosa as the Chief Executive Officer of the Company.

Main Indicators

Consolidated - R$ `000	1st Quarter		
	2017	2016	% Chg.
Gross revenues	**215,386**	**285,609**	**(24.6)**
Net revenues	**167,699**	**228,922**	**(26.7)**
Gross profit	53,044	80,046	(33.7)
Gross margin	*32%*	*35%*	*- 3 p.p.*
Operating loss/income (EBIT) [1]	**4,444**	**22,002**	**(79.8)**
Net income (loss) for the year	**(2,955)**	**8,269**	**-**
Net margin	*-2%*	*4%*	*- 6 p.p.*
Earnings (loss) per share, basic and diluted - R$	(0.0165)	0.0462	
CAPEX	1,118	3,645	(69.3)
EBITDA [2]	**13,635**	**31,870**	**(57.2)**
EBITDA Margin	*8%*	*14%*	*- 6 p.p.*
Adjusted EBITDA	**19,250**	**38,099**	**(49.5)**
Adjusted EBITDA Margin	*11%*	*17%*	*- 6 p.p.*

[1] *Before financial results.*

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

Economy and Market

As for the domestic scenario at the start of 2017, the Monetary Policy Committee[1] of the Central Bank of Brazil (Copom) has been sending mixed signals, though consistent with economic stabilization in the short term, indicating the possibility of a gradual recovery in economic activity over the course of 2017. In this context, the economy continues to be marked by a high level of idleness of the factors of production, which is evident from low capacity utilization by industry and, especially, the level of unemployment.

According to Copom, inflation is showing a favorable trend, with the inflation rate measured by the IPCA[2] for the last 12 months ended April 2017 closing at 4.1% when compared to the 12 prior months, converging to the center of the target established by the Central Bank of Brazil (BACEN). According to the FOCUS market readout dated May 5, 2017, inflation is expected to end the current year at around 4.0%.

According to this scenario, GDP[3] in 2017 is projected at 0.5%[4] and construction GDP is expected to drop 2.7%[5] compared to 2016.

According to ABRAMAT[6], the market for the construction materials industry remains sluggish due to high interest rates, difficulty in obtaining credit and growing unemployment, in addition to political uncertainties. Consequently, revenues deflated from sales of construction materials in the first quarter of 2017 decreased by 6.3% from the same period in 2016, in line with the progressive deceleration of decreases since the second half of 2016. For 2017, ABRAMAT points to a scenario of stability, projecting zero growth.

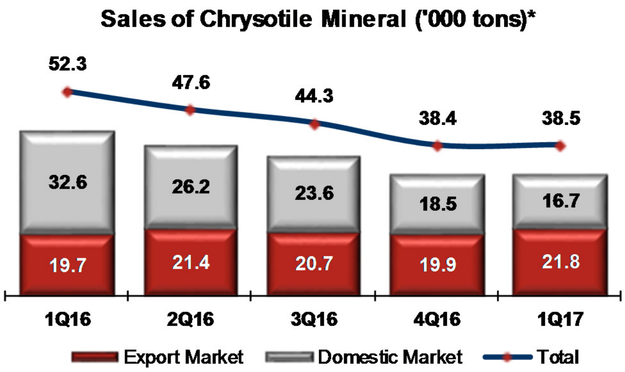
In comparison, Eternit's[7] consolidated gross revenue declined 22.8% in 1Q17, underperforming the industry (-6.3%). Note that the Company has been reconciling its operations with the reduction of inventory levels to meet market demand in both chrysotile mining and its finished products, which includes the production of fiber-cement and concrete roofing tiles.

Operational and Financial Aspects

Sales

Chrysotile mineral

In 1Q17, chrysotile mineral sales reached 38,500 tons, down 26.4% from 1Q16. In the same period, domestic sales volume dropped 48.8%, due to the lower share of chrysotile in the industrial process and the downturn in the construction materials sector. On the other hand, exports increased 10.6%, thanks to a more competitive commercial policy adopted to face off competition from mining companies in Russia and Kazakhstan.



(*) Includes intercompany sales, which accounted for 70.2% of domestic sales volume in 1Q17.

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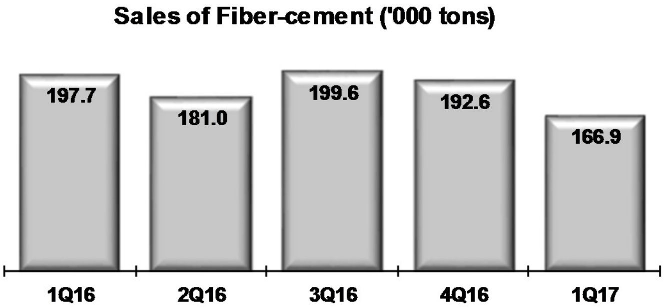
[1] Copom: Monetary Policy Committee of the Central Bank of Brazil
[2] IPCA - IBGE: National Extended Consumer Price Index disclosed by the Brazilian Institute of Geography and Statistics (IBGE).
[3] GDP: Gross domestic product.
[4] BACEN: FOCUS market readout of May 5, 2017 of the Central Bank of Brazil.
[5] BACEN: March 2017 inflation report issued by the Central Bank of Brazil.
[6] ABRAMAT: Brazilian Construction Materials Industry Association.
[7] Growth in Eternit's consolidated gross revenue compares the period from January to March 2017 and the same period in 2016, deflated by the IGP-M index.

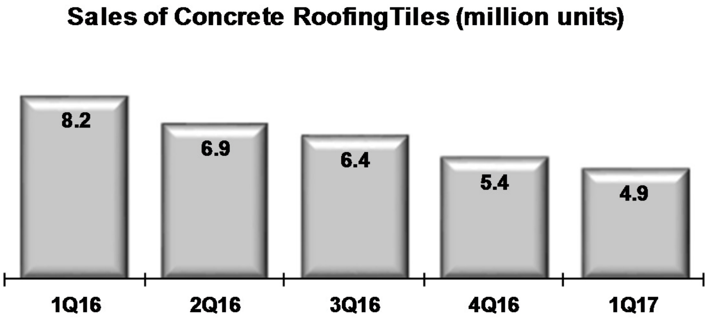
Fiber-cement

Fiber-cement sales totaled 166,900 tons in 1Q17, 15.6% lower than in 1Q16, due to the downturn in the construction materials market caused by growing unemployment, lower income distribution, high interest rates and difficulties in obtaining credit, which negatively impact the Company's business by reducing the consumption of materials for both renovations and new constructions.



Concrete Roofing Tiles

In 1Q17, concrete roofing tiles sales totaled 4.9 million units, down 39.6% from 1Q16 due to the restructuring of production units at the subsidiary Tégula Soluções para Telhados Ltda. in February 2017 in order to operate in more profitable markets, and the postponement of construction by medium- and high-income consumers due to the lack of confidence among consumers and the economic uncertainties.

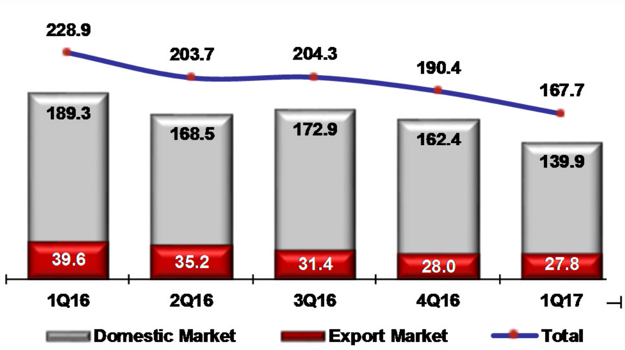


Consolidated Net Revenue

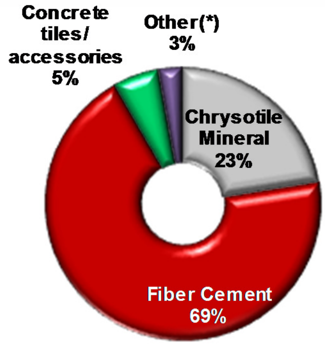
Consolidated net revenue in 1Q17 reached R$167.7 million, down 26.7% from 1Q16. Revenue from the domestic market stood at R$139.9 million, down 26.1%, mainly due to lower sales volume in its segments of operation, reflecting the downturn in the construction materials sector, the higher sale of a cheaper sales mix, which was partially offset by price repositioning in the segments of operation. Net revenue from chrysotile exports decreased 29.9% from 1Q16, reaching R$27.8 million, caused by the reduction in US dollar price to face the stiff competition, and the depreciation of 19.4% in the US dollar against the Brazilian real (comparison of average PTAX in the period).

A comparison of the performance of the main segments in 1Q17 and 1Q16 shows a decrease of 45.0% in chrysotile, 17.6% in fiber-cement and 35.0% in concrete roofing tiles and roofing accessories, with revenues of R$37.6 million, R$116.3 million and R$9.0 million, respectively.

Consolidated Net Revenue (R$ million)



Breakdown of Consolidated Net Revenue (1Q17)



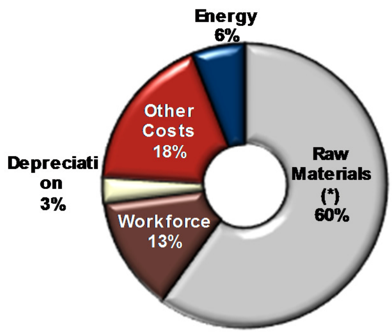
(*) Other: metal bathroom fixtures, polythene water tanks, construction solutions, among others.

Cost of Goods Sold

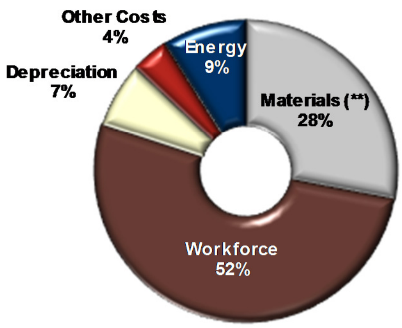
Consolidated cost of goods sold totaled R$114.7 million in 1Q17, down 23.0% from 1Q16, mainly due to the lower volume sold in its segments of operation and the adjustment of industrial capacity to operate in line with market demand, which was partially offset by cost pressures resulting from inflation (especially labor costs). As a result, apart from the impacts of lower net revenue caused by the decrease in volumes and the foreign exchange effect on exports, gross margin stood at 32% in the 1Q17, down 3 percentage points between the periods.

Breakdown of Cost (1Q17)

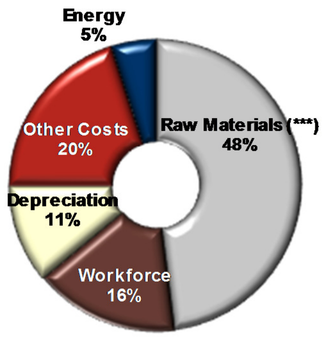
Fiber-cement



Chrysotile Mineral



Concrete Roofing Tiles



*Raw materials: cement (39%), chrysotile mineral (35%) and other (26%).
**Materials: fuel, explosives, packaging, etc.
***Raw materials: cement (52%), sand (31%) and other (17%).

Operating Expenses

In line with the structured SG&A cutting program, total operating expenses in 1Q17 decreased 17.0% from 1Q16, due to the reduction of 21.4% in selling expenses (adjustment of sales structure and lower spending on marketing campaigns) and 19.7% in general and administrative expenses.

In R$ '000	1st Quarter		
	2017	2016	Chg. %
Selling expenses	(20,900)	(26,578)	(21.4)
General and administrative expenses	(21,552)	(26,835)	(19.7)
Other operating revenues (expenses), net	(533)	1,598	-
Total operating expenses	**(42,985)**	**(51,815)**	**(17.0)**

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 1Q17, equity pickup was a negative R$5.6 million, as against a negative R$6.2 million in the same period last year.

Despite the industrial progress of the site, with continuous improvement in productivity indicators and the availability of a more diversified portfolio to improve business profitability, its results still reflect the economic scenario faced by clients, who mostly consume low value items in light of the country's current economic situation, such as the high level of unemployment and the drop in household income, as commented in the "Economy and Market" section.

Net Financial Result

Net financial result in 1Q17 was an expense of R$4.5 million, down 21.1% from 1Q16, mainly due to the lower effects of foreign exchange variation as a result of the non-exposure policy, both on payables and receivables in foreign currency by the Company, and the reduction of debt resulting in lower interest.

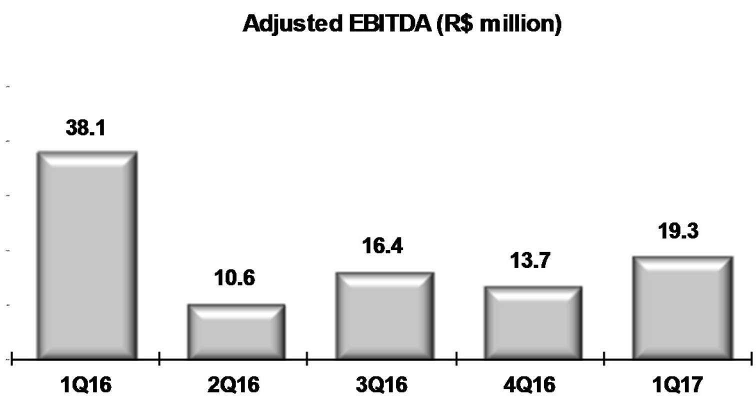
In R$ '000	1st Quarter		
	2017	2016	Chg. %
Financial expenses	(10,849)	(29,399)	(63.1)
Financial income	6,301	23,633	(73.3)
Net financial result	**(4,548)**	**(5,766)**	**(21.1)**

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.

Adjusted EBITDA

Adjusted EBITDA reached R$19.3 million in 1Q17, down 49.5% due to lower sales volume in the segments of operation, low industrial capacity utilization and the decline in operating margins due to a lower value-added sales mix. In order to mitigate the negative effects on adjusted EBITDA, the Company has been concentrating its efforts in reducing operating expenses in line with the structured program, as mentioned previously.

As a result, adjusted EBITDA margin declined 6 percentage points from 1Q16 to end 1Q17 at 11%.



Reconciliation of consolidated EBITDA - (R$'000)	1st Quarter		
	2017	2016	% Chg.
Net (loss) income	**(2,955)**	**8,269**	**-**
Income tax and social contributions	2,851	7,967	(64.2)
Net financial Income	4,548	5,766	(21.1)
Depreciation and amortization	9,191	9,868	(6.9)
EBITDA[1]	**13,635**	**31,870**	**(57.2)**
Equity pickup	5,615	6,229	(9.9)
Adjusted EBITDA[2]	**19,250**	**38,099**	**(49.5)**

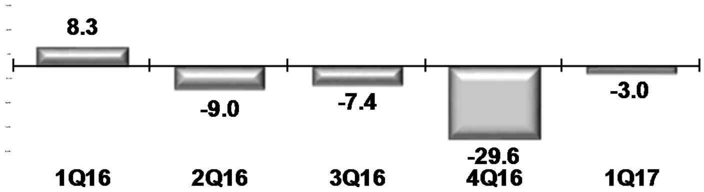
[1] The results of Companhia Sulamericana de Cerâmica (CSC) are included in the consolidated EBITDA in accordance with the equity pickup method and non-recurring events, in compliance with Instruction 527 of October 4, 2012, issued by the Securities and Exchange Commission of Brazil (CVM).

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

Net (Loss) Income

In 1Q17, Eternit posted loss of R$3.0 million, due to the factors commented in the Adjusted EBITDA section, despite the improvement in equity pickup and net financial result. Net margin declined by 6 percentage points to end the period at -2%. Note that in 1Q16 net income was positively impacted of around R$5.0 million related to non-recurring items such as sale of asset and prepayments of tax incentive from Produzir program.

Net (Loss) Income (R$ million)



Debt

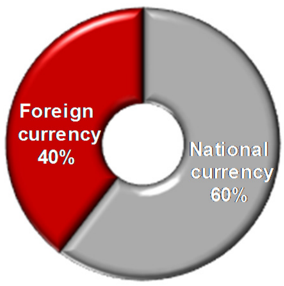
In line with its policy of reducing debt, the Company ended 1Q17 with net debt of R$99.6 million, a 15.0% decline from the net debt on December 31, 2016, due to amortizations of FINIMP[8] and FINAME[9] loans and the settlement of NCE[10] working capital agreements. In the period, gross debt of Eternit and its subsidiaries totaled R$107.8 million, mainly due to (i) the Export Credit Notes (NCE) and Advances on Foreign Exchange Contracts (ACE)[11]; and (ii) the financing facilities to acquire machinery and equipment.

