Individual and Consolidated Interim Financial Information

Eternit S.A.

Quarter ended June 30, 2014
with Independent Auditor's Review Report

Contents

INTERIM FINANCIAL STATEMENTS (ITR) - 06/30/2014 **ETERNIT SA**

Information from company / Paid-up capital

Number of shares (Thousands)	**Current Quarter 06/30/2014**
Paid-in Capital	
Common	89,500
Preferred	0
Total	**89,500**
Trasury shares	
Common	29
Preferred	0
Total	**29**

INTERIM FINANCIAL STATEMENTS (ITR) - 06/30/2013 **ETERNIT SA**

Information from company / Paid-up capital

Dividends aproved and/or paid during and after quarter

Event	Approval	Profit	Date of payment	Type of share	Class of share	Amount per share
Board of directors meeting	05/07/2014	Dividends	05/28/2014	Common		0,13300
Board of directors meeting	05/07/2014	Interest on capital	05/28/2014	Common		0,06700
Board of directors meeting	08/06/2014	Dividends	08/27/2014	Common		0,13300
Board of directors meeting	08/27/2014	Interest on capital	08/27/2014	Common		0,06700

Individual FSs / Balance Sheet Asset

(Thousands of reais)

Account Code	Account Description	Current financial year 06/30/2014	Current financial year 12/31/2013
1	Total Assets	688,066	694,937
1.01	Current Assets	222,655	227,911
1.01.01	Cash and Cash Equivalents	1,757	9,516
1.01.02	Temporary investments	21,103	9,897
1.01.02.02	Financial Investments Valued at Amortized Cost	21,103	9,897
1.01.02.02.01	Securities held until maturity	21,103	9,897
1.01.03	Accounts receivable	64,639	69,774
1.01.03.01	Clients	64,639	69,774
1.01.04	Inventory	86,371	85,833
1.01.06	Recoverable Taxes	7,951	16,542
1.01.06.01	Current and Recoverable Taxes	7,951	16,542
1.01.07	Prepaid expenses	924	195
1.01.08	Other Current assets	39,910	36,154
1.01.08.03	Other	39,910	36,154
1.01.08.03.01	Related parties	35,953	31,615
1.01.08.03.02	Other	3,957	4,539
1.02	Non-current asset	465,411	467,026
1.02.01	Long-term assets	66,257	65,288
1.02.01.03	Accounts receivable	339	490
1.02.01.03.02	Other Accounts Receivable	339	490
1.02.01.06	Deferred Taxes	24,907	24,037
1.02.01.06.01	Differed Income Tax And Social Contribution	24,907	24,037
1.02.01.08	Credits with Related Parties	11,041	9,723
1.02.01.08.02	Credits with Subsidiaries	11,041	9,723
1.02.01.09	Other noncurrent assets	29,970	31,038
1.02.01.09.03	Recoverable taxes	22,597	22,219
1.02.01.09.04	Escrow deposits and tax incentives	7,373	8,819
1.02.02	Investments	256,411	247,729
1.02.02.01	Shareholdings	256,411	247,729
1.02.02.01.02	Shareholding in Subsidiaries	256,411	247,729
1.02.03	Fixed	136,566	149,425
1.02.03.01	Non-current in Operation	110,079	111,261
1.02.03.01.01	Non-current in Operation	115,225	116,407
1.02.03.01.02	Provision for Loss with Non-current	(5,146)	(5,146)
1.02.03.03	Non-current in progress	26,487	38,164
1.02.04	Intangible	6,177	4,584
1.02.04.01	Intangible	6,177	4,584
1.02.04.01.02	Software	1,381	1,729
1.02.04.01.03	Other intangible assets	11	11
1.02.04.01.05	Intangible assets in progress	4,785	2,844

Individual FSs / Balance Sheet Liability

(Thousands of reais)

Account Code	Account Description	Current financial year 06/30/2014	Current financial year 12/31/2013
2	Total Liabilities	688,066	694,937
2.01	Current liabilities	82,804	88,826
2.01.01	Labor and Social Obligations	15,054	12,980
2.01.01.01	Social obligations	2,688	2,516
2.01.01.02	Labor Obligations	12,366	10,464
2.01.02	Trade accounts payable	18,836	22,444
2.01.02.01	National Trade accounts payable	16,832	15,497
2.01.02.02	Foreign Trade accounts payable	2,004	6,947
2.01.03	Tax obligations	8,349	12,226
2.01.03.01	Federal Taxes Obligations	3,809	5,922
2.01.03.01.01	Payable income tax and social contribution	-	863
2.01.03.01.02	Other Federal Taxes	3,809	5,059
2.01.03.02	State tax obligations	4,540	6,304
2.01.04	Loans and financing	8,535	8,944
2.01.04.01	Loans and financing	8,535	8,944
2.01.05	Other Obligations	29,856	30,058
2.01.05.01	Liabilities with Related Parties	7,930	7,243
2.01.05.02	Other	21,926	22,815
2.01.05.02.01	Payable Dividends and INTEREST ON CAPITAL	17,723	17,881
2.01.05.02.04	Other accounts payable	4,203	4,934
2.01.06	Provisions	2,174	2,174
2.01.06.01	Labor and Civil Social Security Tax Provisions	2,174	2,174
2.01.06.01.05	Provision for future benefits to former employees	2,174	2,174
2.02	Noncurrent liabilities	93,320	99,998
2.02.01	Loans and financing	4,863	14,368
2.02.01.01	Loans and financing	4,863	14,368
2.02.01.01.01	In national currency	4,863	14,368
2.02.02	Other Obligations	39,612	36,805
2.02.02.01	Liabilities with Related Parties	30,334	29,108
2.02.02.02	Other	9,278	7,697
2.02.02.02.03	Taxes, fees and contributions payable	9,278	7,697
2.02.04	Provisions	48,845	48,825
2.02.04.01	Labor and Civil Social Security Tax Provisions	48,845	48,825
2.02.04.01.02	Labor and Social Security Provisions	18,967	19,780
2.02.04.01.04	Civil Provisions	5,640	5,335
2.02.04.01.05	Provision for future benefits to former employees	24,238	23,710
2.03	Net Property	511,942	506,113
2.03.01	Capital Stock Held	334,251	334,251
2.03.02	Capital Reserves	19,672	19,672
2.03.02.01	Goodwill on the issue of shares	23	23
2.03.02.07	Grants for investment	19,649	19,649
2.03.04	Profit reserves	155,633	155,633
2.03.04.01	Legal reserve	30,630	30,630
2.03.04.02	Statutory Reserve	26,990	26,990
2.03.04.05	Retained Profits Reserve	98,187	98,187
2.03.04.09	Treasury shares	(174)	(174)
2.03.05	Accumulated Profits/Losses	5,829	-
2.03.08	Other Comprehensive Results	(3,443)	(3,443)

Individual FSs / Income Statement

(Thousands of reais)

Account Code	Account Description	Current quarter 04/01/2014 to 06/30/2014	Accumulated of Current financial year 01/01/2014 to 06/30/2014	Current quarter 04/01/2013 to 06/30/2013	Accumulated of Current financial year 01/01/2013 to 06/30/2013
3.01	Revenue from Sale of Goods and/or Servic	110,107	232,441	121,197	239,950
3.02	Cost of Goods and/or Services Sold	(80,597)	(172,182)	(88,678)	(174,774)
3.03	Gross Income	29,510	60,259	32,519	65,176
3.04	Operational Expenses/Revenues	(13,344)	(21,426)	(5,426)	(15,911)
3.04.01	Sale expenses	(15,428)	(29,398)	(14,508)	(28,501)
3.04.02	General and administrative expenses	(12,525)	(25,410)	(13,758)	(27,115)
3.04.04	Other Operational Incomes	638	1,939	450	1,371
3.04.05	Other Operational Expenses	(1,418)	(2,897)	(1,624)	(3,718)
3.04.06	Result of equity equivalence	15,389	34,340	24,014	42,052
3.05	Result Before Financial Result and Taxes	16,166	38,833	27,093	49,265
3.06	Financial Results	212	1,914	(1,352)	(1,425)
3.06.01	Financial income	5,092	11,975	2,345	5,307
3.06.02	Financial expenses	(4,880)	(10,061)	(3,697)	(6,732)
3.07	Result Before Income Taxes	16,378	40,747	25,741	47,840
3.08	Income Tax and Social Contribution on Pro	1,749	870	1,399	773
3.08.02	Deferred	1,749	870	1,399	773
3.09	Net result from continued operations	18,127	41,617	27,140	48,613
3.11	Profit/Loss for the Period	18,127	41,617	27,140	48,613
3.99.01.01	PN	0.20	0.47	0.30	0.54
3.99.02.01	ON	0.23	0.47	0.30	0.54

Individual FSs / Income Statement per Nature

(Thousands of reais)

Account Code	Account Description	Current quarter 04/01/2014 to 06/30/2014	Accumulated of Current financial year 01/01/2014 to 06/30/2014	Current quarter 04/01/2013 to 06/30/2013	Accumulated of Current financial year 01/01/2013 to 06/30/2013
4.01	Net Income for the Period	18,127	41,617	27,140	48,613
4.03	Comprehensive Result for the Period	18,127	41,617	27,140	48,613

Individual FSs / Cash Flow

(Thousands of reais)

Account Code	Account Description	Accumulated of Current financial year 01/01/2014 to 06/30/2014	Accumulated of Current financial year 01/01/2013 to 06/30/2013
6.01	Net Cash Operational Activities	54,946	24,772
6.01.01	Cash Generated by Operations	13,476	14,987
6.01.01.01	Net Income for the Period	40,747	47,840
6.01.01.02	Result of equity equivalence	(34,340)	(42,052)
6.01.01.03	Depreciation, amortization and exhaustion	5,806	5,517
6.01.01.04	Result on discharge of fixed assets	(162)	(50)
6.01.01.05	Provision for credits of doubtful payment	351	220
6.01.01.06	Provision for risks	1,232	699
6.01.01.07	Miscellaneous Provisions	115	802
6.01.01.08	Financial charges, monetary variation and exchange rat	139	2,604
6.01.01.09	Incomes from temporary investments	(1,163)	(1,364)
6.01.01.10	Realization of anticipated expenses	751	771
6.01.02	Variations in assets e liabilities	41,470	9,785
6.01.02.01	Accounts receivable from clients	4,807	1,098
6.01.02.02	Receivables from Related parties	1,587	161
6.01.02.03	Dividends received	31,822	33,622
6.01.02.04	Inventory	(121)	(30,395)
6.01.02.05	Taxes recoverable	9,286	(290)
6.01.02.07	Legal deposits	(294)	(814)
6.01.02.08	Other assets	(613)	(2,248)
6.01.02.09	Trade accounts payable	(3,635)	5,560
6.01.02.10	Tax obligations payable	(3,048)	(247)
6.01.02.11	Labor and Social Obligations	2,074	1,821
6.01.02.13	Other liabilities	(928)	(314)
6.01.02.14	Interest paid	(154)	(200)
6.01.02.15	Paid income tax and social contribution	-	(16)
6.01.02.16	Payables to Related parties	687	2,047
6.02	Net Cash Investing Activities	(32,711)	(3,141)
6.02.01	Acquisition of fixed and intangible assets	(9,072)	(20,555)
6.02.03	Rcvd. sale of fixed and intangible assets	221	337
6.02.08	Loan to related company to receive	(1,318)	(246)
6.02.09	Investment Acquisition	(12,499)	(16,017)
6.02.10	Short-term investments	(57,700)	(60,083)
6.02.11	Redemption of short-term investments	47,657	93,423
6.03	Net Cash from Financing Activities	(29,994)	(23,947)
6.03.01	Capture of financings - third parties	5,103	10,838
6.03.02	Loan to related company	(216)	(139)
6.03.05	Amortization of financing	(294)	(109)
6.03.06	Payment of dividends and INTEREST ON CAPITAL	(34,587)	(34,537)
6.05	Increase (Decrease) in Cash and Cash Equivalents	(7,759)	(2,316)
6.05.01	Initial Balance and Cash and Cash Equivalents	9,516	3,852
6.05.02	Final Balance of Cash and Cash Equivalents	1,757	1,536

Individual FSs / Changes in Equity - 06/30/2014

(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	19,498	155,807	-	(3,443)	506,113
5.03	Initial Adjusted Balance	334,251	19,498	155,807	-	(3,443)	506,113
5.04	Transactions with Capital from the Partners	-	-	-	(35,788)	-	(35,788)
5.04.06	Dividends	-	-	-	(23,799)	-	(23,799)
5.04.07	Interest on equity	-	-	-	(11,989)	-	(11,989)
5.05	Total Comprehensive Result	-	-	-	41,617	-	41,617
5.05.01	Net Income for the Period	-	-	-	41,617	-	41,617
5.07	Final Balances	334,251	19,498	155,807	5,829	(3,443)	511,942

Individual FSs / Changes in Equity - 06/30/2013

(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	19,214	126,055	-	-	479,520
5.03	Initial Adjusted Balance	334,251	19,214	126,055	-	-	479,520
5.04	Transactions with Capital from the Partners	-	-	-	(35,788)	-	(35,788)
5.04.06	Dividends	-	-	-	(24,336)	-	(24,336)
5.04.07	Interest on equity	-	-	-	(11,452)	-	(11,452)
5.05	Total Comprehensive Result	-	-	-	48,613	-	48,613
5.05.01	Net Income for the Period	-	-	-	48,613	-	48,613
5.07	Final Balances	334,251	19,214	126,055	12,825	-	492,345

Individual FSs / Added Value

(Thousands of reais)

Account Code	Account Description	Accumulated of Current financial year 01/01/2014 to 06/30/2014	Accumulated of Current financial year 01/01/2013 to 06/30/2013
7.01	Revenues	314,212	325,167
7.01.01	Sales of goods, products and services	314,558	325,052
7.01.02	Other revenues	5	314
7.01.04	Provision / Reversal of creds. Doubtful Settlement	(351)	(199)
7.02	Inputs Purchased From Third Parties	(207,194)	(234,103)
7.02.01	Costs Prods., Mercs. and servs. Sold	(147,671)	(200,270)
7.02.02	Materials, energy and services from third parties and others	(54,778)	(30,818)
7.02.03	Loss / Recovery of asset values	(3,136)	(2,946)
7.02.04	Other	(1,609)	(69)
7.03	Gross Added Value	107,018	91,064
7.04	Retentions	(5,806)	(5,517)
7.04.01	Depreciation, amortization and exhaustion	(5,806)	(5,517)
7.05	Net added value produced	101,212	85,547
7.06	Added value received in transfer	49,260	49,421
7.06.01	Result of equity equivalence	34,340	42,052
7.06.02	Financial income	11,975	5,307
7.06.03	Other	2,945	2,062
7.07	Total Added Value To Distribute	150,472	134,968
7.08	Distribution Of Value Added	150,472	134,968
7.08.01	Personal	47,133	41,234
7.08.01.01	Direct compensation	32,310	26,383
7.08.01.02	Benefits	12,081	12,413
7.08.01.03	F.G.T.S.	2,742	2,438
7.08.02	Taxes, fees and contributions	48,025	34,277
7.08.02.01	Federal	31,172	25,156
7.08.02.02	State	16,275	8,603
7.08.02.03	Municipal	578	518
7.08.03	Remuneration of capital from third parties	13,697	10,844
7.08.03.01	Interest	10,061	6,733
7.08.03.02	Rentals	3,636	4,111
7.08.04	Remuneration of own capital	41,617	48,613
7.08.04.01	Interest on equity	11,989	11,452
7.08.04.02	Dividends	23,799	24,336
7.08.04.03	Retained Profit/Loss for the Period	5,829	12,825

Consolidated FSs / Balance Sheet Asset

(Thousands of reais)

Account Code	**Account Description**	**Current Financial 06/30/2014**	**Current Financial 12/31/2013**
1	Total Assets	853,088	833,632
1.01	Current Assets	388,652	389,943
1.01.01	Cash and Cash Equivalents	4,976	13,295
1.01.02	temporary investments	44,365	35,661
1.01.02.02	Financial Investments Valued at Amortized Cost	44,365	35,661
1.01.02.02.01	Securities held until maturity	44,365	35,661
1.01.03	Accounts receivable	155,782	160,389
1.01.03.01	Clients	155,782	160,389
1.01.04	Inventory	152,501	141,944
1.01.06	Recoverable Taxes	11,636	19,648
1.01.06.01	Current and Recoverable Taxes	11,636	19,648
1.01.07	Prepaid expenses	1,027	498
1.01.08	Other Current assets	18,365	18,508
1.01.08.03	Other	18,365	18,508
1.01.08.03.01	Related parties	8,683	9,780
1.01.08.03.02	Other	9,682	8,728
1.02	Non-current asset	464,436	443,689
1.02.01	Long-term assets	97,824	99,917
1.02.01.03	Accounts receivable	2,083	2,229
1.02.01.03.02	Other Accounts Receivable	2,083	2,229
1.02.01.06	Deferred Taxes	54,779	55,112
1.02.01.06.01	Differed Income Tax And Social Contribution	54,779	55,112
1.02.01.08	Credits with Related Parties	2,110	2,018
1.02.01.08.03	Credits with Controllers	2,110	2,018
1.02.01.09	Other noncurrent assets	38,852	40,558
1.02.01.09.03	Taxes Recoverable	24,678	25,022
1.02.01.09.04	Escrow deposits and tax incentives	14,174	15,536
1.02.02	Investments	33,430	36,032
1.02.02.01	Shareholdings	33,430	36,032
1.02.02.01.01	Shareholding in Affiliates	33,430	36,032
1.02.03	Fixed	303,020	279,064
1.02.03.01	Non-current in Operation	230,720	235,280
1.02.03.01.01	Non-current in Operation	236,017	240,577
1.02.03.01.02	Provision for Loss with Non-current	(5,297)	(5,297)
1.02.03.03	Non-current in progress	72,300	43,784
1.02.04	Intangible	30,162	28,676
1.02.04.01	Intangible	10,167	8,681
1.02.04.01.02	Software	3,891	4,347
1.02.04.01.03	Other intangible assets	1,490	1,490
1.02.04.01.04	Intangible assets in progress	4,786	2,844
1.02.04.02	Goodwill	19,995	19,995

Consolidated FSs / Balance Sheet Liability

(Thousands of reais)

Account Code	Account Description	Current Financial 06/30/2014	Current Financial 12/31/2013
2	Total Liabilities	853,088	833,632
2.01	Current liabilities	180,165	193,082
2.01.01	Labor and Social Obligations	29,941	28,009
2.01.01.01	Social obligations	4,126	4,365
2.01.01.02	Labor Obligations	25,815	23,644
2.01.02	Trade accounts payable	37,399	39,293
2.01.02.01	National Trade accounts payable	35,395	31,723
2.01.02.02	Foreign Trade accounts payable	2,004	7,570
2.01.03	Tax obligations	21,971	34,015
2.01.03.01	Federal Taxes Obligations	15,126	24,643
2.01.03.01.01	Payable income tax and social contribution	7,670	14,674
2.01.03.01.02	Other Federal Taxes	7,456	9,969
2.01.03.02	State tax obligations	6,845	9,372
2.01.04	Loans and financing	55,790	56,881
2.01.04.01	Loans and financing	55,790	56,881
2.01.05	Other Obligations	31,203	31,023
2.01.05.02	Other	31,203	31,023
2.01.05.02.01	Payable Dividends and INTEREST ON CAPITAL	17,723	17,881
2.01.05.02.04	Other accounts payable	13,480	13,142
2.01.06	Provisions	3,861	3,861
2.01.06.01	Labor and Civil Social Security Tax Provisions	3,861	3,861
2.01.06.01.05	Provision for future benefits to former employees	3,861	3,861
2.02	Noncurrent liabilities	160,965	134,421
2.02.01	Loans and financing	48,169	25,799
2.02.01.01	Loans and financing	48,169	25,799
2.02.01.01.01	In national currency	48,169	25,799
2.02.02	Other Obligations	21,582	19,436
2.02.02.02	Other	21,582	19,436
2.02.02.02.03	Taxes, fees and contributions payable	11,071	9,432
2.02.02.02.04	Reassembling of the mine	10,210	9,726
2.02.02.02.05	Other accounts payable	301	278
2.02.04	Provisions	91,214	89,186
2.02.04.01	Labor and Civil Social Security Tax Provisions	91,214	89,186
2.02.04.01.02	Labor and Social Security Provisions	28,985	29,219
2.02.04.01.04	Civil Provisions	27,235	25,440
2.02.04.01.05	Provision for future benefits to former employees	34,994	34,527
2.03	Consolidated Equity	511,958	506,129
2.03.01	Capital Stock Held	334,251	334,251
2.03.02	Capital Reserves	19,672	19,672
2.03.02.01	Goodwill on the issue of shares	23	23
2.03.02.07	Grants for investment	19,649	19,649
2.03.04	Profit reserves	155,633	155,633
2.03.04.01	Legal reserve	30,630	30,630
2.03.04.02	Statutory Reserve	26,990	26,990
2.03.04.05	Retained Profits Reserve	98,187	98,187
2.03.04.09	Treasury shares	(174)	(174)
2.03.05	Accumulated Profits/Losses	5,829	-
2.03.08	Other Comprehensive Results	(3,443)	(3,443)
2.03.09	Participation of non-controlling shareholders	16	16

Consolidated FSs / Income Statement

(Thousands of reais)

Account Code	Account Description	Current quarter 04/01/2014 to 06/30/2014	Accumulated of Current financial year 01/01/2014 to 06/30/2014	Current quarter 04/01/2013 to 06/30/2013	Accumulated of Current financial year 01/01/2013 to 06/30/2013
3.01	Revenue from Sale of Goods and/or Services	220,628	464,320	241,500	452,763
3.02	Cost of Goods and/or Services Sold	(131,159)	(284,100)	(142,582)	(269,289)
3.03	Gross Income	89,469	180,220	98,918	183,474
3.04	Operational Expenses/Revenues	(63,415)	(120,972)	(60,150)	(114,742)
3.04.01	Sale expenses	(29,490)	(57,925)	(29,542)	(56,208)
3.04.02	General and administrative expenses	(31,287)	(59,804)	(28,294)	(54,018)
3.04.04	Other Operational Incomes	1,904	4,704	1,648	3,607
3.04.05	Other Operational Expenses	(2,397)	(5,345)	(3,039)	(6,381)
3.04.06	Result of equity equivalence	(2,145)	(2,602)	(923,000)	(1,742)
3.05	Result Before Financial Result and Taxes	26,054	59,248	38,768	68,732
3.06	Financial Results	220	2,011	(1,559)	(1,769)
3.06.01	Financial income	10,603	25,443	10,570	19,187
3.06.02	Financial expenses	(10,383)	(23,432)	(12,129)	(20,956)
3.07	Result Before Income Taxes	26,274	61,259	37,209	66,963
3.08	Income Tax and Social Contribution on Profit	(8,147)	(19,642)	(10,069)	(18,350)
3.08.01	Current	(9,907)	(19,310)	(12,674)	(20,559)
3.08.02	Deferred	1,760	(332,000)	2,605	2,209
3.09	Net result from continued operations	18,127	41,617	27,140	48,613
3.11	Profit/Loss Consolidated for the Period	18,127	41,617	27,140	48,613
3.11.01	Assigned to Partners of the Parent Company	18,127	41,617	27,138	48,611
3.11.02	Assigned to Non-Controlling Partners	-	-	2	2
3.99.01.01	ON	0.20	0.47	0.30	0.54
3.99.02.01	ON	0.20	0.47	0.30	0.54

Consolidated FSs /Income Statement per Nature

(Thousands of reais)

Account Code	Account Description	Current quarter 04/01/2014 to 06/30/2014	Accumulated of Current financial year 01/01/2014 to 06/30/2014	Current quarter 04/01/2013 to 06/30/2013	Accumulated of Current financial year 01/01/2013 to 06/30/2013
4.01	Net Profit Consolidated for the Period	18,127	41,617	27,140	48,613
4.03	Consolidated Comprehensive Income for the Period	18,127	41,617	27,140	48,613
4.03.01	Assigned to Partners of the Parent Company	18,127	41,617	27,138	48,611
4.03.02	Assigned to Non-Controlling Partners	-	-	2	2