Cash, cash equivalents and short-term investments totaled R$8.2 million, with investments remunerated at an average weighted rate of 103% of the variation in the CDI[12].

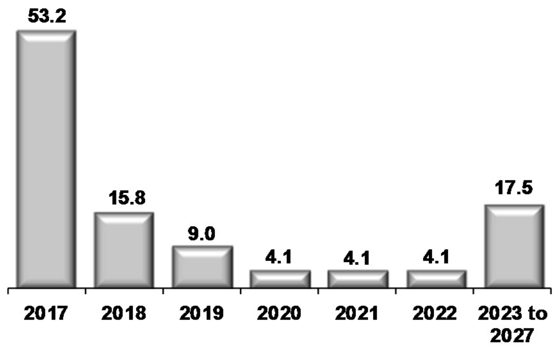
[8] FINIMP: Import financing
[9] FINAME: Special Agency for Industrial Financing
[10] NCE: Export Credit Notes
[11] ACE: Advances on Foreign Exchange Contracts
[12] CDI: Interbank Deposit Certificates

DEBT - R$ ´000	03/31/17	12/31/16
Short- term gross debt	58,956	69,428
Long-term gross debt	48,817	55,626
Total gross debt	**107,773**	**125,054**
Cash and cash equivalents	(3,834)	(5,143)
Short-term investments (same cash equivalents)	(4,351)	(2,708)
Net debt	**99,588**	**117,203**
Adjusted EBITDA (last 12 months)	59,935	78,784
Net debt / Adjusted EBITDA x	**1.66**	**1.49**
Net debt / Equity	**21.8%**	**25.5%**

Origin of Debt (%)



Repayment Schedule (R$ '000)



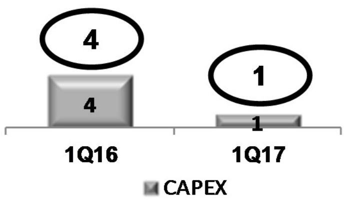
In 1Q17, 100% of the foreign currency debt was naturally hedged by accounts receivable in foreign currency on chrysotile exports.

Of the amortization flow expected in 2017, 87.7% is linked to export accounts receivable.

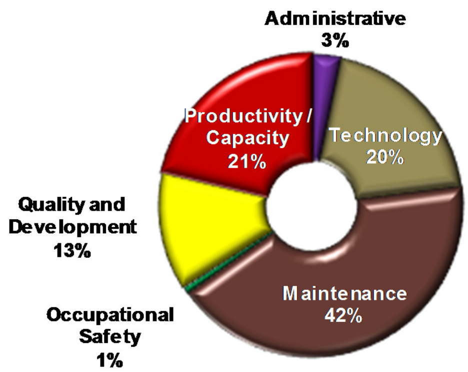
Capex

Capex of Eternit and its subsidiaries in 1Q17 amounted to R$1.1 million, down 69.3% from 1Q16, and was allocated to the maintenance and modernization of the Group's industrial facilities.

Consolidated CAPEX (R$'000)



CAPEX Distribution (1Q17)



Capital Markets

Eternit has been listed on the stock exchange 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 (formerly BM&FBOVESPA) under the stock ticker ETER3.

With highly fragmented ownership and no shareholders' agreement or controlling group, the Company's shareholder base has a high concentration of individual investors, who accounted for 79.4% of the shareholder base on March 31, 2017, while foreign investors accounted for 6.4% and legal entities, clubs, investment funds and foundations accounted for 14.2%. In March 2017, only three shareholders held more than 5% interest in the capital stock, with an aggregate interest of 32.9%, while the Executive Board held 0.6% interest in capital stock.

On March 31, 2017, Eternit stock was quoted at R$1.31/share, while the Company's market capitalization was R$234.5 million. Visit the Company's IR website for more information.

Shareholder Remuneration

The Bylaws of Eternit establish a minimum mandatory dividend of 25% on the year's net income after deductions required by law and the Bylaws. In view of the results registered in 1Q17, 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.

Board of Directors and Audit Board

In the Annual Shareholders Meeting (ASM) held on April 19, 2017, François Moreau was elected as the 7th member of the Board of Directors, consequent to the resignation of Luis Terepins on September 15, 2016. He is an independent director, pursuant to Novo Mercado Regulations. In addition, Marcelo Gasparino da Silva was elected Chairman of the Board of Directors. They will hold office until the Annual Shareholders Meeting of 2018.

For the Audit Board (BoA), in the aforementioned ASM, Pedro Paulo de Souza was re-elected as member and Aloisio Macário Ferreira de Souza and Paulo Henrique Zukanovich Funchal were elected together with their respective alternate members. Audit Board members will hold office until the Annual Shareholders Meeting of 2018. The Board is not permanent body. In addition, in a BoA meeting held in May 10, 2017, Paulo Henrique Zukanovich Funchal was elected as coordinator of the Audit Board.

The Annual Shareholders Meeting voted against the constitution of the Advisory Board, which is not a permanent body.

A short bio of each member is available on the IR website, in the Corporate Governance / Management section.

Restructuring of the Executive Board

In a meeting held on April 19, 2017, the Board of Directors elected Luis Augusto Barcelos Barbosa as the Chief Executive Officer.

On the same date, the Board of Directors elected Rodrigo Lopes da Luz as the Chief Financial and Administrative Officer and the Investor Relations Officer.

A short bio of each executive officer is available on the IR website, in the Corporate Governance / Management section.

Legal issues involving chrysotile mineral

Public-interest Civil Action filed in Rio de Janeiro

Eternit was officially notified on March 27, 2017, of the full content of the judgment passed by the 49th Labor Court of Rio de Janeiro, partially granting the Public-Interest Civil Action filed by the Labor Prosecution Office of Rio de Janeiro. The conviction requires:

(i) replacing the asbestos raw material at the Rio de Janeiro unit within 18 months;

(ii) observing the maximum limit of 0.1 fiber/cm³ of asbestos in all work areas established in the National Agreement in conjunction with Article 3 of Federal Law 9,055/95;

(iii) expanding the list of medical examinations for all current and former employees of the Rio de Janeiro unit;

(iv) bearing the travel and accommodation expenses of all former employees of the Rio de Janeiro unit, who demonstrably reside more than 100 km away from where the medical services are offered; and

(v) paying indemnification for collective pain and suffering in the amount of R$30 million.

Note that Eternit's operations in Brazil are governed by Federal Law 9,055/95, Decree 2,350/97 and the Rules of the Ministry of Labor and Employment, which regulate the extraction, processing, use, sale and transport of chrysotile asbestos and products containing the mineral.

The Company hereby informs that it will take all applicable legal measures to reverse the Court decision.

Outlook

With an economic scenario of uncertainties and low levels of capacity utilization across the industry, in line with credit, employment and income data, the performance of the economy in terms of GDP in 2017 compared to in 2016 is 0.5%, according to the FOCUS market readout dated May 05, 2017, whereas the outlook for construction GDP is -2.7%, as per the March 2017 Inflation report published by the Central Bank of Brazil (BACEN).

For the construction materials sector, the Brazilian Construction Materials Industry Association (ABRAMAT) points to a scenario of stability in 2017 compared to 2016, since the market remains sluggish as a result of high unemployment and unfavorable credit conditions, in addition to political uncertainties that continue to negatively impact the industry. According to ABRAMAT only a set of measures to stimulate demand, cut interest rates and reduce unemployment can change the trend seen in the construction materials sector.

The Federal Government has been taking measures to stimulate growth in the construction and construction materials sectors through a few measures that include cutting the interest rate for real estate financing through the Caixa Econômica Federal, launch of the *Cartão Reforma* (Renovation Card) to combat the qualitative housing deficit amount low-income families, relaunch of the Construcard card for renovations, and expansion of the My Home, My Life Program. The Company believes that measures such as these that stimulate the economy are fundamental for the construction materials sector to resume growth, which will positively contribute to the Company's business.

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

For fiber-cement, concrete roofing tiles and mining, the Company will optimize its operations in line with market demand, and will use the strength of its brand and the network of around 15,000 points of sale, besides increasing the points of sale to mitigate the effects of the economic crisis.

In keeping with its strategy of diversified organic growth, the plant in Manaus, Amazonas, already produces and sell polypropylene yarns with applications in fiber-cement on an industrial scale. The Company will concentrate efforts to increase the occupancy of this unit, offering its product to third parties. The bathroom chinaware unit in Ceará continuously improved its productivity indicators and has been offering a more diversified portfolio (products in the medium and medium-luxury segments) in order to improve business profitability.

Efforts will remain focused on recovering operating margin, on the constant pursuit of cost reduction and lower operating expenses to achieve the level of competitiveness required to face competition, especially during times of low installed capacity utilization, and on selling a more profitable mix in line with the expectation of improved economic activity as a whole. 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.

Regardless of the above-mentioned challenges, the Company believes in the recovery of growth of the Brazilian economy and, especially, of its industry. Management remains closely watchful of the developments and impacts of the current macroeconomic scenario, operating with financial discipline, reducing its working capital and focusing its debt reduction policy on business sustainability. In line with the Company's restructuring phase, Management seeks to start a new moment at Eternit, with modernity, innovation and care in its relationship with all its stakeholders.

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

The Executive Board of **Eternit** invites you to the disclosure of its results of the first quarter of 2017.

Presentation: Luís Augusto Barcelos Barbosa - CEO and Rodrigo Lopes da Luz – Chief Financial, Administrative and Investor Relations Officer
Date: Wednesday, May 17, 2017
Time: 10:00 a.m. - Brasília / 9:00 a.m. - Eastern Standard Time (New York) / 2:00 p.m. GMT (London)

The presentation, given through slides, can be viewed online by registering at **www.ccall.com.br/eternit/1Q17.htm** or at Eternit's investor relations website: **www.eternit.com.br/ri**

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**

Playback*:* The recording of the call will be available from **May 17, 2017** to **May 23, 2017**
Dial-in: **+55 (11) 3193-1012 or 2820-4012** - Access code for participants: **2281175#**

Eternit

Investor Relations		
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Eternit S.A.

Statements of financial position
March 31, 2017 and December 31, 2016
(In thousands of reais)

		Company		Consolidated	
	Note	**03/31/2017**	**12/31/2016**	**03/31/2017**	**12/31/2016**
Assets					
Current assets					
Cash and cash equivalents	4	**2,091**	3,365	**3,834**	5,143
Short-term investments	5	**420**	32	**4,351**	2,708
Accounts receivable	6	**73,976**	84,835	**139,490**	158,663
Inventories	7	**98,692**	93,582	**168,574**	160,867
Taxes recoverable	8	**9,873**	9,289	**18,311**	17,861
Related parties	10.a	**27,962**	14,819	**1,514**	718
Other current assets		**4,064**	2,193	**8,141**	5,724
		217,078	208,115	**344,215**	351,684
Assets held for sale		**796**	796	**5,291**	5,291
Total current assets		**217,874**	208,911	**349,506**	356,975
Noncurrent assets					
Judicial deposits		**14,859**	14,384	**22,840**	22,264
Taxes recoverable	8	**24,415**	24,335	**24,755**	24,746
Deferred income and social contribution taxes	19.b	**43,037**	42,315	**73,836**	72,655
Related parties	10.a	**5,635**	27,982	**5,635**	15,985
Other noncurrent assets		**1,084**	1,078	**2,553**	2,545
Investments	9	**221,772**	203,707	**8,590**	3,546
Property, plant and equipment (PP&E)	11	**141,937**	150,412	**304,305**	317,716
Intangible assets		**5,662**	6,069	**25,438**	26,016
Total noncurrent assets		**458,401**	470,282	**467,952**	485,473
Total assets		**676,275**	679,193	**817,458**	842,448

	Note	Company 03/31/2017	Company 12/31/2016	Consolidated 03/31/2017	Consolidated 12/31/2016
Liabilities and equity					
Current liabilities					
Trade accounts payable	12	**15,538**	20,602	**31,200**	33,566
Loans and financing	13	**8,445**	10,337	**58,471**	68,750
Derivative financial instruments	27,2	**485**	374	**485**	678
Related parties	10.a	**35,208**	25,393	**-**	-
Personnel expenses	14	**12,345**	12,413	**23,605**	23,388
Dividends and interest on equity	17.d	**426**	426	**426**	426
Provision for post-employment benefits	16.b	**3,184**	3,184	**5,115**	5,115
Taxes, charges and contributions payable	15	**10,209**	14,030	**16,545**	22,260
Other current liabilities		**6,094**	6,578	**14,029**	14,306
Total current liabilities		**91,934**	93,337	**149,876**	168,489
Noncurrent liabilities					
Loans and financing	13	**2,627**	4,362	**48,817**	55,626
Related parties	10.a	**37,666**	36,012	**-**	-
Taxes, charges and contributions payable	15	**1,902**	1,746	**5,373**	4,699
Provision for tax, civil and labor risks	20	**48,058**	46,975	**92,204**	90,003
Provision for post-employment benefits	16.b	**37,410**	37,128	**50,280**	50,104
Provision for decommissioning of mine	29	**-**	-	**14,213**	13,878
Total noncurrent liabilities		**127,663**	126,223	**210,887**	214,310
Equity					
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)
Income reserves		**118,221**	118,221	**118,221**	118,221
Loss for the period		**(2,955)**	-	**(2,955)**	-
Other comprehensive income (loss)		**(12,125)**	(12,125)	**(12,125)**	(12,125)
Equity attributable to controlling interests		**456,678**	459,633	**456,678**	459,633
Non-controlling interests		**-**	-	**17**	16
Total equity		**456,678**	459,633	**456,695**	459,649
Total liabilities and equity		**676,275**	679,193	**817,458**	842,448

See accompanying notes.

Eternit S.A.
Income statements
Quarters ended March 31, 2017 and 2016
(In thousands of reais, except earnings (loss) per share)

		Company		Consolidated	
	Note	**03/31/2017**	**03/31/2016**	**03/31/2017**	**03/31/2016**
Net operating revenue	21	**109,959**	131,430	**167,699**	228,922
Cost of goods sold	22	**(87,700)**	(99,672)	**(114,655)**	(148,876)
Gross profit		**22,259**	31,758	**53,044**	80,046
Operating income (expenses)					
Selling expenses	22	**(11,315)**	(14,415)	**(20,900)**	(26,578)
General and administrative expenses	22	**(9,073)**	(10,844)	**(19,498)**	(23,686)
Management compensation	22	**(1,411)**	(1,878)	**(2,054)**	(3,149)
Other operating income (expenses), net	23	**(2,240)**	(1,733)	**(533)**	1,598
Equity pickup	9	**518**	7,546	**(5,615)**	(6,229)
Total operating expenses		**(23,521)**	(21,324)	**(48,600)**	(58,044)
Financial expenses	24	**(4,294)**	(13,534)	**(10,849)**	(29,399)
Financial income	24	**1,879**	12,840	**6,301**	23,633
Financial income (expenses), net		**(2,415)**	(694)	**(4,548)**	(5,766)
Income (loss) before income and social contribution taxes		**(3,677)**	9,740	**(104)**	16,236
Income and social contributions taxes					
Current	19	**-**	(1,743)	**(4,032)**	(9,182)
Deferred	19	**722**	273	**1,181**	1,215
Net income (loss) for the period		**(2,955)**	8,270	**(2,955)**	8,269
Attributable to:					
Controlling interests		**(2,955)**	8,270	**(2,955)**	8,270
Non-controlling interests		**-**	-	**-**	(1)
Net income (loss) for the period		**(2,955)**	8,270	**(2,955)**	8,269
Earnings (loss) per share, basic and diluted - R$	17	**(0.0165)**	0.0462	**(0.0165)**	0.0462

See accompanying notes.

Eternit S.A.

Statements of comprehensive income (loss)
Quarters ended March 31, 2017 and 2016
(In thousands of reais)

	Company		Consolidated	
	03/31/2017	**03/31/2016**	**03/31/2017**	**03/31/2016**
Net income (loss) for the period	**(2,955)**	8,270	**(2,955)**	8,269
Other comprehensive income (loss)	**-**	-	**-**	-
Comprehensive income (loss) for the period	**(2,955)**	8,270	**(2,955)**	8,269
Attributable to:				
Controlling interests	**(2,955)**	8,270	**(2,955)**	8,270
Non-controlling interests	**-**	-	**-**	(1)
	(2,955)	8,270	**(2,955)**	8,269

See accompanying notes.

Eternit S.A.

Statements of changes in equity
Quarters ended March 31, 2017 and 2016
(In thousands of reais)

	Note	Capital	Capital reserve: Investment grants	Capital reserve: Premium on acquisition of shares	Treasury shares	Income reserves: Statutory reserve	Income reserves: Legal reserve	Income reserves: Retained profits reserve	Retained earnings (accumulated losses)	Other comprehensive income (loss)	Total Company	Noncontrolling interests	Total equity
Balances at January 1, 2016		334,251	19,437	23	(174)	32,722	36,362	86,654	-	(9,177)	500,098	18	500,116
Unclaimed dividends		-	-	-	-	-	-	41	-	-	41	-	41
Net income for the period		-	-	-	-	-	-	-	8,270	-	8,270	(1)	8,269
Establishment of reserves	17	-	-	-	-	-	-	-	-	-	-	-	-
Balances at March 31, 2016		**334,251**	**19,437**	**23**	**(174)**	**32,722**	**36,362**	**86,965**	**8,270**	**(9,177)**	**508,409**	**17**	**508,426**
Balances at January 1, 2017		**334,251**	19,437	23	**(174)**	32,722	36,362	49,137	-	**(12,125)**	459,633	**16**	459,649
Loss for the period		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,955)**	**-**	**(2,955)**	**-**	**(2,955)**
Balances at March 31, 2017		**334,251**	**19,437**	**23**	**(174)**	**32,722**	**36,362**	**49,137**	**(2,955)**	**(12,125)**	**456,678**	**17**	**456,695**

See accompanying notes.

Eternit S.A.

Statements of cash flows
Quarters ended March 31, 2017 and 2016
(In thousands of reais)

		Company		Consolidated	
	Note	03/31/2017	03/31/2016	03/31/2017	03/31/2016
Cash flows from operating activities					
Income (loss) before income and social contribution taxes		**(3,677)**	9,740	**(104)**	16,236
Adjustments to reconcile pre-tax income (loss) to net cash generated by operating activities:					
Equity pickup	9	**(518)**	(7,546)	**5,615**	6,229
Depreciation and amortization		**3,736**	3,641	**9,191**	9,868
Gain (loss) on disposal of property, plant and equipment and intangible assets	23	**20**	-	**(60)**	(3,080)
Write-off of judicial deposits		**-**	-	**16**	-
Loss on doubtful accounts	6	**430**	308	**636**	462
Estimated impairment of net realizable value		**(41)**	(47)	**(41)**	(47)
Estimated impairment losses		**-**	-	**(99)**	-
Provision for tax, civil and labor risks		**1,083**	491	**2,157**	1,449
Provision for post-employment benefits		**282**	446	**176**	361
Provision for decommissioning of mine		**-**	**-**	**335**	(368)
Financial charges, and monetary and exchange variations		**234**	(637)	**775**	3,325
Short-term investment yield		**(90)**	-	**(200)**	(145)
Net changes in prepaid expenses		**705**	1,822	**926**	2,105
		2,164	8,218	**19,323**	36,395
(Increase) decrease in operating assets:					
Accounts receivable		**10,429**	(8,530)	**18,682**	(8,076)
Receivables from related parties		**(9,347)**	3,706	**(796)**	(847)
Inventories		**(1,223)**	(11,181)	**(7,666)**	(7,743)
Taxes recoverable		**5,536**	3,386	**5,750**	1,382
Judicial deposits		**(475)**	(3,168)	**(592)**	(3,334)
Dividends and interest on equity received		**1,011**	6,250	**-**	-
Other assets		**(2,578)**	(6,317)	**(3,344)**	(7,886)
Increase (decrease) in operating liabilities					
Trade accounts payable		**(5,064)**	8,865	**(2,366)**	12,577
Payables to related parties		**5,971**	5,316	**-**	-
Taxes, charges and contributions payable		**(3,506)**	(2,867)	**(4,214)**	(1,863)
Provisions and social charges	14	**(68)**	2,392	**217**	3,994
Other liabilities		**(484)**	(145)	**(277)**	550
Interest paid		**(161)**	(218)	**(4,928)**	(3,755)
Income and social contribution taxes paid		**-**	-	**(4,815)**	(9,014)
Net cash generated by operating activities		**2,205**	5,707	**14,974**	12,380
Cash flow from investing activities					
Intercompany loan receivable		**10,720**	(671)	**10,720**	-
Amount received on disposal of PP&E items	23	**37**	-	**207**	3,311
Additions to PPE and intangible assets		**(777)**	(2,232)	**(1,118)**	(3,645)
Addition to capitalized exchange variation	11	**-**	45	**-**	45
Additions to investments	9	**(10,659)**	-	**(10,659)**	-
Short-term investments		**(22,100)**	-	**(33,242)**	(8,245)
Redemption of short-term investments		**21,800**	-	**31,791**	19,332
Net cash used in investing activities		**(979)**	(2,858)	**(2,301)**	10,798
Cash flows from financing activities					
Loans and financing raised		**-**	1,976	**22,791**	175,329
Repayment of loans and financing		**(3,350)**	(1,982)	**(36,773)**	(188,328)
Intercompany loan		**850**	(176)	-	-
Net cash generated by financing activities		**(2,500)**	(182)	**(13,982)**	(12,999)
Increase (decrease) in cash and cash equivalents		**(1,274)**	2,667	**(1,309)**	10,179
Increase (decrease) in cash and cash equivalents					
At beginning of period	4	**3,365**	2,850	**5,143**	5,578
At end of period	4	**2,091**	5,517	**3,834**	15,757
Increase (decrease) in cash and cash equivalents		**(1,274)**	2,667	**(1,309)**	10,179

See accompanying notes.

Eternit S.A.

Statements of value added
Quarters ended March 31, 2017 and 2016
(In thousands of reais)

	Note	Company 03/31/2017	Company 03/31/2016	Consolidated 03/31/2017	Consolidated 03/31/2016
Revenues					
Sale of goods, products and services	21	**147,456**	170,063	**215,386**	285,609
Other income (expenses)		**(20)**	-	**113**	3,382
Loss on doubtful accounts	22	**(430)**	(308)	**(636)**	(462)
		147,006	169,755	**214,863**	288,529
Inputs acquired from third parties					
Cost of products, goods and services sold		**(76,952)**	(84,445)	**(104,827)**	(131,814)
Materials, electricity, third-party services and other		**(27,084)**	(32,395)	**(42,883)**	(40,444)
Estimated impairment of assets		**-**	-	**100**	-
Other discounts, rebates and donations		**(295)**	(607)	**(725)**	(1,227)
		(104,331)	(117,447)	**(148,335)**	(173,485)
Gross value added		**42,675**	52,308	**66,528**	115,044
Depreciation, amortization and depletion		**(3,736)**	(3,641)	**(9,191)**	(9,868)
Net value added generated by the Company		**38,939**	48,667	**57,337**	105,176
Value added received in transfer					
Equity pickup	9	**518**	7,546	**(5,615)**	(6,229)
Financial income	24	**1,879**	12,840	**6,301**	23,633
Other		**19**	48	**261**	383
		2,416	20,434	**947**	17,787
Total value added to be distributed		**41,355**	69,101	**58,284**	122,963
Personnel:					
Direct compensation		**15,574**	17,491	**20,989**	30,894
Benefits		**5,517**	7,080	**7,706**	13,391
Unemployment Compensation Fund (FGTS)		**1,637**	1,477	**2,058**	2,453
		22,728	26,048	**30,753**	46,738
Taxes, charges and contributions:					
Federal		**8,864**	17,497	**11,551**	21,150
State		**6,347**	1,476	**4,768**	11,116
Local		**462**	495	**890**	1,411
		15,673	19,468	**17,209**	33,677
Debt remuneration:					
Interest		**4,294**	13,534	**10,849**	29,399
Lease		**1,615**	1,781	**2,428**	4,879
		5,909	15,315	**13,277**	34,278
Equity remuneration:					
Net income (loss) for the period	17	**(2,955)**	8,270	**(2,955)**	8,271
Non-controlling interests in net income (loss) for the period		**-**	-	**-**	(1)
		(2,955)	8,270	**(2,955)**	8,270
		41,355	69,101	**58,284**	122,963

See accompanying notes.

(In thousands of reais - R$, unless otherwise stated)

1. Operations

Eternit S.A. ("Company" or "Eternit"), headquartered at Street Dr. Fernandes Coelho, 85 - 8º floor, in the city and state of São Paulo, Brazil, is a publicly-held company, with no controlling shareholder, registered in the New Market segment of São Paulo State Stock Exchange - BM&FBOVESPA, under ticker ETER3. Its shareholders are individuals, legal entities, investment clubs, investment funds and foundations (see Note 17).

The business purpose of the Company and its subsidiaries ("Group") is the production and sale of fiber cement, cement, concrete, plaster and plastic products, as well as other construction materials and related accessories. The Company currently comprises nine (9) manufacturing units in Brazil, with branches in major Brazilian cities.

The Group is structured as follows:

Companies	(%) Ownership interest	(%) Voting capital	Headquarters location	Core activity
SAMA S.A.	99.99%	99.99%	Minaçu/GO	Exploration and processing of Chrysotile.
Tégula Soluções para Telhados Ltda.	99.99%	99.99%	Atibaia/SP	Manufacturing and sale of concrete roofing tiles and roofing accessories.
Precon Goiás Industrial Ltda.	99.99%	99.99%	Anápolis/GO	Manufacturing and sale of fiber cement products.
Prel Empreendimentos e Participações Ltda.	99.99%	99.99%	São Paulo/SP	Shareholding interest in industrial and commercial companies among other.
Wagner da Amazônia Ltda.	99.99%	99.99%	São Paulo/SP	No economic activity.
Eternit da Amazônia Indústria de Fibrocimento Ltda.	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.	99.84%	99.84%	São Paulo/SP	No economic activity.
Companhia Sulamericana de Cerâmica S.A.	60.00%	60.00%	Caucaia/CE	Manufacturing, import, export, sale, and distribution of sanitary wares and related accessories in general.

The main products manufactured and/or sold by the Group as well as information correlated to segment reporting are described in Note 25.

1. **Operations** (Continued)

Significant operational events

The Company clarifies that Federal Law No. 9055/1995 - Decree No. 2350/1997 and Regulations of the Ministry of Labor and Employment (MTE) govern the extraction, manufacturing, use, sale and transportation of chrysotile asbestos and production containing it.

State Laws No. 10813/2001, in São Paulo, and No. 2210/2001, in Mato Grosso do Sul, which prohibited the import, extraction, processing, sale and installation of products containing any type of amiantus, in any form, were judged and rendered unconstitutional by the Federal Supreme Court of Brazil (STF), by means of Direct Actions of Unconstitutionality (ADI) No. 2656 and No. 2396, respectively, as they address issues under the responsibility of the Federal Government.

Current State Laws No. 12684/2007 (São Paulo), No. 3579/2004 (Rio de Janeiro), No. 11643/2001 (Rio Grande do Sul) and No. 12589/2004 (Pernambuco), restricting the use of amiantus in their territories are subject to ADIs, as proposed by the National Confederation of Industry Workers (CNTI), before the STF.

On April 2, 2008, the National Association of Labor Justice Judges (ANAMATRA) and the National Association of Labor Attorneys General (ANPT) proposed ADI No. 4066 against article 2 of Federal Law No. 9055 of 1995.

On October 31, 2012, the STF started the judgment of the merits of ADI No. 3357 and ADI No. 3937 in relation to State Law No. 11643/2001, in Rio Grande do Sul, and Law No. 12684/2007, in São Paulo, respectively. The session was suspended after reporting Judges Ayres Britto and Marco Aurélio Mello voted for the unconstitutionality of the laws. The matter is pending a decision, with no specific date to enter the STF agenda for a final decision. On November 23, 2016, the judgment of ADI No. 3357 was resumed, and Justice Edson Facchin dismissed the request made in the action, while Justice Dias Toffoli asked to examine the records. Regarding ADI No. 3937, Justice Dias Toffoli could also examine the records.

On December 30, 2013, Law No. 21114/2013 was enacted. Its article 1 prohibits the import, transportation, storage, manufacturing, sale and use of products containing amiantus in the state of Minas Gerais, considering an 8-10 year period for compliance with article 1. Therefore, compliance with this provision will be mandatory as from 2021 and 2023, respectively.
The Government of Mato Grosso State regulated Law No. 9583/2011 by means of Decree No. 68/2015 published on April 16, 2015, which prohibits the use of products, materials or goods that contain any type of asbestos or amianthus.

1. Operations (Continued)

On May 6, 2015, the Government of Amazonas State enacted Law No. 258/2015, which prohibits in that state the use of products that contain asbestos. Such Law is pending regulation.

On January 13, 2017 the Government of Santa Catarina State enacted Law No. 17076/2017, which prohibits the use of products, materials or goods that contain any type of amianthus in that state. Such Law is pending regulation.

Approval of interim financial information

The presentation of this interim financial information was approved and authorized by the Company's Supervisory Board and Board of Directors on May 10, 2017, for disclosure on May 11, 2017.

2. Basis of preparation and significant accounting practices

The accounting practices were uniformly applied to the current period, are consistent 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 used for both the Company and subsidiaries. Whenever necessary, the subsidiaries' individual and consolidated interim financial information is adjusted to meet this criterion.

2.1. Statement of compliance and basis of preparation

The Company's interim financial information contained in the Quarterly Information Form (ITR) for the quarter ended March 31, 2017, comprises the individual and consolidated interim financial information prepared in accordance with Accounting Pronouncement CPC 21 (R1) and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and prepared in accordance with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR).

The interim financial information was prepared based on the historical cost, except for certain financial instruments measured at their fair values, as described in the following accounting practices. The historical cost is usually based on the fair value of consideration paid in exchange for assets.

2. Basis of preparation and significant accounting practices (Continued)

2.1. Statement of compliance and basis of preparation (Continued)

Management evaluated the Company's ability to continue as a going concern and is convinced that the Company is able to continue as a going concern in the future. In addition, Management is not aware of any material uncertainty that may cast significant doubt as to its ability to continue as a going concern. Therefore, this interim financial information was prepared based on the going concern assumption.

2.2. Basis of consolidation and investments in subsidiaries

The consolidated interim financial information includes interim financial information of the Company and of its wholly-owned subsidiaries. Control is obtained when the Company has the power to control financial and operational policies and appoint or dissolve the majority of the members of the Executive Board or Board of Directors of an entity in order to earn benefits from its activities.

Company Management, based on its Articles of Incorporation and shareholders' agreement, controls the companies listed in Note 1 to the Company's annual financial statements for the year ended December 31, 2016, disclosed on March 17, 2017 and, therefore, fully consolidated these entities with the exception of Companhia Sulamericana de Cerâmica S.A. - (CSC), which is treated based on the parameters described in the prior paragraph as a joint venture and not consolidated given that its P&L is considered in the consolidated interim financial information based on the equity method as provided in CPC 19 (R2) - Joint Arrangements (IFRS 11).
Non-controlling interest of fully consolidated companies is identified in the consolidated income statement and in the statement of changes in equity.

In the Company's individual financial information, the individual interim financial information of subsidiaries is recognized by the equity method.

The main consolidation adjustments, among others, include the following eliminations:

- Assets and liabilities account balances, as well as revenues and expenses between Company and subsidiaries, so that the consolidated interim financial information represents balances receivable from and payable to third parties only.
- Interest in capital and net income (loss) for the period of subsidiaries.

2. Basis of preparation and significant accounting practices (Continued)

2.2. Basis of consolidation and investments in subsidiaries (Continued)

The period of the interim financial information of subsidiaries included in the consolidation coincides with that of the Company. All intercompany balances and transactions of subsidiaries were fully eliminated in the consolidated interim financial information. Transactions between the Company and its subsidiaries are carried out under conditions established by the parties.
P&L of subsidiaries acquired or sold over the period are included in the consolidated income statements as of the date they were effectively acquired to the sale date, as applicable.