Consolidated FSs / Cash Flow

(Thousands of reais)

Account Code	Account Description	Accumulated of Current financial year 01/01/2014 to 06/30/2014	Accumulated of Current financial year 01/01/2013 to 06/30/2013
6.01	Net Cash Operational Activities	53,472	30,488
6.01.01	Cash Generated by Operations	82,723	88,776
6.01.01.01	Net Income for the Period	61,259	66,963
6.01.01.02	Depreciation, amortization and exhaustion	2,602	1,742
6.01.01.03	Result on discharge of fixed assets	18,468	17,685
6.01.01.04	Provision for credits of doubtful payment	(270)	(97)
6.01.01.05	Provision for risks	800	458
6.01.01.06	Miscellaneous Provisions	3,301	1,625
6.01.01.07	Financial charges, monetary and exchange variation	522	1,715
6.01.01.08	Incomes from temporary investments	(2,085)	(137)
6.01.01.09	Differed income tax and social contribution	(2,538)	(2,254)
6.01.01.10	Net changes in prepaid expenses	664	1,076
6.01.02	Variations in assets e liabilities	(29,251)	(58,288)
6.01.02.01	Accounts receivable from clients	3,685	5,660
6.01.02.02	Inventory	1,005	-
6.01.02.04	Interest received	(10,007)	(36,291)
6.01.02.05	Legal deposits	9,055	(461)
6.01.02.07	Trade accounts payable	(378)	(877)
6.01.02.08	Taxes payable	(2,396)	(2,602)
6.01.02.09	Provision for staff, salaries and social fees	(1,896)	5,424
6.01.02.10	Payment of contingencies	(5,426)	(292)
6.01.02.11	Other liabilities	1,932	(733)
6.01.02.13	Paid income tax and social contribution	577	(260)
6.01.02.14	Interest paid	(327)	(287)
6.01.02.15	Income and social contribution taxes paid	(25,075)	(27,569)
6.02	Net Cash Investing Activities	(49,808)	(16,202)
6.02.01	Acquisition of fixed and intangible assets	(43,982)	(32,253)
6.02.03	Acquisition of Tegula less net cash	340	399
6.02.09	Capital contribution ins subsidiaries	-	(16,017)
6.02.10	Short-term investments	(143,549)	(149,501)
6.02.11	Redemption of short-term investments	137,383	181,170
6.03	Net Cash from Financing Activities	(11,983)	(24,386)
6.03.01	Capture of financings - third parties	116,373	91,617
6.03.05	Amortization of financing	(93,769)	(81,466)
6.03.06	Payment of dividends and INTEREST ON CAPITAL	(34,587)	(34,537)
6.05	Increase (Decrease) in Cash and Cash Equivalents	(8,319)	(10,100)
6.05.01	Initial Balance and Cash and Cash Equivalents	13,295	16,656
6.05.02	Final Balance of Cash and Cash Equivalents	4,976	6,556

Consolidated FSs / Changes in Equity - 06/30/2014

(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	19,498	155,807	-	(3,443)	506,113	16	506,129
5.03	Initial Adjusted Balance	334,251	19,498	155,807	-	(3,443)	506,113	16	506,129
5.04	Transactions with Capital from the Partners	-	-	-	(35,788)	-	(35,788)	-	(35,788)
5.04.06	Dividends	-	-	-	(23,799)	-	(23,799)	-	(23,799)
5.04.07	Interest on equity	-	-	-	(11,989)	-	(11,989)	-	(11,989)
5.05	Total Comprehensive Result	-	-	-	41,617	-	41,617	-	41,617
5.05.01	Net Income for the Period	-	-	-	41,617	-	41,617	-	41,617
5.07	Final Balances	334,251	19,498	155,807	5,829	(3,443)	511,942	16	511,958

Consolidated FSs / Changes in Equity - 06/30/2013

(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 Equ
5.01	Initial Balance	334,251	19,214	126,055	-	-	479,520	14	479,534
5.03	Initial Adjusted Balance	334,251	19,214	126,055	-	-	479,520	14	479,534
5.04	Transactions with Capital from the Part	-	-	-	(35,788)	-	(35,788)	-	(35,788)
5.04.06	Dividends	-	-	-	(24,336)	-	(24,336)	-	(24,336)
5.04.07	Interest on equity	-	-	-	(11,452)	-	(11,452)	-	(11,452)
5.05	Total Comprehensive Result	-	-	-	48,613	-	48,613	2	48,615
5.05.01	Net Income for the Period	-	-	-	48,613	-	48,613	2	48,615
5.07	Final Balances	334,251	19,214	126,055	12,825	-	492,345	16	492,361

Consolidated FSs / Added Value

(Thousands of reais)

Account Code	Account Description	Accumulated of Current financial year 01/01/2014 to 06/30/2014	Accumulated of Current financial year 01/01/2013 to 06/30/2013
7.01	Revenues	613,737	601,769
7.01.01	Sales of goods, products and services	588,868	579,129
7.01.02	Other revenues	25,656	23,030
7.01.04	Provision / Reversal of creds. Doubtful Settlement	(787)	(390)
7.02	Inputs Purchased From Third Parties	(357,708)	(362,770)
7.02.01	Costs Prods., Mercs. and servs. Sold	(258,465)	(297,806)
7.02.02	Materials, energy and services from third parties and othe	(93,774)	(61,435)
7.02.03	Loss / Recovery of asset values	(3,144)	(2,947)
7.02.04	Other	(2,325)	(582)
7.03	Gross Added Value	256,029	238,999
7.04	Retentions	(18,468)	(17,685)
7.04.01	Depreciation, amortization and exhaustion	(18,468)	(17,685)
7.05	Net added value produced	237,561	221,314
7.06	Added value received in transfer	26,079	19,183
7.06.01	Result of equity equivalence	(2,602)	(1,742)
7.06.02	Financial income	25,443	19,187
7.06.03	Other	3,238	1,738
7.07	Total Added Value To Distribute	263,640	240,497
7.08	Distribution Of Value Added	263,640	240,497
7.08.01	Personal	95,246	84,257
7.08.01.01	Direct compensation	65,222	55,130
7.08.01.02	Benefits	24,503	24,805
7.08.01.03	F.G.T.S.	5,521	4,322
7.08.02	Taxes, fees and contributions	93,442	77,141
7.08.02.01	Federal	61,639	54,323
7.08.02.02	State	30,780	21,874
7.08.02.03	Municipal	1,023	944
7.08.03	Remuneration of capital from third parties	33,335	30,486
7.08.03.01	Interest	23,432	20,955
7.08.03.02	Rentals	9,903	9,531
7.08.04	Remuneration of own capital	41,617	48,613
7.08.04.01	Interest on equity	11,989	11,452
7.08.04.02	Dividends	23,799	24,336
7.08.04.03	Retained Profit/Loss for the Period	5,829	12,825

Explanatory Notes

Eternit S.A.

Balance sheets
June 30, 2014 and December 31, 2013
(In thousands of reais)

		Company		Consolidated	
	Nota	06/30/2014	12/31/2013	06/30/2014	12/31/2013
Assets					
Current assets					
Cash and cash equivalents	4	**1,757**	9,516	**4,976**	13,295
Short-term investments	5	**21,103**	9,897	**44,365**	35,661
Trade accounts receivable	6	**64,639**	69,774	**155,782**	160,389
Inventories	7	**86,371**	85,833	**152,501**	141,944
Taxes recoverable	8	**7,951**	16,542	**11,636**	19,648
Related parties	10	**35,953**	31,615	**8,683**	9,780
Other current assets		**4,881**	4,734	**10,709**	9,226
Total current assets		**222,655**	227,911	**388,652**	389,943
Noncurrent assets					
Judicial deposits		**7,373**	8,819	**14,174**	15,536
Taxes recoverable	8	**22,597**	22,219	**24,678**	25,022
Deferred income and social contribution taxes	20.b	**24,907**	24,037	**54,779**	55,112
Related parties	10	**11,041**	9,723	**2,110**	2,018
Investments	9	**256,411**	247,729	**33,430**	36,032
Fixed assets	11	**136,566**	149,425	**303,020**	279,064
Intangible assets	12	**6,177**	4,584	**30,162**	28,676
Other noncurrent assets		**339**	490	**2,083**	2,229
Total noncurrent assets		**465,411**	467,026	**464,436**	443,689
Total assets		**688,066**	694,937	**853,088**	833,632

	Note	Company		Consolidated	
		06/30/2014	**12/31/2013**	**06/30/2014**	**12/31/2013**
Liabilities and equity					
Current					
Trade accounts payable	13	**18,836**	22,444	**37,399**	39,293
Related parties	10	**7,930**	7,243	**-**	-
Loans and financing	14	**8,535**	8,944	**55,790**	56,881
Provision for social charges	15	**15,054**	12,980	**29,941**	28,009
Dividends and interest on equity payable	18.e	**17,723**	17,881	**17,723**	17,881
Provision for future benefits to former employees	17.b	**2,174**	2,174	**3,861**	3,861
Taxes, charges and contributions payable	16	**8,349**	12,226	**21,971**	34,015
Other current liabilities		**4,203**	4,934	**13,480**	13,142
Total current liabilities		**82,804**	88,826	**180,165**	193,082
Noncurrent					
Provision for future benefits to former employees	17.b	**24,238**	23,710	**34,994**	34,527
Loans and financing	14	**4,863**	14,368	**48,169**	25,799
Related parties	10	**30,334**	29,108	**-**	-
Provision for tax, civil, and labor risks	21	**24,607**	25,115	**56,220**	54,659
Taxes, charges and contributions payable	16	**9,278**	7,697	**11,071**	9,432
Provision for mine reconstruction	31	**-**	**-**	**10,210**	9,726
Other noncurrent liabilities		**-**	-	**301**	278
Total noncurrent liabilities		**93,320**	99,998	**160,965**	134,421
Equity					
Capital	18.a	**334,251**	334,251	**334,251**	334,251
Capital reserve		**19,672**	19,672	**19,672**	19,672
Treasury stock		**(174)**	(174)	**(174)**	(174)
Income reserves		**155,807**	155,807	**155,807**	155,807
Retained earnings		**5,829**	-	**5,829**	-
Other comprehensive income		**(3,443)**	(3,443)	**(3,443)**	(3,443)
Equity attributable to non-minority shareholders		**511,942**	506,113	**511,942**	506,113
Minority interests		**-**	-	**16**	16
Total equity		**511,942**	506,113	**511,958**	506,129
Total liabilities and equity		**688,066**	694,937	**853,088**	833,632

See accompanying notes.

Eternit S.A.

Income statements
Three- and six-month periods ended June 30, 2014 and 2013
(In thousands of reais - R$, except earnings per share)

	Note	Company				Consolidated			
		2Q14	**2Q13**	**1H14**	**1H13**	**2Q14**	**2Q13**	**1H14**	**1SEM13**
Net operating income	23	**110,107**	121,197	**232,441**	239,950	**220,628**	241,500	**464,320**	452,763
Cost of sales	24	**(80,597)**	(88,678)	**(172,182)**	(174,774)	**(131,159)**	(142,582)	**(284,100)**	(269,289)
Gross profit		**29,510**	32,519	**60,259**	65,176	**89,469**	98,918	**180,220**	183,474
Operating income (expenses)									
Selling expenses	24	**(15,428)**	(14,508)	**(29,398)**	(28,501)	**(29,490)**	(29,542)	**(57,925)**	(56,208)
General and administrative	24	**(10,838)**	(11,787)	**(22,250)**	(23,124)	**(28,867)**	(25,625)	**(55,028)**	(48,450)
Management compensation	24	**(1,687)**	(1,971)	**(3,160)**	(3,991)	**(2,420)**	(2,669)	**(4,776)**	(5,568)
Other operating income (expenses), net	25	**(780)**	(1,174)	**(958)**	(2,347)	**(493)**	(1,391)	**(641)**	(2,774)
Equity pickup	9	**15,389**	24,014	**34,340**	42,052	**(2,145)**	(923)	**(2,602)**	(1,742)
Total operating income (expenses)		**(13,344)**	(5,426)	**(21,426)**	(15,911)	**(63,415)**	(60,150)	**(120,972)**	(114,742)
Financial expenses	26	**(4,880)**	(3,697)	**(10,061)**	(6,732)	**(10,383)**	(12,129)	**(23,432)**	(20,956)
Financial income	26	**5,092**	2,345	**11,975**	5,307	**10,603**	10,570	**25,443**	19,187
Financial income (expenses), net		**212**	(1,352)	**1,914**	(1,425)	**220**	(1,559)	**2,011**	(1,769)
Income before income and social contribution taxes		**16,378**	25,741	**40,747**	47,840	**26,274**	37,209	**61,259**	66,963
Income and social contributions taxes									
Current	20	**-**	-	**-**	-	**(9,907)**	(12,674)	**(19,310)**	(20,559)
Deferred	20	**1,749**	1,399	**870**	773	**1,760**	2,605	**(332)**	2,209
Net income for the period		**18,127**	27,140	**41,617**	48,613	**18,127**	27,140	**41,617**	48,613
Attributable to:									
Non-minority shareholders		**18,127**	27,140	**41,617**	48,613	**18,127**	27,138	**41,617**	48,611
Minority shareholders		**-**	-	**-**	-	**-**	2	**-**	2
Net income for the period		**18,127**	27,140	**41,617**	48,613	**18,127**	27,140	**41,617**	48,613
Earnings per share basic and diluted – R$	18.c	**0.20**	0.30	**0.47**	0.54	**0.20**	0.30	**0.47**	0.54

See accompanying notes.

Eternit S.A.

Statements of comprehensive income
Three- and six-month periods periods ended June 30, 2014 and 2013
(In thousands of reais)

	Company				Consolidated			
	2Q14	**2Q13**	**1H14**	**1H13**	**2Q14**	**2Q13**	**1H14**	**1H13**
Net income for the period	**18,127**	27,140	**41,617**	48,613	**18,127**	27,140	**41,617**	48,613
Other comprehensive income	**-**	-	-	-	**-**	-	**-**	-
Comprehensive income for the period	**18,127**	27,140	**41,617**	48,613	**18,127**	27,140	**41,617**	48,613
Attributable to:								
Non-minority shareholders	**18,127**	27,140	**41,617**	48,613	**18,127**	27,138	**41,617**	48,611
Minority shareholders	**-**	-	-	-	**-**	2	**-**	2

See accompanying notes.

Eternit S.A.

Statements of changes in equity
Six-month periods ended June 30, 2014 and 2013
(In thousands of reais)

	Note	Capital	Capital reserve: Subsidies for investment	Capital reserve: Goodwill on share acquisition	Treasury stock	Income reserve: Statutory	Income reserve: Legal	Income reserve: Retained profit	Retained earnings	Other comprehensive income	Total Company	Minority interest	Total equity
Balances at January 1, 2013		334,251	19,365	23	(174)	21,873	25,513	78,669	-	-	479,520	14	479,534
Net income for the period		-	-	-	-	-	-	-	48,613	-	48,613	2	48,615
Allocation of net income:													
Interest on equity - R$0.128 per outstanding share		-	-	-	-	-	-	-	(11,452)	-	(11,452)	-	(11,452)
Dividends – R$ 0.272 per outstanding share		-	-	-	-	-	-	-	(24,336)	-	(24,336)	-	(24,336)
Balances at June 30, 2013		**334,251**	**19,365**	**23**	**(174)**	**21,873**	**25,513**	**78,669**	**12,825**	**-**	**492,345**	**16**	**492,361**
Balances at January 1, 2014		**334,251**	**19,649**	**23**	**(174)**	**26,990**	**30,630**	**98,187**	**-**	**(3,443)**	**506,113**	**16**	**506,129**
Net income for the period		-	-	-	-	-	-	-	**41,617**	-	**41,617**	-	**41,617**
Allocation of net income:													
Interest on equity - R$0.134 per outstanding share	**18**	-	-	-	-	-	-	-	**(11,989)**	-	**(11,989)**	-	**(11,989)**
Dividends – R$ 0.266 per outstanding share	**18**	-	-	-	-	-	-	-	**(23,799)**	-	**(23,799)**	-	**(23,799)**
Balances at June 30, 2014		**334,251**	**19,649**	**23**	**(174)**	**26,990**	**30,630**	**98,187**	**5,829**	**(3,443)**	**511,942**	**16**	**511,958**

See accompanying notes.

Eternit S.A.

Statements of cash flows
Six-month periods ended June 30, 2014 and 2013
(In thousands of reais)

		Company		Consolidado	
	Note	06/30/2014	06/30/2013	06/30/2014	06/30/2013
Cash flows from operating activities					
Income before income and social contribution taxes		**40,747**	47,840	**61,259**	66,963
Adjustments to reconcile pre-tax income to net cash generated by (used in) operating activities:					
Equity pickup	9	**(34,340)**	(42,052)	**2,602**	1,742
Depreciation and amortization	11/12	**5,806**	5,517	**18,468**	17,685
Income from permanent assets	25	**(162)**	(50)	**(270)**	(97)
Allowance for doubtful accounts on accounts receivable	6	**351**	220	**800**	458
Provision for tax, civil, and labor risks	21	**1,232**	699	**3,301**	1,625
Reversal of (provision for) sundry losses		**115**	802	**522**	1,715
Financial charges, currency and foreign exchange variation		**139**	2,604	**(2,085)**	(137)
Short-term investment yield		**(1,163)**	(1,364)	**(2,538)**	(2,254)
Net variation of prepaid expenses		**751**	771	**664**	1,076
		13,476	14,987	**82,723**	88,776
(Increase) decrease in operating assets:					
Trade accounts receivable	6	**4,807**	1,098	**3,685**	5,660
Transactions with related parties	10 a.	**1,587**	161	**1,005**	-
Inventories	7	**(121)**	(30,395)	**(10,007)**	(36,291)
Taxes recoverable	8	**9,286**	(290)	**9,055**	(461)
Judicial deposits		**(294)**	(814)	**(378)**	(877)
Dividends received and interest on equity received		**31,822**	33,622	**-**	-
Other assets		**(613)**	(2,248)	**(2,396)**	(2,602)
Increase (decrease) in operating liabilities					
Trade accounts payable	13	**(3,635)**	5,560	**(1,896)**	5,424
Payables to related parties	10	**687**	2,047	**-**	-
Taxes, charges and contributions payable	16	**(3,048)**	(247)	**(5,426)**	(292)
Provisions and social charges	15	**2,074**	1,821	**1,932**	(733)
Other liabilities		**(928)**	(314)	**577**	(260)
Interest paid		**(154)**	(200)	**(327)**	(287)
Income and social contribution taxes paid		**-**	(16)	**(25,075)**	(27,569)
Cash flow provided by (used in) operating activities		**54,946**	**24,772**	53,472	**30,488**
Cash flows from investing activities					
Intercompany loan receivable	10	**(1,318)**	(246)	**-**	-
Receipt from the disposal of property, plant and equipment (PPE) items	25	**221**	337	**340**	399
Additions to property, plant and equipment and intangible assets	11/12	**(9,072)**	(20,555)	**(43,982)**	(32,253)
Investment in subsidiaries	9	**(12,499)**	(16,017)	**-**	(16,017)
Short-term investments		**(57,700)**	(60,083)	**(143,549)**	(149,501)
Redemption of short-term investments		**47,657**	93,423	**137,383**	181,170
Net cash from (used in) investing activities		**(32,711)**	(3,141)	**(49,808)**	(16,202)
Cash flows from financing activities					
Loans and financing taken out	14	**5,103**	10,838	**116,373**	91,617
Repayment of loans and financing	14	**(294)**	(109)	**(93,769)**	(81,466)
Loan with related party	10	**(216)**	(139)	**-**	-
Payment of dividends and interest on equity		**(34,587)**	(34,537)	**(34,587)**	(34,537)
Net cash used in financing activities		**(29,994)**	(23,947)	**(11,983)**	(24,386)
Decrease in cash and cash equivalents		**(7,759)**	(2,316)	**(8,319)**	(10,100)
Decrease in cash and cash equivalents					
At the beginning of the period	4	**9,516**	3,852	**13,295**	16,656
At the end of the period	4	**1,757**	1,536	**4,976**	6,556
Decrease in cash and cash equivalents		**(7,759)**	(2,316)	**(8,319)**	**(10,100)**

See accompanying notes.

Eternit S.A.

Statements of value added
Six-month periods ended June 30, 2014 and 2013
(In thousands of reais)

		Company		Consolidated	
	Note	06/30/2014	06/30/2013	06/30/2014	06/30/2013
Revenue					
Sales of goods, products and services	23	**314,558**	325,052	**588,868**	579,129
Other income		**5**	314	**25,656**	23,030
Allowance for doubtful accounts on accounts receivable		**(351)**	(199)	**(787)**	(390)
Total		**314,212**	325,167	**613,737**	601,769
Input products acquired from third parties					
Cost of sales and services		**(147,671)**	(200,270)	**(258,465)**	(297,806)
Materials, energy, third-party services and other expenses		**(54,778)**	(30,818)	**(93,774)**	(61,435)
Loss/recovery of assets		**(3,136)**	(2,946)	**(3,144)**	(2,947)
Other discounts, rebates and donations		**(1,609)**	(69)	**(2,325)**	(582)
		(207,194)	(234,103)	**(357,708)**	(362,770)
Gross value added		**107,018**	91,064	**256,029**	238,999
Depreciation, amortization and depletion	11/12	**(5,806)**	(5,517)	**(18,468)**	(17,685)
Net value added produced by the Company		**101,212**	85,547	**237,561**	221,314
Value added received in transfer					
Equity pickup	9	**34,340**	42,052	**(2,602)**	(1,742)
Financial income	26	**11,975**	5,307	**25,443**	19,187
Others		**2,945**	2,062	**3,238**	1,738
		49,260	49,421	**26,079**	19,183
Total value added to be distributed		**150,472**	134,968	**263,640**	240,497
Distribution of value added					
Personnel:					
Direct compensation		**32,310**	26,383	**65,222**	55,130
Benefits		**12,081**	12,413	**24,503**	24,805
FGTS		**2,742**	2,438	**5,521**	4,322
		47,133	41,234	**95,246**	84,257
Taxes, charges and contributions					
Federal		**31,172**	25,156	**61,639**	54,323
State		**16,275**	8,603	**30,780**	21,874
Local		**578**	518	**1,023**	944
		48,025	34,277	**93,442**	77,141
Third-party capital remuneration:					
Interest		**10,061**	6,733	**23,432**	20,955
Rent		**3,636**	4,111	**9,903**	9,531
		13,697	10,844	**33,335**	30,486
Equity remuneration:					
Dividends	18	**23,799**	24,336	**23,799**	24,336
Interest on equity	18	**11,989**	11,452	**11,989**	11,452
Retained profits	18	**5,829**	12,825	**5,829**	12,825
		41,617	48,613	**41,617**	48,613
		150,472	134,968	**263,640**	240,497

See accompanying notes.

1. Operations

Eternit S.A. (“Company”, or “Eternit”), a company incorporated in Brazil on January 30, 1940 and headquartered at Rua Dr. Fernandes Coelho, 85 - 8º andar, in the city of São Paulo, São Paulo state, is a publicly-held company, with no controlling shareholder, registered in the special stock market segment of São Paulo State Stock Exchange - BM&FBOVESPA, denominated New Market, under ticker ETER3. Its shareholders are individuals, legal entities, investment clubs, investment funds and foundations (see Note 18).

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 Group is structured as follows:

- The Company has four plants in Bahia, Goiás, Paraná and Rio de Janeiro states.
- Subsidiary Sama S.A. Minerações Associadas (“SAMA”), a privately-held corporation, located in Goiás State, is the single chrysotile mining company in Brazil, with the business purpose of mining and processing chrysotile ore, which is sold in Brazil and abroad.
- Subsidiary Tégula Soluções para Telhados Ltda. (“Tégula”) has six plants in the states of Bahia, Goiás, Rio Grande do Sul, Santa Catarina and São Paulo. Its main business purpose is the manufacture and sale of concrete roofing and roofing accessories.
- Subsidiary Precon Goiás Industrial Ltda. (“Precon”) has a plant in Anápolis, Goiás state, and its business purpose is the production and sale of fiber cement products.
- Subsidiary Prel Empreendimentos e Participações Ltda. (“Prel”), located in the city of São Paulo, state of São Paulo, and its main business purposes in holding interest in industrial and commercial companies.
- Subsidiary Engedis Distribuição Ltda. (“Engedis”), located in Minaçu in Goiás state, does not have any economic activity.
- Subsidiaries Wagner Ltda. (“Wagner”) and Wagner da Amazônia Ltda. (“Wagner da Amazônia”) located in the city of São Paulo, state of São Paulo, do not have any economic activity.