2.3. Standards, amendments and interpretations to standards

The Company intends to adopt the standards described below when they become effective, with any impacts therefrom being disclosed and recognized in the interim financial information.

(In thousands of reais - R$, unless otherwise stated)

2. Basis of preparation and significant accounting practices (Continued)

2.3. Standards, amendments and interpretations to standards (Continued)

Standard	Requirement	Impact on interim financial information
IFRS 9 - Financial Instruments CPC 48 - Financial Instruments	The objective of IFRS 9 is ultimately to replace IAS 39 - Financial Instruments: Recognition and Measurement. The major changes provided for therein are: (i) all financial assets must be initially recognized at fair value; (ii) the standard divides all financial assets that are currently in the scope of IAS 39 into two classifications: amortized cost and fair value; (iii) the IAS 39 categories of available for sale and held to maturity were eliminated; and (iv) the IAS 39 concept of embedded derivatives was extinguished by the concepts of this new standard, and in addition to losses incurred, estimated losses shall also be recorded. Approved in December 2016 with effectiveness changed for annual periods beginning on or after January 1, 2018.	The Group does not have large volumes of derivative transactions and Hedge Accounting, therefore no significant changes are expected.
IFRS 15 - Revenue from contracts with customers IFRS 34 - Revenue from Contracts with Customers	This standard will replace IAS 11 - Construction contracts and IAS 18 - Revenue and their related interpretations; the main objectives consist of: (i) eliminating inconsistencies in revenue recognition standards, providing clear principles on how to record account balances; (ii) providing a single revenue recognition model, improving the comparability of accounting and financial information; and (iii) simplifying the process of preparing the financial statements. It will apply to all contracts with customers except leases, financial instruments and insurance contracts. Changes are most effective in telecommunications and real estate development industries. Approved in December 2016 with effectiveness changed for annual periods beginning on or after January 1, 2018.	The Group does not anticipate any material impact from IFRS 15 on its interim financial information, however it is currently evaluating such standard and, therefore, it is unable to disclose its effects.
Adoption of IFRS 16 - Leases (currently IAS 17 Leases as Issued) - CPC 6 - Leases	This new standard does not change the understanding on Leases, whereby a company may record a lease under finance lease or operating lease, however, it provides for the convenience of a single recording for the case of finance lease. Already provided for in IAS 17. Effective from January 1, 2019.	The Group does not have large volumes of lease transactions, therefore no significant changes are expected.
IFRS 6 (CPC 34 - Exploration for and evaluation of mineral resources)	The purpose of this pronouncement is to regulate the best way to classify and measure the exploration of mineral resources activity due to continued discussions with the IASB and other international agencies concerning this standard. Brazil's FASB ("CPC") decided not to issue such pronouncement, since it is pending review by international competent agencies. Approval and effectiveness not determined.	The Group constantly updates evaluation of the impacts from this standard.
IAS 29 (CPC 42) - Financial Reporting in Hyperinflationary Economies	This standard establishes adjustment-for-inflation criteria to the financial statements in hyperinflationary countries. Brazil's FASB ("CPC") did not approve this pronouncement in view of the prior experience with the full adjustment of financial statements. Approval and effectiveness not determined.	The Group constantly updates evaluation of the impacts from this standard.

Until the interim financial information disclosure date, the evaluation studies of all effects that these standards may occasionally have on the Company and its subsidiaries had not been completed and, consequently, the Company is unable to disclose any effect from these studies on this Quarterly Information (ITR).

(In thousands of reais - R$, unless otherwise stated)

3. Significant accounting judgments and sources of uncertainties in estimates

In applying the significant accounting practices of the Group, Management must make judgments and prepare estimates regarding the carrying amounts of assets and liabilities that are not easily obtained from other sources. These estimates and their respective assumptions are based on historical experience and other factors considered relevant. Actual results may differ from the amounts estimated.

Significant assumptions and estimates for the quarter ended March 31, 2017 are consistent with those disclosed in the financial statements for the year ended December 31, 2016 disclosed on March 17, 2017.

4. Cash and cash equivalents

	Company		Consolidated	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Cash and banks	**802**	52	**2,408**	1,639
Investments in Bank Deposit Certificates (CDB)	**1,289**	3,313	**1,426**	3,504
	2,091	3,365	**3,834**	5,143

Balances are highly liquid and readily convertible into cash, in order to meet short-term cash commitments, and subject to insignificant risk of change in value.

5. Short-term investments

	Company		Consolidated	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Investment funds	**420**	32	**4,351**	2,708

Most investment funds are fixed-income investments remunerated at average CDI rates of 103% (106.2% as of December 31, 2016).
The funds are readily redeemable (highly liquid) as there is no grace period for share redemption. Shares may be redeemed with earnings if required by the Group.

6. Accounts receivable

	Company		Consolidated	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Domestic market	**79,289**	89,718	**102,047**	121,174
Foreign market	**-**	-	**46,635**	46,124
(-) Present value adjustment	**-**	-	**(326)**	(317)
	79,289	89,718	**148,356**	166,981
Estimated loss on doubtful accounts	**(5,313)**	(4,883)	**(8,866)**	(8,318)
	73,976	84,835	**139,490**	158,663

(In thousands of reais - R$, unless otherwise stated)

6. Accounts receivable (Continued)

Aging list of accounts receivable:

	Company		Consolidated	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Falling due	**69,462**	78,623	**129,634**	141,430
Overdue:				
Within 30 days	**2,733**	4,582	**4,816**	11,894
From 31 to 60 days	**611**	714	**1,586**	1,196
Above 60 days	**1,170**	916	**3,454**	4,143
	73,976	84,835	**139,490**	158,663

Changes in loss on doubtful accounts:

	Company		Consolidated	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Opening balance	**(4,883)**	(3,885)	**(8,318)**	(7,991)
Addition	**(570)**	(2,847)	**(946)**	(4,956)
Reversal	**140**	867	**310**	1,536
Write-off	**-**	982	**88**	3,093
Closing balance	**(5,313)**	(4,883)	**(8,866)**	(8,318)

7. Inventories

	Company		Consolidated	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Finished products	**64,066**	58,390	**112,220**	107,403
Semi-finished products	**-**	-	**2,768**	1,231
Resale	**6,640**	7,396	**9,236**	10,253
Raw materials	**22,771**	21,771	**26,635**	23,479
Ancillary materials	**6,245**	7,096	**20,670**	21,497
(-) Estimated impairment on net realizable value (*)	**(1,030)**	(1,071)	**(2,955)**	(2,996)
	98,692	93,582	**168,574**	160,867

(*) The matching entry of estimated loss is recorded as "Cost of goods sold" in the income statements.

Changes in estimated impairment on net realizable value for the three-month period ended March 31, 2017 and for the year ended December 31, 2016 are as follows:

	Company		Consolidated	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Opening balance	**(1,071)**	(1,598)	**(2,996)**	(1,971)
Addition	**(46)**	(1,039)	**(46)**	(2,622)
Reversal	**87**	1,566	**87**	1,597
Closing balance	**(1,030)**	(1,071)	**(2,955)**	**(2,996)**

(In thousands of reais - R$, unless otherwise stated)

8. Taxes recoverable

	Company		Consolidated	
	03/31/2017	**12/31/2016**	**03/31/2017**	**12/31/2016**
Current:				
State Value-Added Tax (ICMS)	**2,892**	2,943	**3,400**	3,475
Withholding Income Tax (IRRF)	**164**	288	**372**	531
Corporate Income Tax (IRPJ)	**1,924**	1,669	**2,180**	1,882
Social Contribution Tax on Net Profit (CSLL)	**489**	475	**529**	511
IRRF on interest on equity	**2,446**	2,145	**2,446**	2,145
FOMENTAR fund - ICMS (*)	**1,076**	1,061	**1,076**	1,061
Contribution Tax on Gross Revenue for Social Security Financing (COFINS) and other	**882**	708	**8,308**	8,256
	9,873	9,289	**18,311**	17,861
Noncurrent:				
State Value-Added Tax (ICMS)	**563**	709	**846**	1,063
Withholding Income Tax (IRRF)	**15,179**	15,035	**15,179**	15,035
Corporate Income Tax (IRPJ)	**8,673**	8,591	**8,673**	8,591
Social Security Tax (INSS)	**-**	-	**57**	57
	24,415	24,335	**24,755**	24,746

(*) Development and Industrialization of the State of Goiás Fund - FOMENTAR, intended to increase the implementation and expansion of activities that promote the industrial development of the State of Goiás.

9. Investments

The Company's investments in its subsidiaries and in the joint venture Companhia Sulamericana de Cerâmica S.A. ("CSC") are as follows:

Summary of investment breakdown:

	Eternit da Amazônia	**Precon**	**Prel**	**SAMA**	**Tégula**	**Wagner**	**CSC**	**Total**
Investments	35,238	29,080	7,348	82,203	38,096	4,658	8,590	205,213
Surplus value of net assets	-	-	-	16,559	-	-	-	16,559
Balance at March 31, 2017	**35,238**	**29,080**	**7,348**	**98,762**	**38,096**	**4,658**	**8,590**	**221,772**

(In thousands of reais - R$, unless otherwise stated)

9. **Investments** (Continued)

	Eternit da Amazônia	Precon	Prel	SAMA	Tégula	Wagner	CSC	Total
At January 1, 2016	29,265	26,891	7,821	102,660	56,106	4,134	24,782	251,659
Dividends	-	(2,773)	(998)	(26,335)	-	(1,412)	-	(31,518)
Interest on equity (IOE)	-	(2,096)		(6,680)	-	-	-	(8,776)
Equity pickup	4,328	7,031	490	29,127	(28,947)	1,973	(29,337)	(15,335)
Equity pickup of comprehensive income (loss)	-	-	-	(424)	-	-	-	(424)
Capital contribution	-	-	-	-	-	-	8,101	8,101
At December 31, 2016	33,593	29,053	7,313	98,348	27,159	4,695	3,546	203,707
Dividends	**-**	**(1,190)**	**-**	**(1,910)**	**-**	**-**	**-**	**(3,100)**
Interest on equity (IOE)	**-**	**(545)**	**-**	**(1,463)**	**-**	**-**	**-**	**(2,008)**
Equity pickup	**1,645**	**1,762**	**35**	**3,787**	**(1,059)**	**(37)**	**(5,615)**	**518**
Capital contribution	**-**	**-**	**-**	**-**	**11,996**	**-**	**10,659**	**22,655**
At March 31, 2017	**35,238**	**29,080**	**7,348**	**98,762**	**38,096**	**4,658**	**8,590**	**221,772**

The investment balance in the consolidated interim financial information at March 31, 2017, amounting to R$8,590 (R$3,546 at December 31, 2016), refers to investment in the joint venture CSC. Throughout the quarter ended March 31, 2017, capital contributions were made amounting to R$10,659 (R$ 8,101 in 2016).

The balances of subsidiaries and interest held in joint venture at March 31, 2017 are as follows:

	Subsidiaries						Joint venture
	Eternit da Amazônia	Precon	Prel	SAMA	Tégula	Wagner	Companhia Sulamericana de Cerâmica S.A.
Current assets	16,676	28,578	924	129,579	18,247	1,399	78,366
Noncurrent assets	87,918	14,638	6,642	101,231	31,039	4,835	115,465
Current liabilities	23,299	10,132	218	79,427	6,111	15	85,861
Noncurrent liabilities	45,842	4,002	-	65,444	5,075	1,554	93,653
Equity	35,453	29,082	7,348	85,939	38,100	4,665	14,317
Proportional interest	99.9900%	99.9946%	99.9977%	99.9977%	99.9900%	99.8400%	60%
Book value of investment	35,238	29,080	7,348	82,202	38,096	4,658	8,590
Net operating revenue	11,426	15,047	-	58,284	9,048	-	13,408
Cost of goods sold	(11,021)	(10,982)	-	(34,454)	(7,150)	-	(13,767)
Net income (loss) from continuing operations	1,097	1,761	34	3,948	(1,060)	(37)	(9,358)
Attributable to:							
Company interest	1,645	1,761	34	3,787	(1,060)	(37)	(5,615)

(In thousands of reais - R$, unless otherwise stated)

10. Related parties

a) Balances and transactions of the Company with related parties

	Company	
	03/31/2017	**12/31/2016**
Balances:		
Current assets		
Eternit da Amazônia (ii)	**19**	19
Precon (i)	**284**	145
SAMA (ii)	**296**	328
Tégula (i) and (ii)	**1**	41
Companhia Sulamericana de Cerâmica (i) and (ii)	**1,514**	718
	2,114	1,251
Dividends and interest on equity receivable:		
SAMA	**8,754**	5,600
Prel	**127**	127
Precon	**2,870**	2,228
Tégula	**706**	706
	12,457	8,661
Advances to suppliers:		
Eternit da Amazônia (i)	**13,391**	4,907
	13,391	4,907
Total current assets	**27,962**	14,819
Noncurrent assets		
Loan		
Companhia Sulamericana de Cerâmica (iii)	**5,635**	15,985
Tégula (iii)	**-**	11,997
Total noncurrent assets	**5,635**	27,982
Total assets	**33,597**	42,801
Current liabilities		
Trade accounts payable		
Eternit da Amazônia (i)	**9,720**	1,155
Precon (i)	**1,763**	1,947
SAMA (i)	**22,398**	19,539
	33,881	22,641
Other accounts payable		
Precon (i) and (ii)	**21**	1,441
Prel (ii)	**76**	75
Wagner (iii)	**1,191**	1,191
Tégula (i)	**8**	9
SAMA (ii)	**31**	36
	1,327	2,752
Total current liabilities	**35,208**	25,393

(In thousands of reais - R$, unless otherwise stated)

10. Related parties (Continued)

a) Balances and transactions of the Company with related parties (Continued)

	Company	
	03/31/2017	12/31/2016
Balances:		
Noncurrent liabilities		
Loan		
SAMA (iii)	**32,080**	31,276
Prel (iii)	**2,316**	1,736
Wagner (iii)	**3,270**	3,000
Total noncurrent liabilities	**37,666**	36,012
Total liabilities	**72,874**	61,405

(i) There are purchases and sales between related parties, therefore the balances basically refer to supplies of raw materials (chrysotile) and/or finished products, rendering of services and/or lease agreements, which were eliminated in the Company's consolidated interim financial information. The joint venture, consolidated by the equity method is not eliminated in the consolidation.

(ii) These basically refer to reimbursements of expenses with no fixed maturity.

(iii) These refer to intercompany loans subject to Tax on Financial Transactions (IOF) and Withholding Income Tax (IRRF) levy, and bear interest of 100% of the CDI, for repayment within 24 months as from loan agreement execution date, term of which may be extended for further 24 months.

	Company							
	Sales		Purchases		Other expenses		Other revenues	
	03/31/2017	03/31/2016	03/31/2017	03/31/2016	03/31/2017	03/31/2016	03/31/2017	03/31/2016
Precon	**3,110**	456	**862**	373	**-**	-	**-**	-
Tégula	**-**	63	**-**	-	**-**	-	**-**	-
SAMA	**17**	-	**16,741**	21,488	**-**	-	**-**	-
Eternit da Amazônia	**-**	-	**11,426**	7,813	**-**	-	**-**	-
Companhia Sulamericana de Cerâmica	**510**	480	**-**	-	**-**	-	**-**	-
Administrative expenses								
Prel	**-**	-	**-**	-	**221**	300	**-**	-
Interest on Loan								
SAMA	**-**	-	**-**	-	**946**	1,151	**-**	-
Tégula	**-**	-	**-**	-	**-**	-	**-**	318
Companhia Sulamericana de Cerâmica	**-**	-	**-**	-	**-**	-	**477**	8
Interest on equity								
SAMA	**-**	-	**-**	-	**-**	-	**1,465**	1,670
Precon	**-**	-	**-**	-	**-**	-	**545**	473
Total	**3,637**	999	**29,029**	29,674	**1,167**	1,451	**2,487**	2,469

Transactions between related parties are carried out under conditions agreed between the parties.

(In thousands of reais - R$, unless otherwise stated)

10. Related parties (Continued)

a) Balances and transactions of the Company with related parties (Continued)

At March 31, 2017 and 2016, there are no outstanding guarantees with related parties, and there are no provisions for impairment in receivables from related parties.

b) Key management personnel compensation

The Group paid its officers short-term benefits, salaries and variable compensation as follows:

	Company		Consolidated	
	03/31/2017	**03/31/2016**	**03/31/2017**	**03/31/2016**
Salaries, fees and benefits	**1,032**	1,150	**1,387**	1,334
Social charges	**311**	340	**418**	437
Post-employment benefit	**20**	19	**20**	19
	1,363	1,509	**1,825**	1,790

The Group's Board of Directors approved a share aquisitions plan for the Company's Executive Board. The Group grants supplementary profit sharing to officers that invest up to 100% of their profit sharing net amount for the purchase of Company shares. This supplementary profit sharing is proportional to the net amount of profit sharing that is so invested and must be fully used to acquire Company shares. The plan establishes specific share purchase and sale rules, such as minimum term of three years after share purchase for purposes of share sale, limited to 30% after the third year, 30% after the fourth year, 30% after the fifth year, and the remaining 10% may only be sold upon officer's dismissal/retirement. Share purchase and sale guidelines in CVM Ruling No. 358/02 must also be followed by officers.

The share aquisitions plan is not considered a share-based payment (CPC 10 R1 - Share-based Payment), as the executive officer does not receive shares directly from Eternit, but the total equivalent to 100% of the net amount paid as profit sharing, and purchases Company shares by means of an outside brokerage.

In the quarter ended March 31, 2017, Executive Board' shareholding position was 1,117,260 shares - ETER3 (1,212,660 shares - ETER3 for the year ended December 31, 2016).

10. Related parties (Continued)

b) Key management personnel compensation (Continued)

Changes in shares held by the Executive Board	
At December 31, 2016	**1,212,660**
Purchase	13,500
Sale	(108,900)
In March 2017	**1,117,260**

(In thousands of reais - R$, unless otherwise stated)

11. Property, Plant and Equipment (PPE)

	Company									
	Land	Buildings and improvements	Machinery and equipment	Tools and molds	Facilities	Vehicles	Furniture and fixtures	IT equipment	Construction in progress	Total
Cost										
Balances 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 at December 31, 2016	**3,178**	35,691	158,060	14,078	88,627	1,349	6,487	4,769	443	312,682
Additions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**752**	**752**
Write-offs	**-**	**-**	**(743)**	**-**	**(187)**	**(72)**	**(42)**	**(71)**	**-**	**(1,115)**
Transfers	**-**	**-**	**84**	**-**	**-**	**-**	**-**	**-**	**(84)**	**-**
Write-off due to recoverability of tax credit (i)	**-**	**(282)**	**(5,928)**	**(77)**	**(781)**	**-**	**-**	**-**	**-**	**(7,068)**
Balances at March 31, 2017	**3,178**	**35,409**	**151,473**	**14,001**	**87,659**	**1,277**	**6,445**	**4,698**	**1,111**	**305,251**
Average depreciation rates	-	4%	8.6%	15%	10%	20%	10%	20%	-	-
Accumulated depreciation										
Balances 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 at December 31, 2016	-	(21,705)	(56,937)	(12,013)	(62,848)	(972)	(4,118)	(3,677)	**-**	(162,270)
Additions	**-**	**(211)**	**(1,310)**	**(131)**	**(1,419)**	**(13)**	**(116)**	**(104)**	**-**	**(3,304)**
Write-offs	**-**	**-**	**702**	**-**	**186**	**72**	**33**	**63**	**-**	**1,056**
Write-off due to recoverability of tax credit	**-**	**26**	**946**	**21**	**211**	**-**	**-**	**-**	**-**	**1,204**
Balances at March 31, 2017	**-**	**(21,890)**	**(56,599)**	**(12,123)**	**(63,870)**	**(913)**	**(4,201)**	**(3,718)**	**-**	**(163,314)**
Residual value										
At January 1, 2016	3,178	14,384	90,927	2,124	29,315	428	2,767	1,342	10,455	154,920
At December 31, 2016	3,178	13,986	101,123	2,065	25,779	377	2,369	1,092	443	150,412
At March 31, 2017	**3,178**	**13,519**	**94,874**	**1,878**	**23,789**	**364**	**2,244**	**980**	**1,111**	**141,937**

(i) Write-off due to recoverability of PIS and COFINS tax credits according to Law No. 12546/11.

(In thousands of reais - R$, unless otherwise stated)

11. Property, Plant and Equipment (PPE) - Continued

	Consolidated													
	Land	Buildings and improvements	Machinery and equipment	Mining machinery	Tools and molds	Facilities	Vehicles	Off-road vehicles	Furniture and fixtures	IT equipment	Decommissioning of mine	Stabilization construction works in mine	Construction in progress	Total
Cost														
Balances 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 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	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,017**	**1,017**
Write-offs	**-**	**-**	**(816)**	**-**	**-**	**(187)**	**(398)**	**-**	**(75)**	**(77)**	**-**	**-**	**-**	**(1,553)**
Transfers	**-**	**-**	**936**	**-**	**-**	**128**	**-**	**-**	**15**	**6**	**-**	**-**	**(1,085)**	**-**
Write-off due to recoverability of tax credit (i)	**-**	**(282)**	**(5,928)**	**-**	**(77)**	**(781)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(7,068)**
Balances at March 31, 2017	**5,655**	**80,479**	**324,048**	**30,859**	**23,532**	**243,469**	**21,719**	**1,718**	**15,270**	**9,256**	**6,583**	**13,387**	**1,663**	**777,638**
Average depreciation rates	-	4%	8.6%	28.4%	15%	10%	20%	26.8%	10%	20%	2.9%	5.3%	-	-
Accumulated depreciation														
Balances 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 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	**-**	**(539)**	**(3,073)**	**(457)**	**(223)**	**(3,328)**	**(153)**	**-**	**(273)**	**(194)**	**(66)**	**(206)**	**-**	**(8,512)**
Write-offs	**-**	**13**	**814**	**-**	**22**	**204**	**315**	**-**	**66**	**67**	**-**	**-**	**-**	**1,501**
Write-off due to recoverability of tax credit	**-**	**26**	**946**	**-**	**21**	**211**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,204**
Balances at March 31, 2017	**-**	**(50,148)**	**(124,870)**	**(30,510)**	**(20,607)**	**(199,386)**	**(20,230)**	**(1,716)**	**(10,060)**	**(7,584)**	**(2,110)**	**(6,112)**	**-**	**(473,333)**
Residual value														
At January 1, 2016	6,561	37,130	210,590	2,904	2,847	56,078	2,596	48	7,698	2,462	3,997	8,304	12,832	354,047
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
At March 31, 2017	**5,655**	**30,331**	**199,178**	**349**	**2,925**	**44,083**	**1,489**	**2**	**5,210**	**1,672**	**4,473**	**7,275**	**1,663**	**304,305**

Due to legal proceedings, subsidiary SAMA gave in warranty PP&E items (machinery and equipment) at the cost value of R$2,150 (R$2,150 at December 31, 2016).

(i) Write-off due to recoverability of PIS and COFINS tax credits according to Law No. 12546/11.

(In thousands of reais - R$, unless otherwise stated)

12. Trade accounts payable

	Company		Consolidated	
	03/31/2017	12/31/2016	**03/31/2017**	12/31/2016
Domestic market	**14,501**	18,989	**30,019**	31,694
Foreign market	**1,037**	1,613	**1,181**	1,872
	15,538	20,602	**31,200**	33,566

13. Loans and financing

	(%) Interest rate and commissions	Company		Consolidated	
		03/31/2017	12/31/2016	**03/31/2017**	12/31/2016
Current:					
Domestic currency for acquisition of machinery and equipment	From 3% to 10% p.a. + TJLP and 10% p.a.	**1,475**	1,487	**1,988**	2,282
Foreign currency for acquisition of machinery and equipment	From 2.87% to 3.42% p.a.	**2,533**	2,875	**11,130**	12,115
Foreign currency for acquisition of raw material	From 2.40% to 3.12% p.a.	**2,766**	4,255	**2,766**	4,255
Domestic currency (finance lease) for acquisition of IT equipment	1.23% p.a.	**-**	-	**4**	9
Domestic currency for working capital (Export Credit Note - NCE)	117.60% to 128.00% p.a.	**-**	-	**24,339**	21,091
Foreign currency for working capital (Advances on Export Contracts - ACE)	3.17% p.a.	**-**	-	**15,792**	11,552
Domestic currency for acquisition of machinery, equipment and services	From 7.06% to 8.24% p.a.	**-**	-	**165**	165
Foreign currency for acquisition of raw material (*)	2.87% p.a.	**1,671**	1,720	**1,671**	1,720
Foreign currency for working capital (Export Credit Note - NCE)	From 3.46% to 3.65% p.a.	**-**	-	**-**	15,561
Domestic currency for working capital (secured account)		**-**	-	**616**	-
Total current		**8,445**	10,337	**58,471**	68,750
Noncurrent:					
Domestic currency for acquisition of machinery and equipment	From 3.00% to 10.00% p.a. + TJLP and 10% p.a.	**1,017**	1,365	**1,557**	2,008
Foreign currency for acquisition of machinery and equipment	From 2.87% to 3.42% p.a.	**531**	1,341	**9,689**	15,470
Foreign currency for acquisition of raw material	From 2.40% to 3.12% p.a.	**1,079**	1,656	**1,079**	1,656
Domestic currency for acquisition of machinery, equipment and services	From 7.06% to 8.24% p.a.	**-**	-	**36,492**	36,492
Total noncurrent		**2,627**	4,362	**48,817**	55,626
Total		**11,072**	14,699	**107,288**	124,376

(In thousands of reais - R$, unless otherwise stated)

13. LOANS AND FINANCING (CONTINUED)

	Company		Consolidated	
	03/31/2017	12/31/2016	**03/31/2017**	12/31/2016
Noncurrent payment flow:				
2018	**2,449**	3,637	**10,039**	**13,468**
2019	**178**	725	**9,043**	**9,720**
2020	**-**	-	**4,055**	**4,131**
2021	**-**	-	**4,055**	**4,055**
2022	**-**	-	**4,055**	**4,055**
From 2023 to 2027	**-**	-	**17,570**	**20,197**
	2,627	4,362	**48,817**	**55,626**

The Group has loan agreements with non-financial covenants with which it was compliant as of March 31, 2017, such as (i) application for bankruptcy, in-court or out-of-court reorganization; (ii) reduction of the Company's equity and amounts that may make it unable to settle its obligations under an agreement; and (iii) to be handed down an unfavorable and unappealable decision or to enter into a leniency agreement for the performance of acts or conduct detrimental to the public administration. Guarantees, if any, are disclosed in Note 28.

14. Personnel expenses

	Company		Consolidated	
	03/31/2017	**12/31/2016**	**03/31/2017**	**12/31/2016**
13th monthly salary	**1,471**	-	**2,486**	-
Vacation pay	**7,773**	8,576	**12,830**	14,322
Profit sharing (a)	**975**	1,314	**4,429**	4,232
Unemployment Compensation Fund (FGTS)	**364**	576	**624**	1,002
Social Security Tax (INSS)	**1,692**	1,941	**2,877**	3,388
Other	**70**	6	**359**	444
	12,345	12,413	**23,605**	23,388

(a) The Group grants profit sharing to its employees, which is calculated in accordance with the agreement entered into by Group companies with the Labor Union. Profit sharing expenses recorded are as follows:

	Profit sharing	
	03/31/2017	**03/31/2016**
Company	**-**	1,683
Consolidated	**540**	2,893

(In thousands of reais - R$, unless otherwise stated)

15. Taxes, charges and contributions payable

	Company		Consolidated	
Current:	**03/31/2017**	**12/31/2016**	**03/31/2017**	**12/31/2016**
Income taxes				
Corporate Income Tax (IRPJ)	**-**	**-**	**982**	1,940
Social Contribution Tax on Net Profit (CSLL)	**-**	**-**	**371**	344
Other taxes				
State Value Added Tax (ICMS)	**7,234**	8,108	**9,522**	10,657
Federal Value Added Tax (IPI)	**2,404**	2,410	**2,761**	2,832
Contribution Tax on Gross Revenue for Social Security Financing (COFINS)	**-**	1,960	**393**	2,639
Contribution Tax on Gross Revenue for Social Integration Program (PIS)	**-**	397	**83**	545
Withholding Income Tax (IRRF)	**475**	1,021	**1,094**	1,967
Tax on Financial Transactions (IOF)	**7**	31	**45**	74
Mineral resource offsetting financial contribution	**-**	-	**946**	885
Other	**89**	103	**348**	377
Total	**10,209**	14,030	**16,545**	22,260
Noncurrent:				
State Value-Added Tax (ICMS) (*)	**1,902**	1,746	**5,373**	4,699

(*) ICMS deriving from tax incentive programs PRODUZIR and DESENVOLVE in the Company; FOMENTAR in subsidiary Precon; FUNDOPEM and PRODUZIR in subsidiary Tégula; and INCENTIVO (tax incentive) of 7% and 90.25%, respectively, in subsidiary Eternit da Amazônia.

16. Provision for post-employment benefits

i) Future health benefits

Based on an actuarial report prepared by a specialized independent company, the Group records a provision for future health benefits (health insurance plan and laboratory exams) to former employees. Assumptions and calculations are reviewed on an annual basis.

a) *Main actuarial assumptions used to determine the present value of benefits*

	12/31/2016
Actual actuarial annual interest rate	6.14%
Actual annual medical cost increase rate	3.80%
Annual projected inflation rate	5.15%
General mortality table	AT-2000

(In thousands of reais - R$, unless otherwise stated)

16. Provision for post-employment benefits (Continued)

I) Future health benefits (Continued)

b) *Liabilities from post-employment benefit plan*

	Company		Consolidated	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Current	**3,184**	3,184	**5,115**	5,115
Noncurrent	**37,410**	37,128	**50,280**	50,104
	40,594	40,312	**55,395**	55,219

c) *Net expenses with the benefit in 2017 (posted to P&L)*

	Company		Consolidated	
	03/31/2017	03/31/2016	03/31/2017	03/31/2016
Current service and interest cost	**1,077**	1,134	**1,455**	1,584
Benefits paid	**(796)**	(687)	**(1,279)**	(1,222)
Net expense with the benefit	**281**	447	**176**	362

II) Supplementary private pension plan

The Group has an open-ended supplementary private pension plan with a duly authorized private pension entity. The plan is for defined contributions and deductible for income tax purposes (PGBL) and offered to all employees and officers. No additions to the provision recorded at March 31, 2017 are required.

For the quarters ended March 31, 2017 and 2016, the Group and its participants made contributions to fund benefit plans as follows:

	Company		Consolidated	
	03/31/2017	03/31/2016	03/31/2017	12/31/2016
Contributions made in the periods ended:	**275**	330	**636**	882

(In thousands of reais - R$, unless otherwise stated)

17. Equity

a) Capital

At March 31, 2017 and December 31, 2016, the Company's fully subscribed and paid-up capital amounted to R$334,251 and was represented by 179,000,000 common registered book-entry shares, with no par value, with the right to vote in Annual General Meeting deliberations, held as follows:

	03/31/2017		12/31/2016	
Shareholding structure	**Shareholders**	**Shares**	**Shareholders**	**Shares**
Individuals	**10,517**	**142,214,678**	10,507	138,669,276
Legal entities	**88**	**2,760,533**	80	2,698,925
Residents abroad	**67**	**11,397,571**	71	12,990,161
Clubs, funds and foundations	**60**	**22,568,486**	62	24,582,906
	10,732	**178,941,268**	10,720	178,941,268
Treasury shares	**1**	**58,732**	1	58,732
	10,733	**179,000,000**	10,721	179,000,000

The Company is authorized to increase capital up to R$1,000,000 (one billion reais), irrespective of any corporate restructuring, upon approval by the Board of Directors, which will establish the share issue price and other conditions for the respective subscriptions and payments.

b) Treasury shares

At March 31, 2017, market value of treasury shares was R$77 (R$78 at December 31, 2016).

c) Earnings per share

The following table reconciles net income (loss) to amounts used to calculate basic and diluted earnings (loss) per share.