1. **Operations** (Continued)

- Subsidiary Eternit da Amazônia Ltda., located in the city of Manaus, Amazonas State, is mainly engaged in performing input development research for the construction industry.

- Jointly-controlled subsidiary Companhia Sulamericana de Cerâmica S.A., located in the city of Caucaia in the Ceará state, with the business purpose of import, production, sale, export and distribution of sanitary wares and related accessories in general.

The main products manufactured and/or sold by the Group are described in Note 27.

Legal issues involving asbestos

The Company clarifies that the mining, processing, use, sale and transport of chrysotile asbestos and products containing the mineral are regulated by Federal Law 9055/95, Decree 2350/97 and the Regulatory Rules of the Ministry of Labor and Employment.

State Law 10813/2001 in the state of São Paulo and State Law 2210/2001 in the state of Mato Grosso do Sul, which prohibited the importation, extraction, processing, sale and installation of products or materials containing any sort of asbestos, in any form, were both, through Direct Actions of Unconstitutionality (ADI) No. 2656 and No. 2396, adjudicated and declared unconstitutional by the Federal Supreme Court (STF), based on the fact that they violated the jurisdiction of the federal government.

Current State Laws 12684/2007 in São Paulo, 3579/2004 in Rio de Janeiro, 11643/2001 in Rio Grande do Sul and 12589/2007 in Pernambuco that restrict the use of asbestos in their jurisdiction are currently the subject-matter of the ADIs filed by the National Confederation of Industrial Workers (CNTI) at the Federal Supreme Court (STF).

On April 2, 2008, the National Association of Labor Court Judges (ANAMATRA) and the National Association of Labor Prosecutors (ANPT) filed ADI No. 4066 questioning the constitutionality of Article 2 of Federal Law 9055 of 1995.

1. **Operations** (Continued)

On October 31, 2012, the STF started the judgment of the merits of ADI No. 3357 in relation to State Law No. 11643/2001, of the state of Rio Grande do Sul, and ADI No. 3937 in relation to State Law No. 12684/2007, of the state of São Paulo. The session was suspended after reporting Judge Ayres Britto voted for the constitutionality of the laws and Judge Marco Aurelio 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 judgment.

On Dec. 30, 2013, State Law 21,114/13 was sanctioned, whose Article 1 prohibits the importation, transportation, storage, manufacturing, sale and use of products containing asbestos in the state of Minas Gerais, providing for a period of 8 to 10 years for full compliance with said Article 1. Therefore, compliance with this provision will be required as of 2021 and 2023, respectively.

2. Summary of significant accounting practices

2.1 Statement of compliance and basis of preparation

The presentation of the interim financial information was approved and authorized by the Company's Supervisory Board on August 5, 2014 and Board of Directors on August 6, 2014, to be published on August 7, 2014.

The Company's interim financial information, contained in the quarterly financial information form (ITR) for the quarter ended June 30, 2014, comprises:

- The consolidated interim financial information prepared in accordance with CPC 21 (R1) - Interim Financial Reporting and IAS 34 - Interim Financial Reporting issued by the International Accounting Standards Board - IASB and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Financial Information (ITR); and

- The individual interim financial information of the Company prepared in accordance with CPC 21 (R1) - Interim Financial Reporting and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Financial Information (ITR).

2. Summary of significant accounting practices (Continued)

2.1 Statement of compliance and basis of preparation (Continued)

The individual interim financial information presents measurement of investments in subsidiaries and joint ventures by the equity method, in accordance with ruling Brazilian legislation. In view of this, this individual financial information is not considered compliant with IFRS, under which these investments must be stated in the separate financial statements of the parent company at their fair value or cost of acquisition.

The interim financial information was prepared based on 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 considerations paid in exchange for assets.

The main accounting practices applied in the preparation of this individual and consolidated interim financial information are disclosed in Note 2 to the Company's annual financial statements for the year ended December 31, 2013, disclosed on March 17, 2014. These practices were consistently applied in the presented prior year.

2.2 Basis of consolidation and investments in subsidiaries

The consolidated interim financial information includes interim financial information of the Company and 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 Board of Directors of an entity in order to earn benefits from its activities.

The Company management, based on shareholder statutes and agreements, controls the companies listed in Note 1 and therefore fully consolidated these entities with the exception of Companhia Sulamericana de Cerâmica S.A. (CSC) which is considered based on the parameters described in the prior paragraph as a joint venture and not consolidated given that its income is considered in the consolidated financial statements based on the equity method as provided in CPC 19R2 (IFRS 11).

2. Summary of significant accounting practices (Continued)

2.2 Basis of consolidation and investments in subsidiaries (Continued)

Minority 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, subsidiaries' financial information is recognized under 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 financial statements represent balances receivable from and payable to third parties and/or jointly-controlled companies.

- Interest in capital and net income (loss) for the period of wholly-owned subsidiaries.

The financial year of consolidated subsidiaries coincides with that of the Company. Accounting practices were uniformly applied by consolidated companies, and are consistent with those used in the prior year. All intercompany balances and transactions of subsidiaries are fully eliminated in the consolidated financial information Transactions between the Company and its subsidiaries are carried out under conditions established by the parties.

Profit and loss of subsidiaries acquired or sold over the year are included in the consolidated income statements as of the date they were effectively acquired to the sale date, as applicable.

Whenever necessary, the subsidiaries' interim financial information is adjusted to align their accounting practices to those set by the Group.

2. Summary of significant accounting practices (Continued)

2.3 Standards, amendments, and standard interpretations

2.3.1 Standards, amendments, and interpretations of existing standards with first-time adoption from January 1, 2014.

- IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

These amendments explain the meaning of “currently has a legally enforceable right to set off amounts recognized”. Revisions also provide clarification on the adoption of IAS 32 offsetting criteria for clearance systems (such as the clearing houses) which apply gross settlement mechanisms that are not simultaneous. These amendments did not have significant impact on the financial position, performance or disclosures in the Group’s financial information.

- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirements for entities qualifying as an investment entity under IFRS 10. This exception requires that investment entities carry their investments in subsidiaries at fair value in income statement. These amendments did not have significant impact on the financial position, performance or disclosures in the Group’s financial information, since none of its entities qualifies as investing entity.

2. Summary of significant accounting practices (Continued)

2.3 Standards, amendments, and standard interpretations (Continued)

2.3.1 Standards, amendments, and interpretations of existing standards with first-time adoption from January 1, 2014 (Continued)

- IFRIC 21 Taxes

IFRIC 21 clarifies that an entity shall recognize a liability for a tax when the triggering event takes place. For a tax whose payment requirement arises from the entity's meeting a certain metric, IFRIC 21 clarifies that no liability shall be recognized until such metric is met. This standard did not have significant impact on the financial position, performance or disclosures in the Group’s financial information.

- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendment to IAS 39

This review alleviates the discontinuation of hedge accounting when renewal of derivatives designated as hedge meets certain criteria. This standard did not have significant impact on the financial position, performance or disclosures in the Group’s financial information.

2.3.2 Existing standard with first-time adoption as from January 1, 2015.

- IFRS 9 – Financial instruments

Classification and Measurement closes the first part of the process to substitute for “IAS 39 Financial Instruments: “Recognition and Measurement,” this new standard uses a simple approach to determine whether a financial asset is measured at amortized cost or fair value, based on how the entity manages its financial instruments and the contractual cash flow characteristic of financial assets. IFRS 9 requires the adoption of a single method to determine impairment losses. Group management assessed the impacts of IFRS 9 and expects that its adoption will have no material impact on the Group’s financial information.

2. Summary of significant accounting practices (Continued)

2.3 Standards, amendments, and standard interpretations (Continued)

The Group intends to adopt the standard described in Note 2.3.2 above when it becomes effective, disclosing and recognizing possible impacts on the financial information.

Considering the current operations of the Group and its subsidiaries, Management does not expect that this new standard will have a significant effect on the financial information as from the adoption thereof.

CPC has not yet published the related pronouncements and amendments corresponding to the new and revised standards presented above. Given CPC and CVM commitment to keep all standards issued updated based on amendments made by IASB, such pronouncements and amendments are expected to be issued by CPC and approved by CVM until they are mandatorily applicable.

There are no other standards or interpretations issued and not yet adopted that may, based on management's opinion, have a significant impact on income statement or equity reported by the Group.

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.

Accounting estimates and assumptions are assessed on an ongoing basis, and are based on past experience and other factors, including expected future events considered reasonable for the circumstances. Such estimates and assumption may be different from effective results. The effects of reviewed accounting estimates are recognized for the review period.

The main assumptions about future and other sources of uncertainties in estimates at the end of each reporting period that may lead to significant adjustments in the carrying amount of assets and liabilities for the next period are set out below.

(In thousands of reais - R$, except when indicated otherwise)

3. Significant accounting judgments and sources of uncertainties in estimates (Continued)

3.1. Impairment of goodwill for expected future profitability

In order to determine whether there is impairment of goodwill, it is necessary to estimate the value in use of cash-generating units to which the goodwill has been allocated. Calculation of value in use requires management to estimate expected future cash flows from cash-generating units and an appropriate discount rate for calculating the present value.

No evidence of goodwill impairment was detected.

	Consolidated	
Subsidiary:	**06/30/2014**	**12/31/2013**
SAMA	**16,559**	16,559
Tégula	**3,436**	3,436
	19,995	19,995

3.2. Useful lives of property, plant and equipment

The Group has effective controls over property, plant and equipment assets which enable it to identify impairment and changes in estimated useful lives. Recoverable amounts and estimated useful lives are periodically reviewed. Economic facts, changes in business, technological changes or any use of the asset item that may affect its useful life are taken into account. Current depreciation rates used appropriately represent the useful life of equipment.

3.3. Income, social contribution and other taxes

The Group recognizes deferred assets and liabilities based on the difference between the carrying amount presented in the financial statements and the tax base of assets and liabilities using rates in force. Management regularly reviews deferred tax assets and liabilities in terms of recovery, considering the history of profit generated and projected future taxable profit, according a technical feasibility study.

3. Significant accounting judgments and sources of uncertainties in estimates (Continued)

3.4. Provision for tax, civil, and labor risks

The Group is party to several legal and administrative proceedings, as mentioned in Note 21. Provisions are set up for all contingencies representing probable losses estimated with a certain reliability level. Assessment of the likelihood of loss includes an evaluation of available evidence, the hierarchy of laws, available case law, recent court decisions and their relevance in the legal system, as well as the opinion of legal advisers. Management believes that these provisions for contingencies are fairly presented in the interim financial information.

3.5. Provision for future benefits to former employees

The current amount of the provision for future benefits to former employees depends on a number of factors that are determined based on actuarial calculation, which restates a number of assumptions, such as discount rate and inflation rate, among others, which are disclosed in Note 17. Change in these estimates may affect the results presented.

3.6. Environmental restoration of degraded mining areas

Subsidiary SAMA, in accordance with the Recovery of Degraded Area Program (PRAD), recorded as provision for possible environmental liabilities based on best estimates of cleaning and repair costs. The subsidiary has a specialist environmental team to manage all the phases of the environmental program, and uses of external specialists, when required.

(In thousands of reais - R$, except when indicated otherwise)

4. Cash and cash equivalents

	Company		Consolidated	
	06/30/2014	**12/31/2013**	**06/30/2014**	**12/31/2013**
Cash and banks	**1,757**	9,516	**4,718**	11,100
Investments in bank deposit certificates	**-**	-	**258**	2,195
	1,757	9,516	**4,976**	13,295

At June 30, 2014, investments were remunerated at average rates of 102% of the Interbank Deposit Certificate (CDI) variation (103% at December 31, 2013), with the portfolio basically comprising investments remunerated based on a percentage of CDI and fixed income investments. Balances are highly liquid and readily redeemable, in order to meet short-term cash commitments, and subject to insignificant risk of change in value.