	Company	
	03/31/2017	**03/31/2016**
Dilutive effect		
Net income (loss) for the period attributable to controlling interests	**(2,955)**	8,270
Weighted average number of common shares outstanding, less the average of treasury common shares	**178,941**	178,941
Basic and diluted earnings (loss) per share - R$	**(0.0165)**	(0.0462)

There is no dilutive effect to be considered in the calculation above.

(In thousands of reais - R$, unless otherwise stated)

17. **Equity** (Continued)

d) Dividends and interest on equity

No dividends or interest on equity was paid in the quarter ended March 31, 2017. The balance of cash dividends and interest on equity payable at March 31, 2017 is as follows:

	Company and Consolidated	
	03/31/2017	**12/31/2016**
Cash dividends and interest on equity as of	**426**	426
	426	426

18. Government grants

Tégula - Investment grant - Goiás Industrial Development Program - Produzir

Tégula Soluções para Telhados has a tax benefit to reduce 73% of ICMS calculated on sales of goods produced in the unit established in the city of Anápolis, Goiás state. Tégula used 100% of the contracted amount of R$6,910, a balance of R$2,613 remaining to be used.

For the quarter ended March 31, 2017, this benefit totaled R$711 (R$662 at December 31, 2016). The benefit is treated as investment grant, since conceptually the Company benefits itself through reduction, refund or exemption of taxes due, and it is intended to expand the Company's activity.

Precon - Investment grant - Agência de Fomento Goiás S.A - company in the state of Goiás - Fomentar

Precon Goiás Industrial Ltda. has a tax benefit to reduce 70% of ICMS calculated on sales of goods produced in the unit established in the city of Anápolis, Goiás state. Precon used R$54,929 of the amount contracted, remaining a balance of R$15,670 to be used until the expiration of the benefit contract on 12/31/2020.

For the quarter ended March 31, 2017, this benefit totaled R$2,284 (R$2,032 at December 31, 2016). The benefit is treated as investment grant, since conceptually the Company benefits itself through reduction, refund or exemption of taxes due, and it is intended to expand the Company's activity.

18. Government grants (Continued)

Eternit - Investment grant - Goiás Industrial Development Program - Produzir

Eternit S.A. has a tax benefit to reduce 73% of ICMS calculated on sales of goods produced in the unit established in the city of Goiânia, Goiás state. Eternit used R$28,821 of the amount contracted, remaining a balance of R$33,750 to be used until the expiration of the benefit contract on 12/31/2020, which is restated by reference to the General Market Price Index IGP-M).

For the quarter ended March 31, 2017, this benefit totaled R$2,140 (R$6,083 at December 31, 2016). The benefit is treated as investment grant, since conceptually the Company benefits itself through reduction, refund or exemption of taxes due, and it is intended to expand the Company's activity.

Eternit - Investment grant - Brazilian Supervisory Office for Development of the Northeast (Sudene)

The Company has a tax benefit to reduce 75% of Corporate Income Tax (IRPJ) and non-refundable surtaxes on profit from tax-incentive activities ("lucro da exploração") on behalf of Eternit S.A. This benefit expires in calendar year 2020.

The history of laws and granting of tax benefit related to each program mentioned herein were disclosed by management in this interim financial information.

(In thousands of reais - R$, unless otherwise stated)

19. Income and social contributions taxes

a) Reconciliation of income and social contribution tax expense with statutory amounts

Reconciliation of Corporate Income Tax (IRPJ) and Social Contribution Tax on Net Profit (CSLL) at effective and statutory rates is as follows:

	Company		Consolidated	
	03/31/2017	03/31/2016	**03/31/2017**	03/31/2016
Income (loss) before income and social contribution taxes	**(3,677)**	9,740	**(104)**	16,236
Statutory rate	34%	34%	**34%**	34%
Income and social contribution taxes at statutory rates	**1,250**	(3,312)	**35**	(5,520)
Effect of income and social contribution taxes on permanent differences:				
Equity pickup	**176**	2,564	**(1,909)**	(2,118)
Interest on equity (IOE)	**(683)**	(728)	**-**	(728)
Donations and gifts	**(4)**	(11)	**(247)**	(213)
Nondeductible taxes and fines	**(8)**	(21)	**(35)**	(60)
Tax incentive	**-**	31	**12**	48
Contingencies	**(347)**	-	**(347)**	-
Provision for PIS and COFINS (financial income)	**(22)**	-	**(22)**	-
Loss on swap transactions	**(35)**	-	**(35)**	-
Tax loss without set up of deferred tax	**-**	-	**(250)**	-
Other (additions) exclusions, net	**395**	7	**(53)**	624
Income and social contribution taxes in P&L	**722**	(1,470)	**(2,851)**	(7,967)
Effective rate	**-19.6%**	-15.1%	**2,741%**	-49.1%

b) Breakdown of deferred income and social contribution taxes

The estimated realization of the deferred tax balance may present changes, since most of them are subject to court decisions over which the Group has no control or cannot predict when there will be a decision in higher court.

Deferred income and social contribution taxes, presented in noncurrent assets, refer to income and social contribution taxes on temporary differences in the calculation of taxable profit and income and social contribution tax losses, as follows:

(In thousands of reais - R$, unless otherwise stated)

19. Income and social contribution taxes (Continued)

b) Breakdown of deferred income and social contribution taxes (Continued)

	Company	Consolidated
Balance at January 1, 2016	34,264	63,823
Setup of temporary differences		
Reversal of temporary differences	8,862	70,756
Setup on tax loss	(6,781)	(66,837)
Reversal on tax loss	5,970	5,970
Gain (loss) on inventories	-	(1,057)
Balance at December 31, 2016	42,315	72,655
Setup of temporary differences	**3,408**	**13,725**
Reversal of temporary differences	**(2,888)**	**(12,546)**
Setup on tax loss	**202**	**202**
Gain (loss) on inventories	**-**	**(200)**
Balance at March 31, 2017	**43,037**	**73,836**

	Company		Consolidated	
	03/31/2017	12/31/2016	**03/31/2017**	12/31/2016
Income and social contribution tax losses	**19,197**	18,995	**25,604**	25,402
Post-employment benefit	**13,802**	13,706	**18,834**	18,774
Provision for tax, civil and labor risks	**7,956**	7,610	**20,431**	19,714
Unrealized income in inventories	**-**	-	**2,033**	2,232
Allowance for doubtful accounts	**1,807**	1,660	**2,996**	2,810
Provision for profit sharing	**244**	447	**1,408**	1,429
Provision for loss on PPE	**-**	1,271	**-**	1,271
Unshipped products	**-**	-	**1,562**	821
Other provisions	**31**	(1,374)	**968**	202
	43,037	42,315	**73,836**	72,655

Expected realization of tax credits

i. *Income and social contribution tax losses*

Based on projected future taxable profit of the Company and its subsidiary Tégula, expected recovery of the deferred income and social contribution tax balance calculated on income and social contribution tax losses, posted to noncurrent assets, is as follows:

	Company	Consolidated
	03/31/2017	**03/31/2017**
From April 2017 onwards	**748**	**1,067**
2018	**1,579**	**1,974**
2019	**2,216**	**2,684**
2020	**2,823**	**3,387**
From 2021 to 2026	**11,831**	**16,492**
	19,197	**25,604**

(In thousands of reais - R$, unless otherwise stated)

19. Income and social contribution taxes (Continued)

b) Breakdown of deferred income and social contribution taxes (Continued)

Estimated realization of tax credits (Continued)

Recorded deferred tax assets are limited to the offset amount supported by projected taxable profits, discounted to present value, made by the Company and its subsidiary Tégula within the next ten years, further considering that offset of income and social contribution tax losses is limited to 30% of annual net income, determined in accordance with ruling Brazilian tax legislation, however, these may be carried indefinitely for offset against future taxable profits.

At March 31, 2017, subsidiary Tégula had accumulated income tax loss of R$46,612 (R$47,591 at December 31, 2016) and social contribution tax loss of R$46,767 (R$42,758 at December 31, 2016), for which deferred taxes were not recorded, since up to March 31, 2017 there were no projections of future taxable profits confirming realization thereof.

ii. *Temporary differences*

Noncurrent assets related to deferred income and social contribution taxes calculated on temporary differences are expected to be realized as follows:

	Company	Consolidated
	03/31/2017	03/31/2017
From April 2017 onwards	2,554	5,474
2018	1,996	12,036
2019	2,542	3,093
2020	3,024	4,704
From 2021 to 2026	13,724	22,925
	23,840	48,232

As the result of income and social contribution taxes depends not only on taxable profit, but also on the existence of non-taxable revenues, nondeductible expenses and various other variables, there is no significant correlation between net income of the Group and the result of income and social contribution taxes.

(In thousands of reais - R$, unless otherwise stated)

20. Provision for tax, civil and labor risks

The Group is party to various civil, labor and tax proceedings that are pending judgment at different court levels.

The Group Management understands that the provision for risks is sufficient to cover losses, with any, on legal proceedings and represents the best estimate of the probable future disbursement of the Company, based on information available up to the authorization date of this interim financial information, impacts of which may be reliably measured as follows:

	Company		Consolidated	
	03/31/2017	**12/31/2016**	**03/31/2017**	**12/31/2016**
Labor claims (i)	**40,126**	39,280	**52,349**	51,282
Civil claims	**-**	-	**5,763**	5,578
Tax claims (ii)	**7,932**	7,695	**34,092**	33,143
	48,058	46,975	**92,204**	90,003

Changes in provision for tax, civil and labor risks are as follows:

	Company		
	Provisions for labor claims	**Provisions for tax proceedings**	**Total**
Balance 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 at December 31, 2016	39,280	7,695	46,975
Additions	**846**	**237**	**1,083**
Balance at March 31, 2017	**40,126**	**7,932**	**48,058**

	Consolidated			
	Provisions for labor claims	**Provisions for civil proceedings**	**Provisions for tax proceedings**	**Total**
Balance 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 at December 31, 2016	51,282	5,578	33,143	90,003
Additions	**1,075**	**185**	**949**	**2,209**
Write-offs	**(8)**	**-**	**-**	**(8)**
Balance at March 31, 2017	**52,349**	**5,763**	**34,092**	**92,204**

20. Provisions for tax, civil and labor risks (Continued)

i) <u>Significant provisions related to labor claims include</u>

a) Damages including pain and suffering, property damage and labor claims brought by former employees claiming (i) overtime (ii) night shift pay, (iii) health and risk exposure premiums; and (iv) severance pay, among others.

b) Civil Class Action filed in 2013 with São Paulo Labor Court by São Paulo Labor Prosecution Office against the Company. This action is challenging matters relating to the work environment and occupational health of the manufacturing unit that was shut down in early 1990s. In parallel to this action, other Civil Class Action, forwarded by way of dependence, was filed by ABREA also with the Labor Court, reason why, and by a court order, those actions were unified. The requests aim compensation for collective pain and suffering, individual damage, among others. On March 1, 2016, both actions were rendered partially upheld at the lower court. Part of the decision at the lower court was assessed as probable loss by the Company’s legal advisors. The Company filed an appeal against the decision handed down at lower court, and the Regional Labor Court partially reversed the decision at the lower court. The most significant terms are: The following unfavorable decisions were excluded: compensation for collective pain and suffering in the amount of R$100 million; compensation 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 dispute regarding relatives of former employees. The following unfavorable decisions were reduced: Pain and suffering and life-threatening damage established on behalf of former employee already diagnosed with asbestos-related diseases in the amounts of R$100 thousand and R$50 thousand, respectively; pain and suffering established on behalf of the Estate of each deceased former employee, after filing of actions in the amount of R$100 thousand. The following unfavorable decision were upheld: comprehensive health care plan for former employees diagnosed with asbestos-related diseases. This decision is subject to appeals by the parties. The provision was set up considering uncertainties surrounding the amount recognized at various means according to the circumstances, which is in line with IAS 37.39 (CPC 25.39), which provides that in measuring a provision that involves a large population of items, the obligation shall be estimated by weighing up all possible outcomes considering their associated probabilities.

20. Provisions for tax, civil and labor risks (Continued)

c) In 2014, a Civil Class Action was filed by the Labor Prosecution Office against the Company with the Rio de Janeiro Labor Court. This action challenges matters relating to the work environment and occupational health, in addition to indemnification request for collective pain and suffering in the amount of R$1 billion. In parallel to this action, other Civil Class Action, forwarded by way of dependence, was filed by ABREA with the same Labor Court. The proceeding filed by the Labor Prosecution Office (MPT) was deemed partially founded and such decision was published on March 27, 2017. The sentence involves: (i) replace asbestos raw material at the Rio de Janeiro plant within 18 months from September 2018; (ii) observe the maximum limit of 0.1 fibers per cubic centimeter of asbestos at all workplaces established in the National Agreement combined with article 3 of Law No. 9055; (iii) expand the list of medical check-ups of all current employees of Rio de Janeiro plant; (iv) cost transportation and lodging expenses for all former employees of the RJ plant who may prove that reside more than 100 km away from the site in which medical examinations are conducted; and (v) compensation for collective pain and suffering in the amount of R$30 million. The Company filed motions for clarification and subsequently will file an appeal to the Higher Court. ABREA's action has not been judged yet. This decision is subject to appeals by the parties. The provision was set up only for collective pain and suffering, considering the agreements already executed by companies of the same sector. A provision for the other items assessed as probable loss is not necessary, since it depends on compliance with the legislation regarding the maximum limit of exposure to asbestos in the National Agreement, as well as in the specific legislation. Regarding the replacement of the raw material within 18 months, the Company understands that it is too early to record a provision, considering that the period determined by the court is still in progress. With regard to the cost of transportation and lodging expenses for all former employees of the Rio de Janeiro plant who may prove that reside more than 100 km away from the site in which medical examinations are realized, there are no objective parameters for its provision. The other items of the sentence were assessed as possible loss by the external legal advisors, reason why no provision is required for the quarter ended March 31, 2017, which is in line with IAS 37.39 (CPC 25.39), which provides that in measuring a provision that involves a large population of items, the obligation must be estimated by weighing all possible outcomes by their associated likelihood. The judicial deposits for Provisional Enforcement Guarantees and Appeal Deposits in connection with the provisions for risks are classified in a specific account in noncurrent assets.

ii) Significant provisions related to tax proceedings include

Difference in ICMS amounts paid;
Difference in rates paid for INSS purposes; and
Difference in the amounts recognized referring to the Financial Compensation for the Exploration of Mineral Resources (CEFEM).

20. Provisions for tax, civil and labor risks (Continued)

iii) Proceedings whose likelihood of an unfavorable outcome is assessed as possible

At March 31, 2017, there were civil, tax, administrative and labor claims against the Group, for which legal advisors assessed the likelihood of loss as possible, which can be reliably measured, in the consolidated amount of R$15,146 (R$15,146 at December 31, 2016), therefore, no provision was recorded for these claims and proceedings.

In addition, the following proceedings were in course against the Group, whose likelihood of loss was assessed as possible by legal advisors, and whose amounts are not measurable up to date:

a) Civil class actions on environmental and health matters brought by state and federal prosecutors of Bahia state, and a class action with the same objective as the abovementioned civil class actions amounting to R$40,000.

b) Consumer civil class actions in the State of Rio de Janeiro and another one in the State of Pernambuco, in order to prohibit the sale of products containing chrysotile mineral in those states.

c) Managerial Wrongdoing suit in which issues related to Financial Compensation for Exploration of Mineral Resources (CFEM) were discussed in the amount of R$38,795, as well as an annulment action and enforcement proceeding totaling R$13,729.

d) Civil class action and class action, both related to the sale by the state of Goiás of an area of land where the residential quarters of subsidiary SAMA is located.

e) Part of the decision at the higher court on the proceeding mentioned in item i “b” to this note was assessed as possible loss by the Company’s legal advisors.

(In thousands of reais - R$, unless otherwise stated)

20. Provisions for tax, civil and labor risks (Continued)

iii) Proceedings whose likelihood of an unfavorable outcome is assessed as possible: (Continued)

f) On March 10, 2017, the Company was served a Civil Class Action filed by the Labor Prosecution Office (MPT), which is in progress before the 1st Labor Court of Colombo, Paraná State. This action comprises different requests, among which are the request to sentence the Company to pay R$85 million as collective pain and suffering and the request for replacement of the raw material within 90 days.