5. Short-term investments

	Company		Consolidated	
	06/30/2014	**12/31/2013**	**06/30/2014**	**12/31/2013**
Investment funds	**21,103**	9,897	**44,365**	35,661

Most investment funds are fixed-income investments, repurchase agreements, remunerated at average CDI rates of 102% (103% as of December 31, 2012).

The funds are readily redeemable (highly liquid) as there is no grace period for share redemption. Shares may be redeemed with earnings if required.

(In thousands of reais - R$, except when indicated otherwise)

6. Trade accounts receivable

	Company		Consolidated	
	06/30/2014	12/31/2013	06/30/2014	12/31/2013
Domestic market	**68,201**	73,487	**105,003**	112,241
Foreign market	**-**	-	**58,453**	55,521
(-) Adjustment to present value	**(409)**	(432)	**(1,485)**	(1,362)
	67,792	73,055	**161,971**	166,400
Allowance for doubtful accounts	**(3,153)**	(3,281)	**(6,189)**	(6,011)
	64,639	69,774	**155,782**	160,389

Expenses with the provision for impairment losses on accounts receivable are recorded as "selling expenses”.

Aging list of accounts receivable

	Company		Consolidated	
	06/30/2014	12/31/2013	06/30/2014	12/31/2013
Falling due	**63,015**	65,939	**148,633**	146,010
Overdue:				
Within 30 days	**1,048**	2,362	**5,743**	10,538
From 30 to 60 days	**159**	1,283	**416**	2,654
Over 60 days	**417**	190	**990**	1,187
	64,639	69,774	**155,782**	160,389

Changes in the provision for impairment losses on accounts receivable

	Company		Consolidated	
	06/30/2014	12/31/2013	06/30/2014	12/31/2013
Opening balance	**(3,281)**	(3,242)	**(6,011)**	(6,518)
Addition	**(352)**	(782)	**(801)**	(1,482)
Reversal	**1**	380	**1**	497
Write-off	**479**	363	**622**	1,492
Closing balance	**(3,153)**	(3,281)	**(6,189)**	(6,011)

(In thousands of reais - R$, except when indicated otherwise)

7. Inventories

	Company		Consolidated	
	06/30/2014	**12/31/2013**	**06/30/2014**	**12/31/2013**
Finished products	**49,539**	41,554	**89,233**	72,551
Semi-finished products	**-**	-	**2,171**	2,116
Resale	**8,671**	9,751	**13,781**	14,698
Raw materials	**22,542**	29,854	**24,560**	31,142
Support materials	**5,619**	5,091	**23,558**	22,789
(-) Provision for losses (*)	**-**	(417)	**(802)**	(1,352)
	86,371	85,833	**152,501**	141,944

(*) The matching entry of the provision for losses is recorded as "cost of sales" in the income statements.

Changes in provision for inventory losses for the six-month period ended June 30, 2014 and the year ended December 31, 2013 are as follows:

	Company	Consolidated
Balance at January 1, 2013	-	(935)
(+) Provision	(443)	(443)
(-) Reversal	26	26
Balance at December 31, 2013	(417)	(1,352)
(+) Provision	**-**	**-**
(-) Reversal	**417**	**550**
Balance at June 30, 2014	**-**	**(802)**

In the six-month period ended June 30, 2014, consumption of raw material reached approximately R$ 117,574 (R$ 120,735 in June 2013), recorded as cost in Company, and R$ 194,660 (R$ 191,442 in June 2013) in Consolidated, as mentioned in Note 24.

(In thousands of reais - R$, except when indicated otherwise)

8. Taxes recoverable

	Company		Consolidated	
	06/30/2014	12/31/2013	06/30/2014	12/31/2013
Current:				
State VAT (ICMS)	**1,001**	1,005	**2,419**	2,131
Withholding Income Tax (IRRF)	**457**	191	**815**	413
Corporate Income Tax (IRPJ)	**664**	8,285	**1,057**	8,690
Social Contribution Tax on Net Profit (CSLL)	**366**	2,243	**423**	2,311
Withholding income tax, interest on equity	**3,834**	3,400	**3,834**	3,400
Fomentar Fund - ICMS (*)	**1,355**	1,197	**1,355**	1,197
Others	**274**	221	**1,733**	1,506
	7,951	16,542	**11,636**	19,648
Noncurrent:				
State VAT (ICMS)	**1,238**	1,218	**3,319**	4,021
Withholding Income Tax (IRRF)	**13,591**	13,363	**13,591**	13,363
Corporate Income Tax (IRPJ)	**7,768**	7,638	**7,768**	7,638
	22,597	22,219	**24,678**	25,022

(*) 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 subsidiaries and jointly controlled entities are as follows:

Subsidiaries	Company (%) Interest and voting capital held	
	06/30/2014	12/31/2013
Precon	**99.99**	**99.99**
Prel	**99.99**	**99.99**
SAMA	**99.99**	**99.99**
Tégula	**99.99**	**99.99**
Wagner	**99.85**	**99.85**
Wagner da Amazônia Ltda (ii)	**99.99**	**99.99**
Companhia Sulamericana de Cerâmica S.A. ("CSC") (i)	**60.00**	**60.00**
Engedis (ii)	**99.94**	**99.94**
Eternit da Amazônia (iii)	**99.99**	**99.99**

(i) Joint venture.
(ii) Indirect subsidiary.
(iii) Pre-operating venture

(In thousands of reais - R$, except when indicated otherwise)

9. Investments (Continued)

Summary of significant information on subsidiaries and joint ventures

Subsidiary	Location	Business activity
SAMA	Minaçu/GO	Mining and processing of chrysotile asbestos ore
Engedis	Minaçu/GO	No economic activity
Precon	Anápolis/GO	Production and sale of fiber cement products and devices.
Prel	São Paulo/SP	Holding interest in industrial and commercial companies, among others.
Wagner	São Paulo/SP	No economic activity.
Wagner da Amazônia	São Paulo/SP	No economic activity
Tégula	Atibaia/SP	Production and sale of concrete roof tiles and accessories.
Companhia Sulamericana de Cerâmica - CSC	Caucaia/CE	Import, manufacture, sale, export, distribution of sanitary wares and related accessories in general.
Eternit da Amazônia	Manaus/AM	Research and development and inputs for construction materials. It has not started up its operations until the six-month period ended June 30, 2014

Breakdown of investments:

	Company							
	Eternit da Amazônia	Precon	Prel	SAMA	CSC	Tégula	Wagner	Total
Investments	10,087	22,232	9,734	91,574	33,430	68,691	4,104	239,852
Surplus value of net assets	-	-	-	16,559	-	-	-	16,559
Balance at June 30, 2014	**10,087**	**22,232**	**9,734**	**108,133**	**33,430**	**68,691**	**4,104**	**256,411**

(In thousands of reais - R$, except when indicated otherwise)

9. **Investments** (Continued)

	Eternit da Amazônia	Precon	Prel	SAMA	CSC	Tégula	Wagner	Total
At January 1, 2013	-	17,578	7,821	107,183	13,029	72,246	4,059	221,916
Dividends	-	(7,222)	(2,653)	(65,112)	-	-	-	(74,987)
Interest on Equity (IOE)	-	(829)	-	(4,492)	-	-	-	(5,321)
Equity pickup	(938)	10,694	2,890	70,304	(6,223)	(459)	(1)	76,267
Equity pickup on comprehensive income	-	-	-	428	-	-	-	428
Capital contribution	200	-	-	-	29,226	-	-	29,426
December 31, 2013	(738)	20,221	8,058	108,311	36,032	71,787	4,058	247,729
Dividends	**-**	**(2,995)**	**-**	**(32,426)**	**-**	**-**	**-**	**(35,421)**
Interest on Equity (IOE)	**-**	**(475)**	**-**	**(2,261)**	**-**	**-**	**-**	**(2,736)**
Equity pickup	**(1,674)**	**5,481**	**1,676**	**34,509**	**(2,602)**	**(3,096)**	**46**	**34,340**
Capital contribution	**12,499**	**-**	**-**	**-**	**-**	**-**	**-**	**12,499**
At June 30, 2014	**10,087**	**22,232**	**9,734**	**108,133**	**33,430**	**68,691**	**4,104**	**256,411**

The balance of investments in the consolidated interim financial information at June 30, 2014, amounting to R$33,430 (R$36,032 at December 31, 2013), refers to investment in the jointly controlled entity with CSC.

The balance of subsidiaries at June 30, 2014 is as follows

	Eternit da Amazônia	Precon	Prel	SAMA	Tégula	Wagner
Current assets	**1,400**	**27,020**	**4,831**	**136,454**	**36,384**	**3,874**
Noncurrent assets	**43,515**	**13,691**	**5,162**	**115,757**	**62,344**	**1,801**
Current liabilities	**1,023**	**15,269**	**259**	**101,271**	**16,317**	**11**
Noncurrent liabilities	**33,804**	**3,209**	**-**	**54,630**	**13,713**	**1,554**
Equity	**10,088**	**22,233**	**9,734**	**96,310**	**68,698**	**4,110**
Proportional interest	**99.9900%**	**99.9946%**	**99.9977%**	**99.9977%**	**99.9900%**	**99.8465%**
Investment carrying amount	**10,087**	**22,232**	**9,734**	**96,308**	**68,691**	**4,104**
Net operating income	**-**	**35,234**	**-**	**202,309**	**41,354**	**-**
Cost of sales	**-**	**(24,854)**	**-**	**(104,487)**	**(29,327)**	**-**
Unrealized income in inventories	**-**	**-**	**-**	**177**	**-**	**-**
Net income (loss) from continued operations	**(1,674)**	**5,481**	**1,676**	**34,509**	**(3,096)**	**46**
Attributable to:						
Company interest	**(1,674)**	**5,481**	**1,676**	**35,509**	**(3,096)**	**46**

(In thousands of reais - R$, except when indicated otherwise)

9. **Investments** (Continued)

Interest in joint ventures:

The Group holds 60% interest in jointly controlled entity Companhia Sulamericana de Cerâmica S.A., whose business purpose of import, production, sale, export and distribution of sanitary wares and related accessories in general.

The balance of this jointly controlled entity as of June 30, 2014 is as follows:

	06/30/2014
Current assets	69,805
Noncurrent assets	83,178
Current liabilities	29,087
Noncurrent liabilities	68,179
Equity	55,717
Proportional interest	60%
Investment carrying amount	33,430
Net operating income	17,339
Cost of sales	(13,976)
Selling, general and administrative expenses	(6,722)
Financial expenses	(2,163)
Financial income	1,187
Loss on continuing operations	(4,336)
Attributable to:	
Company interest	(2,602)

(In thousands of reais - R$, except when indicated otherwise)

10. Related parties

a) Balances and transactions of the Company with related parties

	Company	
	06/30/2014	12/31/2013
Balances:		
Current assets		
Eternit da Amazônia (ii)	-	1,062
Precon (i) and (ii)	805	488
SAMA (ii)	378	169
Tégula (i) and (ii)	142	96
Companhia Sulamericana de Cerâmica (i)	8,683	9,780
	10,008	11,595
Dividend and interest on equity receivable:		
SAMA	17,599	8,735
Prel	-	2,653
Precon	7,640	7,926
Tégula	706	706
	25,945	20,020
	35,953	31,615
Noncurrent assets		
Intercompany loan		
Companhia Sulamericana de Cerâmica (iii)	2,110	2,018
Tégula (iii)	8,931	7,705
	11,041	9,723
Total assets	46,994	41,338
Current liabilities		
Trade accounts payable		
SAMA (i)	7,817	7,128
Other accounts payable		
Prel	88	88
SAMA	25	26
Tégula	-	1
	7,930	7,243
Noncurrent liabilities		
Intercompany loan		
SAMA (iii)	30,334	29,108
Total liabilities	38,264	36,351

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

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

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

(In thousands of reais - R$, except when indicated otherwise)

10. Related parties (Continued)

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

	Company	
	06/30/2014	**06/30/2013**
Transactions:		
Sales:		
Precon	**1,535**	5,713
Tégula	**271**	160
Companhia Sulamericana de Cerâmica	**1,705**	-
	3,511	5,873
Purchases:		
SAMA	**37,843**	35,359
Discounts obtained - SAMA	**30**	-
Administrative expenses – Prel	**526**	500
	38,399	35,859
Interest on intercompany loan:		
Expense - SAMA	**1,442**	932
	1,442	932
Income:		
Interest on intercompany loan - Tégula	**384**	247
Interest on equity:		
SAMA	**2,262**	2,387
Precon	**475**	439
	3,121	3,073

Purchase and sale transactions between related parties are carried out under conditions agreed between the parties.

At June 30, 2014 and December 31, 2013, there were no outstanding guarantees with related parties, and there were no provision for impairment losses for related-party accounts receivable.

(In thousands of reais - R$, except when indicated otherwise)

10. Related parties (Continued)

b) Key management personnel compensation

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

	Company		Consolidated	
	06/30/2014	**06/30/2013**	**06/30/2014**	**06/30/2013**
Salaries, fees and benefits	**1,937**	2,093	**2,393**	2,536
Social charges	**581**	647	**665**	791
Profit sharing (PLRE)	**1,621**	4,261	**1,948**	5,264
Supplementary bonus	**735**	-	**1,062**	-
Post-employment benefits	**48**	181	**59**	291
	4,922	7,182	**6,127**	8,882

The Group Board of Directors approved a stock option plan for the Company's Officers. The Group grants additional bonus to officers that invest up to 100% of their profit sharing net amount for the purchase of Company shares. This bonus 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 Rule No. 358/02 must also be followed by officers.

The stock option plan is not considered 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% paid as profit sharing, and purchases Company shares by means of an outside brokerage.

As of June 30, 2014, Officers' shareholding position was 1,108,083 shares - ETER3 (995,283 shares - ETER3 for the year ended December 31, 2013).

(In thousands of reais - R$, except when indicated otherwise)

11. Property, plant and equipment

	Company									
	Land	Buildings and improvements	Machinery and equipment	Tooling and molds	Facilities	Vehicles	Furniture and fixtures	IT equipment	Construction in progress	Total
Cost										
Balances at January 1, 2013	701	32,165	94,939	12,877	77,109	3,578	5,109	3,372	12,717	242,567
Additions	-	-	-	-	-	-	-	-	36,913	36,913
Write-offs	-	-	(381)	-	(272)	(791)	(36)	(103)	-	(1,583)
Transfers	-	639	7,093	78	2,251	-	670	735	(11,466)	-
Balances at December 31, 2013	701	32,804	101,651	12,955	79,088	2,787	5,743	4,004	38,164	277,897
Additions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,124**	**7,124**
Write-offs	**-**	**(8)**	**(48)**	**-**	**(11)**	**(451)**	**(37)**	**(22)**	**(14,473)**	**(15,050)**
Transfers	**-**	**30**	**3,653**	**17**	**507**	**-**	**38**	**83**	**(4,328)**	**-**
Balances at June 30, 2014	**701**	**32,826**	**105,256**	**12,972**	**79,584**	**2,336**	**5,744**	**4,065**	**26,487**	**269,971**
Average depreciation rates	-	4%	8.6%	15%	10%	20%	10%	20%	-	-
Accumulated depreciation										
Balances at January 1, 2013	-	(18,631)	(44,152)	(8,651)	(40,643)	(2,531)	(2,310)	(2,589)	-	(119,507)
Additions	-	(722)	(1,852)	(1,087)	(5,542)	(259)	(452)	(342)	-	(10,256)
Write-offs	-	-	358	-	72	734	26	101	-	1,291
Balances at December 31, 2013	-	(19,353)	(45,646)	(9,738)	(46,113)	(2,056)	(2,736)	(2,830)	-	(128,472)
Additions	**-**	**(365)**	**(1,368)**	**(469)**	**(2,750)**	**(66)**	**(235)**	**(198)**	**-**	**(5,451)**
Write-offs	**-**	**9**	**48**	**-**	**9**	**403**	**28**	**21**	**-**	**518**
Transfers	**-**	**-**	**29**	**-**	**(30)**	**-**	**1**	**-**	**-**	**-**
Balances at June 30, 2014	**-**	**(19,709)**	**(46,937)**	**(10,207)**	**(48,884)**	**(1,719)**	**(2,942)**	**(3,007)**	**-**	**(133,405)**
<u>Net book value</u>										
At January 1, 2013	701	13,534	50,787	4,226	36,466	1,047	2,799	783	12,717	123,060
At December 31, 2013	**701**	**13,451**	**56,005**	**3,217**	**32,975**	**731**	**3,007**	**1,174**	**38,164**	**149,425**
At June 30, 2014	**701**	**13,117**	**58,319**	**2,765**	**30,700**	**617**	**2,802**	**1,058**	**26,487**	**136,566**

(In thousands of reais - R$, except when indicated otherwise)

11. Property, plant and equipment (Continued)

	Consolidated													
	Land	Buildings and improvements	Machinery and equipment	Excavator equipment	Tooling and molds	Facilities	Vehicles	Off-road vehicles	Furniture and fixtures	IT equipment	Renovation of mining areas	Mineral resources	Construction in progress	Total
Cost														
Balances at January 1, 2013	4,084	80,585	181,492	24,610	26,479	208,398	25,051	4,280	15,366	7,514	5,778	13,387	16,070	613,094
Additions	-	283	3,472	-	64	133	161	-	844	129	-	-	55,041	60,127
Write-offs	-	-	(786)	-	(215)	(324)	(968)	-	(553)	(317)	-	-	-	(3,163)
Transfers	-	672	11,595	2,960	395	8,187	461	259	1,671	1,127	-	-	(27,327)	-
Balances at December 31, 2013	4,084	81,540	195,773	27,570	26,723	216,394	24,705	4,539	17,328	8,453	5,778	13,387	43,784	670,058
Additions	**-**	**24**	**558**	**-**	**-**	**90**	**614**	**-**	**51**	**71**	**-**	**-**	**40,283**	**41,691**
Write-offs	**-**	**(8)**	**(93)**	**-**	**(1)**	**(11)**	**(842)**	**-**	**(80)**	**(108)**	**-**	**-**	**-**	**(1,143)**
Transfers	**-**	**460**	**5,231**	**2,495**	**17**	**2,937**	**9**	**-**	**448**	**170**	**-**	**-**	**(11,767)**	**-**
Balances at June 30, 2014	**4,084**	**82,016**	**201,469**	**30,065**	**26,739**	**219,410**	**24,486**	**4,539**	**17,747**	**8,586**	**5,778**	**13,387**	**72,300**	**710,606**
Average depreciation rate	-	4%	8.6%	28.4%	15%	10%	20%	26.8%	10%	20%	2.9%	5.3%	-	-
Accumulated depreciation														
Balances at January 1, 2013	-	(46,226)	(101,538)	(15,034)	(17,535)	(147,493)	(11,861)	(3,856)	(7,550)	(5,840)	(825)	(2,879)	-	(360,637)
Additions	-	(1,755)	(4,424)	(4,028)	(2,645)	(11,046)	(5,731)	(185)	(1,515)	(685)	(494)	(696)	-	(33,204)
Write-offs	-	-	762	-	207	124	912	-	535	307	-	-	-	2,847
Transfers	-	-	29	-	-	-	-	-	(29)	-	-	-	-	-
Balances at December 31, 2013	-	(47,981)	(105,171)	(19,062)	(19,973)	(158,415)	(16,680)	(4,041)	(8,559)	(6,218)	(1,319)	(3,575)	-	(390,994)
Additions	**-**	**(897)**	**(2,899)**	**(2,238)**	**(1,238)**	**(5,819)**	**(2,839)**	**(96)**	**(792)**	**(381)**	**(116)**	**(348)**	**-**	**(17,663)**
Write-offs	**-**	**9**	**89**	**-**	**1**	**9**	**793**	**-**	**67**	**103**	**-**	**-**	**-**	**1,071**
Transfers	**-**	**-**	**29**	**-**	**-**	**(30)**	**-**	**-**	**1**	**-**	**-**	**-**	**-**	**-**
Balances at June 30, 2014	**-**	**(48,869)**	**(107,952)**	**(21,300)**	**(21,210)**	**(164,255)**	**(18,726)**	**(4,137)**	**(9,283)**	**(6,496)**	**(1,435)**	**(3,923)**	**-**	**(407,586)**
Net book value														
At January 1, 2013	4,084	34,359	79,954	9,576	8,944	60,905	13,190	424	7,816	1,674	4,953	10,508	16,070	252,457
At December 31, 2013	4,084	33,559	90,602	8,508	6,750	57,979	8,025	498	8,769	2,235	4,459	9,812	43,784	279,064
At June 30, 2014	**4,084**	**33,147**	**93,517**	**8,765**	**5,529**	**55,155**	**5,760**	**402**	**8,464**	**2,090**	**4,343**	**9,464**	**72,300**	**303,020**

Due to legal proceedings, subsidiary SAMA gave in warranty PP&E (machinery and equipment) in the net book value of R$ 940 (R$1,272 at December 31, 2013).

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

12. Intangible assets

Company	Software	Intangible assets in progress	Others	Total
Cost				
Balance at January 1, 2013	7,185	-	11	7,196
Additions	45	2,844	-	2,889
Balance at December 31, 2013	7,230	2,844	11	10,085
Additions	**-**	**1,948**	**-**	**1,948**
Transfers	**7**	**(7)**	**-**	**-**
Balance at June 30, 2014	**7,237**	**4,785**	**11**	**12,033**
Useful life (in years)	5	-	-	-
Amortization				
Balance at January 1, 2013	(4,682)	-	-	(4,682)
Additions	(819)	-	-	(819)
Balance at December 31, 2013	(5,501)	-	-	(5,501)
Additions	**(355)**	**-**	**-**	**(355)**
Balance at June 30, 2014	**(5,856)**	**-**	**-**	**(5,856)**
Net book value				
Balance at January 1, 2013	2,503	-	11	2,514
Balance at December 31, 2013	1,729	2,844	11	4,584
Balance at June 30, 2014	**1,381**	**4,785**	**11**	**6,177**

Consolidated	Software	Goodwill	Trademarks and patents	Intangible assets in progress	Others	Total
Cost						
Balance at January 1, 2013	13,143	19,995	1,156	-	75	34,369
Additions	325	-	260	3,636	-	4,221
Transfers	792	-	-	(792)	-	-
Balance at December 31, 2013	14,260	19,995	1,416	2,844	75	38,590
Additions	**78**	**-**	**-**	**2,213**	**-**	**2,291**
Transfers	**271**	**-**	**-**	**(271)**	**-**	**-**
Balance at June 30, 2014	**14,609**	**19,995**	**1,416**	**4,786**	**75**	**40,881**
Useful life (in years)	5	-	-	-	-	-
Amortization						
Balance at January 1, 2013	(8,328)	-	-	-	(1)	(8,329)
Additions	(1,585)	-	-	-	-	(1,585)
Balance at December 31, 2013	(9,913)	-	-	-	(1)	(9,914)
Additions	**(805)**	**-**	**-**	**-**	**-**	**(805)**
Balance at June 30, 2014	**(10,718)**	**-**	**-**	**-**	**(1)**	**(10,719)**
Net book value						
Balance at January 1, 2013	4,815	19,995	1,156	-	74	26,040
Balance at December 31, 2013	4,347	19,995	1,416	2,844	74	28,676
Balance at June 30, 2014	**3,891**	**19,995**	**1,416**	**4,786**	**74**	**30,162**

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

13. Trade accounts payable

	Company		Consolidated	
	06/30/2014	**12/31/2013**	**06/30/2014**	**12/31/2013**
Domestic market	**17,026**	15,718	**35,647**	31,977
Foreign market	**2,004**	6,947	**2,004**	7,570
(-) Present value adjustment (domestic/foreign market)	**(194)**	(221)	**(252)**	(254)
	18,836	22,444	**37,399**	39,293

14. Loans and financing

	Company		CONSOLIDATED	
	06/30/2014	12/31/2013	**06/30/2014**	12/31/2013
Current:				
Loans and financing (a) (b) (c) (d) (f)	**8,535**	8,944	**17,752**	16,926
ACE (e)	**-**	-	**38,038**	39,955
	8,535	8,944	**55,790**	56,881
Noncurrent:				
Loans and financing (a) (b) (c) (d) (f)	**4,863**	14,368	**48,169**	25,799
	13,398	23,312	**103,959**	82,680
Noncurrent repayment schedule:				
2015	**2,403**	11,328	**19,299**	17,663
2016	**1,055**	2,336	**12,569**	6,161
2017	**1,001**	490	**8,620**	1,210
2018	**404**	214	**7,652**	562
2019	**-**	-	**29**	203
	4,863	14,368	**48,169**	25,799

(a) Over the quarter ended June 30, 2014, in order to acquire machine and equipment, and due to expenses with civil construction intended to the operating its activity, the Company took out Government Machinery and Equipment Financing (FINAME) 28 to 31 and Brazilian Development Bank (BNDES) 2 and 4 at the interest rate of 2.85% to 3.50% p.a., and BNDES 1 and 3 at the interest rate of 3.85% p.a. + TJLP, maturing in 48 months.