The action also informs that various requests were filed as preliminary injunction, among which is the request for replacement of the raw material within 90 days, that was denied by the lower court. The Company will present a defense at an appropriate time.
The Company reinforces that it complies with the safety rules and procedures established by Federal Law No.9055/95 and with the Decree that regulated it. The Company will present a defense at an appropriate time and expects that the technical and scientific evidence is considered in the judgment of this action. Considering that the lawsuit is in its early stages, the legal advisors assess as possible the likelihood of loss on the action's requests.

21. Net operating revenue

	Company		Consolidated	
	03/31/2017	**03/31/2016**	**03/31/2017**	**03/31/2016**
Gross sales revenue	**147,456**	170,063	**215,386**	285,609
Unconditional discounts and rebates	**(291)**	(586)	**(379)**	(641)
Sales taxes	**(37,206)**	(38,047)	**(47,308)**	(56,046)
Net operating revenue	**109,959**	131,430	**167,699**	228,922

(In thousands of reais - R$, unless otherwise stated)

22. Information on the nature of expenses

	Company		Consolidated	
	03/31/2017	**03/31/2016**	**03/31/2017**	**03/31/2016**
Cost of goods sold	**(87,700)**	(99,672)	**(114,655)**	(148,876)
Selling expenses	**(11,315)**	(14,415)	**(20,900)**	(26,578)
General and administrative expenses	**(9,073)**	(10,844)	**(19,498)**	(23,686)
Management compensation	**(1,411)**	(1,878)	**(2,054)**	(3,149)
	(109,499)	(126,809)	**(157,107)**	(202,289)
Raw material used	**(56,831)**	(64,696)	**(71,013)**	(97,394)
Personnel expenses and charges	**(26,672)**	(30,107)	**(35,386)**	(41,528)
Material, electric energy and services	**(9,682)**	(11,735)	**(11,898)**	(14,974)
Third-party services	**(4,334)**	(4,805)	**(11,374)**	(12,457)
Depreciation and amortization	**(3,736)**	(3,641)	**(9,191)**	(9,868)
Sales commissions	**(2,810)**	(3,182)	**(4,009)**	(4,793)
Variable selling expenses	**(1,099)**	(1,699)	**(5,660)**	(8,060)
Lease of chattels	**(1,574)**	(1,735)	**(2,650)**	(2,907)
Travel expenses	**(434)**	(931)	**(996)**	(1,634)
Expenses with materials and IT services	**(801)**	(856)	**(1,237)**	(1,518)
Advertising and publicity	**(329)**	(2,050)	**(484)**	(2,375)
Trade union dues	**(116)**	(436)	**(866)**	(2,145)
Taxes and charges	**(284)**	(202)	**(852)**	(1,317)
Loss on doubtful accounts	**(430)**	(308)	**(636)**	(462)
Other	**(367)**	(426)	**(855)**	(857)
	(109,499)	(126,809)	**(157,107)**	(202,289)

(In thousands of reais - R$, unless otherwise stated)

23. Other operating income (expenses), net

	Company		Consolidated	
	03/31/2017	03/31/2016	03/31/2017	03/31/2016
Other operating income:				
PPE disposals	**37**	-	**207**	3,311
Unclaimed interest on equity and dividends	**-**	17	**-**	17
Reversal of provision for labor risks	**-**	-	**-**	222
Rents	**-**	-	**182**	302
PIS and COFINS previously unused credit	**-**	-	**1,206**	1,227
ICMS credit	**-**	-	**1,486**	-
Receipt of appeal deposit	**4**	-	**4**	-
Other revenues	**15**	-	**73**	-
Other	**-**	31	**56**	1,202
	56	48	**3,214**	6,281
Other operating expenses:				
Provision for tax, civil, and labor risks	**(500)**	-	**(500)**	-
Provision for post-employment benefits	**(1,077)**	(1,134)	**(1,455)**	(1,584)
Environmental remediation	**-**	-	**(335)**	(304)
Taxes on other sales	**(2)**	(5)	**(81)**	(138)
Quality control	**(185)**	(212)	**(239)**	(321)
Replacement of defective products	**(32)**	(69)	**(35)**	(196)
Expenses with unexpected halts	**(68)**	-	**(194)**	(13)
Expenses with labor and civil indemnifications	**(325)**	(287)	**(455)**	(302)
Cost of write-off of PPE and intangible assets	**(57)**	-	**(147)**	(231)
FibraPrev - Private Pension Plan	**-**	-	**-**	(1,218)
Other	**(50)**	(74)	**(306)**	(376)
	(2,296)	(1,781)	**(3,747)**	(4,683)
Total	**(2,240)**	(1,733)	**(533)**	1,598

(In thousands of reais - R$, unless otherwise stated)

24. Financial income (expenses)

	Company		Consolidated	
	03/31/2017	03/31/2016	**03/31/2017**	03/31/2016
Financial income:				
Short-term investment yield - including Bank Deposit Certificates (CDB)	**104**	128	**216**	614
Discounts obtained	**30**	53	**148**	118
Interest income	**836**	665	**1,759**	1,344
Monetary gains	**293**	267	**300**	274
Foreign exchange gains	**614**	11,727	**3,878**	21,283
Other financial income	**2**	-	**-**	-
	1,879	12,840	**6,301**	23,633
Financial expenses:				
Interest on financing	**(217)**	(304)	**(1,200)**	(1,530)
Interest on loan	**(946)**	(1,151)	**-**	-
Interest expense	**(11)**	(75)	**(1,397)**	(2,625)
Bank expenses	**(568)**	(533)	**(692)**	(649)
Discounts granted	**(1,036)**	(572)	**(1,177)**	(959)
Tax on Financial Transactions (IOF)	**(154)**	(122)	**(228)**	(135)
PIS and COFINS - Interest on Equity (IOE)	**(452)**	(276)	**(467)**	(303)
Foreign exchange losses	**(306)**	(10,028)	**(3,932)**	(21,604)
Monetary losses	**(519)**	(414)	**(1,582)**	(1,414)
Other	**(85)**	(59)	**(174)**	(180)
	(4,294)	(13,534)	**(10,849)**	(29,399)
Financial income (expenses), net	**(2,415)**	(694)	**(4,548)**	(5,766)

25. Segment reporting

Management defined the operating segments as Fiber Cement, Chrysotile Mineral and Concrete Roof Tiles, as well as the geographic area of operation. Information presented in line “Other” refers to expenses not directly attributable to Fiber Cement, Chrysotile and Concrete Roof Tiles segments, among others.

Operating segments defined by senior management are as follows:

Company and Consolidated	
Description	**Geographic area**
Fiber cement	Southeast, South, Midwest, North and Northeast
Chrysotile Mineral	Domestic and foreign markets
Concrete roof tiles	Domestic market
Other	Domestic market

(In thousands of reais - R$, unless otherwise stated)

25. Segment reporting (Continued)

Significant consolidated segment reporting for the quarters ended March 31, 2017 and 2016 is as follows:

		03/31/2017		03/31/2017					
		Total assets	**Liabilities**	**Net revenue**	**Gross profit**	**Income (loss) before taxes**	**Depreciation and amortization**	**Financial income (expense)**	**IRPJ/CSLL**
Fiber cement									
	Southeast	**247,191**	**25,096**	**23,394**	**4,734**	**(455)**	**(1,163)**	**(467)**	**20**
	South	**45,167**	**33,716**	**31,234**	**6,324**	**(604)**	**(1,249)**	**(623)**	**27**
	Mid-West	**81,864**	**46,401**	**39,476**	**9,813**	**1,057**	**(1,239)**	**(787)**	**34**
	North and Northeast	**28,482**	**23,387**	**22,180**	**4,489**	**(431)**	**(664)**	**(442)**	**19**
		402,704	**128,600**	**116,284**	**25,360**	**(433)**	**(4,315)**	**(2,319)**	**100**
Chrysotile Mineral									
	Domestic market	**230,810**	**144,870**	**9,883**	**14,900**	**10,279**	**(1,394)**	**(488)**	**(653)**
	Foreign market	**-**	**-**	**27,751**	**8,686**	**(4,290)**	**(2,027)**	**(1,369)**	**(1,832)**
		230,810	**144,870**	**37,634**	**23,586**	**5,989**	**(3,421)**	**(1,857)**	**(2,485)**
Concrete roof tiles	Domestic market	**43,841**	**9,950**	**8,048**	**1,688**	**(867)**	**(606)**	**(72)**	**(86)**
Other (*)	Domestic market	**140,103**	**77,343**	**5,733**	**2,410**	**(4,793)**	**(849)**	**(300)**	**(380)**
Total		**817,458**	**360,763**	**167,699**	**53,044**	**(104)**	**(9,191)**	**(4,548)**	**(2,851)**

(*) Including (R$5,615) of equity pickup of joint venture Companhia Sulamericana de Cerâmica S.A. which operates in the ware segment. See Note 9 - Investments.

(In thousands of reais - R$, unless otherwise stated)

25. Segment reporting (Continued)

		12/31/2016		03/31/2016					
		Total assets	Liabilities	Net revenue	Gross profit	Income (loss) before taxes	Depreciation and amortization	Financial income (expense)	IRPJ/CSLL
Fiber cement									
	Southeast	254,781	27,460	28,022	6,771	2,063	(1,102)	(103)	(430)
	South	48,207	36,721	40,546	9,812	3,001	(1,292)	(150)	(623)
	Mid-West	85,579	48,534	45,944	11,820	4,102	(1,169)	(170)	(706)
	North and Northeast	32,219	25,147	26,540	6,413	1,954	(635)	(98)	(408)
		420,786	137,862	141,052	34,816	11,120	(4,198)	(521)	(2,167)
Chrysotile Mineral									
	Domestic market	229,984	144,620	28,813	19,359	7,431	(1,544)	(3,025)	(1,582)
	Foreign market	-	-	39,614	21,156	4,758	(2,247)	(4,159)	(2,174)
		229,984	144,620	68,427	40,515	12,189	(3,791)	(7,184)	(3,756)
Concrete roof tiles	Domestic market	48,609	21,601	12,027	2,184	(1,556)	(966)	(333)	(191)
Other (*)	Domestic market	143,069	78,716	7,416	2,531	(5,517)	(913)	2,272	(1,853)
Total		842,448	382,799	228,922	80,046	16,236	(9,868)	(5,766)	(7,967)

(*) Including (R$6,229) of equity pickup of joint venture Companhia Sulamericana de Cerâmica S.A. which operates in the ware segment. See Note 9 - Investments.

(In thousands of reais - R$, unless otherwise stated)

26. Insurance coverage

At March 31, 2017, the insurance taken out by the Group, under the guidance from its insurance advisors, against any risks is as follows: Average maturity of insurance taken out is July 2017.

Type	Insured assets	Insurance amounts
Engineering and operational risks, general civil liability and loss of profits	Buildings, facilities, equipment and other	R$322,700

27. Financial instruments

27.1 Identification and assessment of financial instruments

a) Financial instrument analysis

To protect its assets and liabilities, the Group maintains insurance coverage for risks that, if incurred, may cause losses that significantly impact the Groups' equity and/or P&L, considering the risks subject to compulsory insurance, whether legally or contractually.

A comparison by class of Group's financial instruments, presented in the interim financial information, is as follows:

	Company		Consolidated	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Financial assets	Level 1	Level 1	Level 1	Level 1
Measured at fair value				
Cash and cash equivalents	**2,091**	3,365	**3,834**	5,143
Short-term investments	**420**	32	**4,351**	2,708
Accounts receivable - foreign market	**-**	-	**46,635**	46,124
Total financial assets	**2,511**	3,397	**54,820**	53,975
Financial liabilities				
Measured at amortized cost				
Trade accounts payable	15,538	20,602	31,200	33,566
Loans and financing	11,072	14,699	107,288	124,376
	26,610	35,301	138,488	157,942
Measured at fair value				
Derivative financial instruments	**485**	374	**485**	678
	485	374	**485**	678
Total financial liabilities	**27,095**	35,675	**138,973**	158,620

27. Financial instruments (Continued)

27.1 Identification and assessment of financial instruments (Continued)

b) Fair value hierarchy

Over the quarter ended March 31, 2017, there was no fair value measurement transfer between Level I and Level II, or fair value measurement transfer between Level III and Level II.

27.2 Financial risk management

The Company's main financial liabilities refer to trade accounts payable, and loans and financing. The main purpose of these financial liabilities is to raise funds for operations. The Company also has trade accounts receivable, demand deposits and short-term investments that result directly from its operations. Accordingly, the Company is exposed to market, credit and liquidity risks.
The Company and its subsidiaries are exposed to market risks related to interest, foreign exchange and credit rate fluctuations.
The Group adopts procedures to manage and use hedge instruments.

I. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk includes four types of risks for the Group: a) currency risk; b) interest rate risk; c) risk of loss in production due to scarcity in the supply of raw material and inputs; and d) growth-related risks.

a) *Currency risk*

Currency risk is the risk that the fair value of future cash flows from financial instruments fluctuates due to exchange rate fluctuations. Company exposure to exchange rate fluctuations refers mostly to the Group's operating activities (when revenues or expenses are denominated in a currency other than the Group's functional currency).

(In thousands of reais - R$, unless otherwise stated)

27. Financial instruments (Continued)

27.2 Financial risk management (Continued)

I. Market risk (Continued)

a) Currency risk (Continued)

At March 31, 2017, the Group was exposed to a currency other than its functional currency, as follows:

	Consolidated		Quotation at 03/31/2017 (US$ / € 1.00 = R$1.00)
	03/31/2017	**12/31/2016**	
Foreign market customers	**46,635**	**46,124**	3.1678 US$
Foreign market suppliers	**(1,181)**	**(1,872)**	3.1678 US$
Advances on Export Contracts (ACE)	**(15,792)**	**(11,552)**	3.1678 US$
Financing (USD) (*)	**(26,335)**	**(33,495)**	3.1678 US$
Financing (USD) - swap	**(485)**	**(678)**	3.1678 US$
Total currency exposure	**2,842**	**(1,473)**	

(*) This does not include SWAP-related financing arrangements, whose effect is stated in a specific line.
Source: Banco Central do Brasil, website: www.bacen.gov.br

a1) *Sensitivity analysis*

In order to measure the economic impact of exchange gains/losses on the Group's financial instruments, four scenarios were considered in relation to the exchange rate prevailing at March 31, 2017, as follows:

		Rate (*)	Rate depreciation		Rate appreciation	
Balances (foreign currency) - Consolidated	**Risk**	**Position at 03/31/2017**	**Scenario I (-50%)**	**Scenario II (-25%)**	**Scenario III (+25%)**	**Scenario IV (+50%)**
USD		3.1678	1.5839	2.3759	3.9598	4.7517
Foreign market customers	USD	46,635	23,318	34,976	58,294	69,953
USD		3.1684	1.5842	2.3763	3.9605	4.7526
Foreign market suppliers	USD	(1,181)	(591)	(886)	(1,476)	(1,772)
Advances on Export Contracts (ACE)	USD	(15,792)	(7,896)	(11,844)	(19,740)	(23,687)
Financing (*)	USD	(26,335)	(13,168)	(19,751)	(32,919)	(39,503)
Financing - swap	USD	(485)	(243)	(364)	(607)	(728)
Total exposure		2,842	1,420	2,131	3,552	4,263

(*) This does not include SWAP-related financing arrangements, whose effect is stated in a specific line.
Source: Banco Central do Brasil, website: www.bacen.gov.br

(In thousands of reais - R$, unless otherwise stated)

27. Financial instruments (Continued)

27.2 Financial risk management (Continued)

a.2) *Derivative transactions:*

I - In derivative transactions there are no checks, monthly settlements or margin calls, and the contract is settled on maturity, recorded at fair value, considering the market conditions as regards terms and interest rates.

USD and CDI swap agreements

II - The Company has one agreement of this type, in the aggregate amount of US$524 thousand, maturing up to October 11, 2017, with long position in US dollars and short position in CDI.

III - The fair value of financial instruments was calculated using the market price for both long and short positions, where the difference results in the swap market value.

Breakdown of the Group's agreements at March 31, 2017:

Table

	Notional reference value		Fair value		Accumulated effect - 2016/2017	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016	03/31/2017	03/31/2017
					Receivables	Payables
Swap contracts						
Long position						
Foreign currency (USD)	**524**	**5,272**	**536**	**5,305**	**84**	-
Short position						
CDI (R$)	**(2,045)**	**(17,545)**	**(2,185)**	**(17,976)**	**314**	**(15,608)**

b) *Interest rate risks*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rate.

Group management makes it a policy to maintain the rates of its exposures at asset and liability interest rates pegged to floating rates. Short-term investments are restated by reference to the CDI.

(In thousands of reais - R$, unless otherwise stated)

27. Financial instruments (Continued)

27.2 Financial risk management (Continued)

I. Market risk (Continued)

b) Interest rate risk (Continued)

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

	Company		Consolidated	
	03/31/2017	**12/31/2016**	**03/31/2017**	**12/31/2016**
Short-term investments (cash equivalents)	**1,289**	-	**1,426**	115
Short-term investments	**420**	3,114	**4,351**	16,734
Total exposure to interest rate	**1,709**	3,114	**5,777**	16,849

Group Management periodically assesses its investments and cash equivalents to avoid the risk of loss, considering the instability allowed by the current monetary policy adopted by the Federal Government, as well as the history of increases in the base interest rate of the Brazilian economy in recent months. Accordingly, the Company considers taking out derivative contracts to hedge this risk.

The table below sets out the net economic impact of increases in the interest rate curve used in the Group's financial instruments:

(In thousands of reais - R$, unless otherwise stated)

27. Financial instruments (Continued)

27.2 Financial risk management (Continued)

I. Market risk (Continued)

b) *Interest rate risk* (Continued)

Short-term investments - Consolidated	Index	Position at 03/31/2017	Projection of financial income - one year				
				Reduction risk		Increase risk	
			Probable scenario	Scenario I (-50%)	Scenario II (-25%)	Scenario III (+25%)	Scenario IV (+50%)
CDI			**12.13%**	**6.07%**	**9.10%**	**15.16%**	**18.20%**
Short-term investments (cash equivalents)	CDI	1,426	1,599	1,340	1,296	1,642	1,685
Short-term investments	CDI	4,351	4,879	4,087	3,955	5,011	5,143
		5,777	**6,478**	**5,427**	**5,251**	**6,653**	**6,828**

Loans and financing - consolidated	Index	Position at 03/31/2017	Projection of financial expenses - one year				
				Reduction risk		Increase risk	
			Probable scenario	Scenario I (-50%)	Scenario II (-25%)	Scenario III (+25%)	Scenario IV (+50%)
CDI			**12.13%**	**6.07%**	**9.10%**	**15.16%**	**18.20%**
Loans and financing	CDI	24,339	27,291	22,861	22,124	28,029	28,771
TJLP			**7.50%**	**3.75%**	**5.63%**	**9.38%**	**11.25%**
Loans and financing	TJLP	1,248	1,341	1,201	1,178	1,365	1,388
SELIC			**12.15%**	**6.08%**	**9.11%**	**15.19%**	**18.23%**
Loans and financing	SELIC	422	473	396	384	487	499

Source: Banco Central do Brasil, website: www.bacen.gov.br

c) *Risk of loss in production due to scarcity in the supply of raw material and inputs*

This growth strand is based on the diversification of the portfolio, through development, launching of new products and entry of new business segments, using the Group's own structure or the ability of third parties. Within this concept there are the constructive solutions (cement slabs and the Wall Panel), ware, sanitary seats and metal fittings.

27. Financial instruments (Continued)

27.2 Financial risk management (Continued)

c) *Risk of loss in production due to scarcity in the supply of raw material and inputs* (Continued)

The Company has no control over certain raw materials such as cement, limestone, sand and recycled pulp, thus a significant increase in prices arising from scarcity, taxes, restrictions or exchange rate fluctuations, or reduction in payment terms, may substantially impact the production cost and adversely affect the Company's business.

d) *Growth-related risk*

Concerning suppliers of metal fittings whose products Eternit sells in the Brazilian market, the Company may face difficulties in finding new partners in case of a dissolution in the supply contract.

II. Credit risk

Accounts receivable

Customer credit risk is managed by the Company on a daily basis, also such risk is mitigated by the fact that sales are made to a large number of customers and managed through a strict credit rating process. The result of this management and maximum exposure to credit risk are reflected under "Loss on doubtful accounts", as described in Note 6.
From time to time, the Company evaluates its customer portfolio and for March 31, 2017, no customer individually held significant representativeness compared to total trade accounts receivable and the individual and consolidated invoicing.

Demand deposits and short-term investments

The Company is also subject to credit risks related to financial instruments taken out for business management purposes. Company management considers that there is low risk of non-settlement of transactions in financial institutions in Brazil.

(In thousands of reais - R$, unless otherwise stated)

27. Financial instruments (Continued)

27.2 Financial risk management (Continued)

III. Liquidity risk

The liquidity risk consists in the Company's occasionally not having sufficient funds to meet its commitments, given the different currencies and realization/settlement terms of its rights and obligations.
The Company's liquidity and cash flow are managed on a daily basis by management in order to ensure that the generation of operating cash and early fundraising, where necessary, are sufficient to maintain its schedule of commitments, not generating liquidity risks to the Company.

IV. Capital management

For the quarter ended March 31, 2017, there were no changes in capital structure objectives, policies or processes as compared with 2016. The Company includes in its net debt structure: loans, financing and derivative financial instruments less cash and cash equivalents.

	Company		Consolidated	
	Leverage		Leverage	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Loans and financing	**11,072**	14,699	**107,288**	124,376
Derivative financial instruments	**485**	374	**485**	678
(-) Cash and cash equivalents	**(2,091)**	(3,365)	**(3,834)**	(5,143)
Net debt	**9,466**	11,708	**103,939**	119,911
Equity	**456,678**	459,633	**456,695**	459,649
Net debt and equity	**447,211**	447,925	**352,755**	339,738

28. Commitments and guarantees

At March 31, 2017, the Group had the following guarantees:

(i) Guarantee Insurance Policy No. 54-0776-19-0011974 for purchase and sale of electric energy No. TBLC-08.258-CVE-CL and its Addenda Nos. 01 to 05 in the amount of R$4,680, of which SAMA S.A. - Minerações Associadas is the policyholder, contracted with Pottencial Seguradora S.A., maturing on December 31, 2017, whose beneficiary is Engie Brasil Energia Comercializadora Ltda.;

28. Commitments and guarantees (Continued)

(ii) Bank Guarantee No. 2.052.898 referring to tax enforcement payment - DNPM (National Department of Mineral Production) entered into by SAMA S/A Minerações Associadas, amounting to R$1,440, with Banco Bradesco, with indefinite maturity;

(iii) Bank Guarantee No. 2,062,549-P amounting to R$40,909, referring to (60%) interest held by joint venture CSC - Companhia Sulamericana de Ceramica for the installation of the sanitary ware plant, with Banco Bradesco, maturing on January 25, 2018. Corporate guarantee for working capital and import financing (FINIMP) transactions with financial institutions, amounting to R$57,844 and maturing between July 2017 and February 2020;

(iv) Concession of PP&E items pledged as guarantee for judicial depositis amounting to R$2,150, as mentioned in Note 11;

(v) In December 2014, Eternit da Amazônia entered into an agreement amounting to R$37,384, referring to a Bank Credit Bill (CCB) with Banco da Amazônia for implementing its research and development plant in Manaus. The Group offered as guarantee a property and its respective improvements located in the city and state of Rio de Janeiro, the market value of which is R$62,500;

(vi) Guarantee Insurance Policy No. 54-0775-23-4000138 for payments of debts included in the roster of debtors to government - CDAs No. 80.6.15.066685-39 and 80.6.15.068746-00, referring to CSLL and COFINS, in the amount of R$417, effective from January 29, 2016 to January 29, 2021;

(vii) Guarantee Insurance Policy No. 16-0775-23-0132155 for payments of debts included in the roster of debtors to government - CDAs Nos. 80.6.15.068893-81, 80.7.15.015565-27 and 80.3.15.001323-50, referring to the annulment action related to the payment of COFINS debt amounting R$6,350, effective from October 26, 2015 to October 26, 2020;

(viii) Bank Guarantee No. 2.075.216-5 referring to the financing related to Goiás State Development Agency entered into with Tégula Soluções para Telhados Ltda., amounting to R$1,510, with Banco Bradesco, maturing on June 27, 2017;

(ix) Guarantee Insurance Policy No. 54-0776-19-0011056 for purchase and sale of electric energy No. TBLC-15.1015-CVEI-CL and its Addendum No. 01 in the amount of R$1,549, of which Eternit S.A. is the policyholder, contracted with Pottencial Seguradora S.A., maturing on December 31, 2017, whose beneficiary is Engie Energia Comercializadora Ltda.;

(In thousands of reais - R$, unless otherwise stated)

28. Commitments and guarantees (Continued)

(x) Guarantee Insurance Policy No. 54-0776-19-0011973 for purchase and sale of electric energy No. EBC-16.1148-CVEI-CL in the amount of R$605, of which Eternit S.A. is the policyholder, contracted with Pottencial Seguradora S.A., maturing on December 31, 2017, whose beneficiary is Engie Energia Comercializadora Ltda.;

(xi) Guarantee Insurance Policy No. 44-0776-19-0011136 for purchase and sale of electric energy No. TBLC-15,1015-CVEI-CL in the amount of R$217, of which Companhia Sulamericana de Cerâmica is the policyholder, contracted with Pottencial Seguradora S.A., maturing on December 31, 2017, whose beneficiary is Engie Energia Comercializadora Ltda.; and

(xii) Guarantee Insurance Policy No. 54-0776-19-0012078 for purchase and sale of electric energy No. EBC-16. 1171-CVEI-CL in the amount of R$257, of which Precon Goiás Industrial Ltda. is the policyholder, contracted with Pottencial Seguradora S.A., maturing on December 31, 2017, whose beneficiary is Engie Energia Comercializadora Ltda.

29. Provision for decommissioning of mine

Subsidiary SAMA records the restatement of environmental remediation at fair value, according to the following criteria:

	2017 and 2016
Discount rate	**10% p.a.**
Long-term inflation rate	**5% p.a.**

	Consolidated	
Present value of expected cash outlays	**03/31/2017**	**12/31/2016**
2032	**5,342**	5,216
2033	**4,585**	4,477
2034	**2,376**	2,320
2035 to 2043	**1,910**	1,865
Total	**14,213**	13,878

Considering the agreement entered into under the PAFEM plan, the environmental remediation of the mine will occur between 2032 and 2043.

The expenses recognized for environmental restoration of the mine for the quarter ended March 31, 2017 totaled R$335 (R$304 at March 31, 2016), calculated based on the current production of Chrysotile.

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 03/31/2017 (In Units)**	
	Ordinary Shares		**Total**	
Shareholder	**Qty.**	**%**	**Qty.**	**%**
Luiz Barsi Filho	24.395.000	13,63	24.395.000	13,63
Victor Adler and Controlled	20.175.000	11,27	20.175.000	11,27
Generation L. Pair Shares Investment Fund	14.401.700	8,05	14.401.700	8,05
Shares in treasury	58.732	0,03	58.732	0,03
Others	119.969.568	67,02	119.969.568	67,02
Total	**179.000.000**	**100,00**	**179.000.000,00**	**100,00**

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 03/31/2016 (In Units)**	
	Ordinary Shares		**Total**	
Shareholder	**Qty.**	**%**	**Qty.**	**%**
Generation L. Pair Shares Investment Fund	24.394.200	13,63	24.394.200	13,63
Luiz Barsi Filho	24.610.000	13,75	24.610.000	13,75
Victor Adler	14.000.000	7,82	14.000.000	7,82
Shares in treasury	58.732	0,03	58.732	0,03
Others	115.937.068	64,77	115.937.068	64,77
Total	**179.000.000**	**100,00**	**179.000.000**	**100,00**

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 03/31/2017**	**%**	**Quantity of ordinary shares (in units) Activity**		**Quantity of ordinary shares (in units) 03/31/2016**	**%**
Controller	N/A	-	N/A		N/A	-
Administrators						
Board of Directors	24.412.002	13,64	-263.064		24.675.066	13,78
Management	1.117.260	0,62	-695.588		1.812.848	1,01
Tax Council	723.400	0,40	-41.300		764.700	0,43
Shares in treasury	58.732	0,03	0		58.732	0,03
Other shareholders	152.688.606	85,30	999.952		151.688.654	84,74
Total	**179.000.000**	**100,00**	0		**179.000.000**	**100,00**
Current shares	**152.688.606**	**85,30**	999.952		**151.688.654**	**84,74**

A free translation from Portuguese into English of Independent Auditor Review Report on Individual and consolidated Interim Financial Information prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and Accounting Pronouncement CPC 21 (R1) and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) and specific CVM rules.

Independent auditor review report on interim financial information

The Shareholders, Board of Directors and Officers
Eternit S.A.
São Paulo - SP, Brazil

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Eternit S.A. ("Company") and subsidiaries, contained in the Quarterly Information Form (ITR) for the quarter ended March 31, 2017, which comprises the statement of financial position as at March 31, 2017 and the related statements of income (loss), of comprehensive income (loss), of changes in equity and of cash flows for the quarter then ended, including explanatory information.

Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with Accounting Pronouncement CPC 21 (R1) and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of this financial information in accordance with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR). 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). 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 International 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 on this interim financial information.

Conclusion on the individual and consolidated 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 quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of Quarterly Information (ITR), and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

Emphasis of matter

We draw attention to Note 1 to the individual and consolidated interim financial information, which describes the uncertainty surrounding the Federal Supreme Court of Brazil (STF) judgment of the overall merit of Direct Actions of Unconstitutionality (ADIs) ADI No. 3357 against State Law No. 11643/2001 of the State of Rio Grande do Sul, which prohibits the manufacturing and sale of all types of asbestos-based goods, within that state, and of ADI No. 3937 contesting State Law No. 12684/2007 of the State of São Paulo, which prohibits the use in that State of products, materials or goods that contain any type of asbestos or amianthus, and of other ADIs related to amianthus. Our conclusion is not qualified in respect of this matter.

We draw also attention to Note 20, item i b), item iii e) and item e f) to the individual and consolidated interim financial information, which describes Civil Class Actions filed by the São Paulo and Rio de Janeiro Labor Prosecution Offices and by ABREA-São Paulo and ABREA-Rio de Janeiro against the Company, wherein matters related to the working environment and occupational diseases are challenged, related to the Company's manufacturing unit, for which partially unfavorable decisions were handed down to the Company by the lower and trial court, respectively. As disclosed in Note 20, item i b) and item c), the likelihood of loss on part of those actions was assessed as probable by the Company's legal advisors. Accordingly, a provision for loss was recorded for such part. No provision for loss was recorded for the part assessed as possible loss, as disclosed in Note 20, item i c) and item iii e). Our conclusion is not qualified in respect of this matter.

We draw also attention to Note 20, item iii g) to the individual and consolidated interim financial information, which describes the Civil Class Action filed by the Paraná Labor Prosecution Office against the Company, wherein matters related to the working environment and occupational diseases are challenged, for which no decision has been handed down yet. The likelihood of loss on this action was assessed as possible by the Company's legal advisors. Accordingly, no provision for loss was recorded in connection with this Civil Class Action. Our conclusion is not qualified in respect of this matter.

Other matters

Statements of value added

We have also reviewed the individual and consolidated Statements of Value Added (SVA) for the quarter ended March 31, 2017, prepared under the responsibility of Company management, the presentation of which in the interim financial information is required by the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR), and as supplementary information under the IFRS, whereby no SVA presentation is required. These statements have been subject to the same review procedures previously described 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, consistently with the accompanying overall individual and consolidated interim financial information.

São Paulo, May 10, 2017

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

Rita de C. S. de Freitas
Accountant CRC-1SP214160/O-5

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 March 31, 2017.

Based on its examination, and also taking into account the unqualified report of the independent auditors EY Auditores Independentes S.S., 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, May 10, 2017.

Undersigned) Paulo Henrique Zukanovich Funchal – Coordinator; Pedro Paulo de Souza; Aloisio Macário Ferreira de Souza; 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 March 31, 2017; and
ii) reviewed, discussed and agreed to the quarterly information for the period ended March 31, 2017.

São Paulo, May 10, 2017.
Eternit S.A.
The Management