(b) For the six-month period ended June 30, 2014, the Company took out Import Financing (FINIMP). It raised FINIMP 11 to purchase machinery and equipment for the operating activity, at the interest rate of 1.98% p.a., maturing within 36 months, raised in US dollars, translated and restated at the PTAX exchange rate.

(c) Subsidiary Eternit da Amazônia raised FINIMP 8 to 10, 12 and 13 for the acquisition of machinery and equipment intended to operations, at the rates of 2.01% to 2.39% p.a., maturing within 60 months.

(d) Tégula took out finance lease to acquire vehicles at the interest rate of 1.23% p.m., maturing within 30 months. The principal amount of the operation amounts to R$ 513. It also took out lease for IT equipment amounting to R$ 59 at the interest rate of 1.14% p.m., maturing within 36 months.

(e) Advance on Export Contracts – ACE – These are funds to increase working capital of subsidiary SAMA, raised in US dollars at average exchange rate of R$2.2313 and restated at the current exchange rate of R$ 2.2019 at June 30, 2014. The average PRIME lending rate is of 3.25% p.a. and, given the characteristics of the transaction; such advances mature within 360 days. The Company is guarantor of R$7.122 of ACE operations of subsidiary SAMA, the value of which at June 30, 2014 was R$ 38,038 (R$ 39,955 as of December 31, 2013).

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

14. Loans and financing (Continued)

(f) In the quarter ended June 30, 2014, the Company and its subsidiary Eternit da Amazônia entered into the Contract for Assignment of Rights and Assumption of Obligations. Assumption by the subsidiary of all rights and obligations related to the import financing contracts (Finimp) was agreed, related to import and construction of machinery for the industrial units. The amount of the operation was R$ 14,352.

The Group has loan agreements with non-financial covenants with which it was compliant as of June 30, 2014.

15. Provisions and social charges

	Company		Consolidated	
	06/30/2014	12/31/2013	06/30/2014	12/31/2013
13th monthly salary pay	**2,859**	-	**5,176**	-
Vacation pay	**7,429**	6,760	**13,763**	12,980
Profit sharing (a)	**2,079**	3,704	**6,486**	10,145
Unemployment Compensation Fund (FGTS)	**463**	593	**756**	1,008
Social security contribution tax (INSS)	**2,041**	1,848	**3,339**	3,367
Salaries	**169**	73	**191**	73
Private pension plan (b)	**-**	-	**205**	423
Union dues	**14**	2	**25**	13
	15,054	12,980	**29,941**	28,009

(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 amounts recorded are as follows:

	Profit sharing	
	06/30/2014	06/30/2013
Company	**2,202**	3,810
Consolidated	**5,709**	7,925

(b) The Group offers a private pension plan to its employees, administered by a financial institution authorized to operate by the Central Bank of Brazil, independently from the Group. It is a pension plan deductible for income tax purposes (PGBL) for defined contributions. See details in Note 22.

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

16. Taxes, charges and contributions payable

	Company		Consolidated	
Current:	**06/30/2014**	**12/31/2013**	**06/30/2014**	**12/31/2013**
Income taxes				
Corporate Income Tax (IRPJ)	**-**	863	**6,227**	12,242
Social Contribution Tax on Net Profit (CSLL)	**-**	-	**1,443**	2,432
Other taxes				
State value-added tax (ICMS)	**4,540**	6,304	**6,844**	9,372
Federal value-added tax (IPI)	**1,655**	1,824	**1,900**	2,107
Social contribution tax on gross revenue for social security financing (COFINS)	**741**	1,405	**1,872**	3,258
Social contribution tax on gross revenue for social integration program (PIS)	**134**	281	**380**	683
Withholding income tax (IRRF)	**1,086**	1,331	**1,590**	1,943
Mineral resource offsetting financial contribution	**-**	-	**1,370**	1,515
Other	**193**	218	**345**	463
	8,349	12,226	**21,971**	34,015
Noncurrent:				
State value-added tax (ICMS) (*)	**9,278**	7,697	**11,071**	9,432

(*) ICMS deriving from tax incentive programs PRODUZIR and DESENVOLVE in the Company, FOMENTAR in subsidiary Precon, and FUNDOPEM and PRODUZIR in subsidiary Tégula.

17. Provision for future benefits to former employees

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

a) Main actuarial assumption used to determine the present value of benefits:

	12/31/2013
Actual actuarial annual interest rate	**6.32%**
Actual annual medical cost increase rate	**3.80%**
Annual projected inflation rate	**5.80%**
Mortality table	**AT-2000**

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

17. Provision for future benefits to former employees (Continued)

b) Plan liabilities for future benefits to former employees:

	Company		Consolidated	
	06/30/2014	**12/31/2013**	**06/30/2014**	**12/31/2013**
Current	**2,174**	2,174	**3,861**	3,861
Noncurrent	**24,238**	23,710	**34,994**	34,527
	26,412	25,884	**38,855**	38,388

c) Net expenses with the benefit in 2014 (posted to income statement)

	Company		Consolidated	
	06/30/2014	**06/30/2013**	**06/30/2014**	**06/30/2013**
Current service and interest cost	**(1,616)**	(1,797)	**(2,397)**	(3,177)
Benefits paid	**(1,088)**	(966)	**(1,930)**	(1,770)
Net expense with the benefit	**(2,704)**	**(2,763)**	**(4,327)**	**(4,947)**

18. Equity

a) Capital

At June 30, 2014, the Company's fully subscribed and paid-in capital amounted to R$334,251 and comprised 89,500,000 common shares, with no par value, with voting rights in General Shareholders' meetings, held as follows:

	06/30/2014		12/31/2013	
Shareholding structure	**Shareholders**	**Shareholders**	Shareholders	Shares
Individuals	**8,014**	**55,919,120**	7,866	54,404,983
Legal entities	**93**	**1,549,352**	97	1,752,168
Persons resident abroad	**139**	**10,285,098**	146	9,732,774
Clubs, funds and foundations	**127**	**21,717,064**	131	23,580,709
	8,373	**89,470,634**	8,240	89,470,634
Treasury shares	**-**	**29,366**	-	29,366
	8,373	**89,500,000**	8,240	89,500,000

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, who will establish the share issue price and other conditions for the respective subscriptions and payments.

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

18. **Equity** (Continued)

b) Treasury shares

As of June 30, 2014, market value of treasury stock was R$ 249 (R$ 257 as of December 31, 2013).

c) Earnings (loss) per share

In compliance with technical pronouncement CPC 41 – Earnings per Share (equivalent to IAS 33), the following table reconciles net income to amounts used to calculate basic and diluted earnings per share.

Company

	06/30/2014	06/30/2013
Dilutive effect		
Net income for the period attributable to non-controlling interest	**41,617**	48,613
Weighted average number of outstanding common shares, less the average of treasury common shares	**89,470**	89,470
Basic and diluted earnings per share – R$	**0.47**	0.54

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

d) Dividend

The Company's articles of incorporation allow dividend payment based on annual, semiannual or interim balance sheets.

Dividend proposed for the six-month period ended June 30, 2014 was as follows:

Event	Payment beginning on	Total value	Amount per share – R$
BDM (*) of May 07, 2014	05/28/2014	11,900	0.133
BDM (*) of August 6, 2014	08/27/2014	11,899	0.133

(*) BDM – Board of Directors' Meeting

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

18. Equity (Continued)

e) Interest on equity

The Board of Directors may also decide about profit distribution as interest on equity, under the terms of ruling legislation. IOE proposed for the six-month period ended June 30, 2014 was as follows:

Event	Payment beginning on	Total value	Amount per share – R$
BDM (*) of May 07, 2014	05/28/2014	5,994	0.067
BDM (*) of August 6, 2014	08/27/2014	5,995	0.067

(*) BDM – Board of Directors' Meeting

Dividend and interest on equity payable

Divided and IOE outstanding balance as of June 30, 2014 represents:

	Company and Consolidated	
	06/30/2014	12/31/2013
Interest on equity	**5,095**	4,639
Dividend	**11,900**	12,436
Proceeds from prior years	**728**	806
	17,723	17,881

f) Retained earnings

During the quarters, the Company does not allocate total profit, but interim dividend and IOE. Total profit is allocated at year end.

19. Government subsidies

- **Tégula**

a) Investment subsidy- Goiás Industrial Development Program - Produzir.

State Decree No. 5265 dated July 31, 2000, created the Goiás Industrial Development Program - PRODUZIR, to promote the economic development of that state by granting taxpayers ICMS incentives through a reduction of ICMS payable.

On May 21, 2007, Tégula Soluções para Telhados Ltda, formerly Lafarge Roofing Brazil Ltda. claimed the right to reduce the ICMS, as it had a branch located in the State of Goiás.

The benefit was granted as from December 28, 2007, by the Finance Department of the State of Goiás, through Special Tax Regime Agreement No. 223/07, when a 73% reduction in ICMS was recognized for Tégula Soluções Para Telhados on sales of goods produced by the unit established in Anápolis/ GO, limited to R$ 6,875, with deadline to obtain the benefit up to December 31, 2020.

For the period in 2014, the benefit totaled R$ 421. The benefit is treated as a subsidy for investment because the Company benefits through reduction, refund or exemption from taxes due, and intends to expand its activities.

Moreover, PRODUZIR’s goal is to attract investment for integration, expansion, modernization and consolidation in the industrial segment of that state.

19. Government subsidies (Continued)

b) Investment subsidy- Fundo Operação for companies in Rio Grande do Sul – FUNDOPEM/RS.

Law No. 11916/03, of 2000, created Fundo Operação for companies in the state of Rio Grande do Sul - FUNDOPEM/RS to promote economic development in that state. It grants ICMS taxpayer incentives in reducing the value of the ICMS payable.

On May 27, 2008, Tégula Soluções para Telhados Ltda, formerly Lafarge Roofing Brazil Ltda. claimed the right to reduce the ICMS, as it had a branch located in the State of Rio Grande do Sul.

The benefit was granted as of November 21, 2008, by the State of Rio Grande do Sul Department of Development through Adjustment Agreement No. 016/2008 when the Company recognized Tégula Soluções para Telhados Ltda. the tax benefit to reduce ICMS calculated on sales of goods produced in the unit established in the city of Frederico Westphalen/RS, limited to the monthly amount of 79,614.52 UFIR (R$33) and a 66-month term.

For the period in 2014, the benefit totaled R$ 50. The benefit is treated as a subsidy for investment because the Company benefits through reduction, refund or exemption from taxes due, and intends to expand its activities. Moreover, FONDOPEM/RS's goal is to attract investment for integration, expansion, modernization and consolidation in the industrial segment of that state.

19. Government subsidies (Continued)

- **Precon**

a) Investment subsidy - Agência de Fomento Goiás S/A company in the state of Goiás - FOMENTAR.

On January 26, 1990, Precon Goiás Industrial Ltda. claimed a benefit to reduce ICMS as it had a branch in the State of Goiás. The claim was granted by the Goiás State Department of Finance of Goiás state through Special Tax Regime Agreement No. 227/07 when a 70% reduction in ICMS was recognized for Precon Goiás Industrial Ltda on sales of goods produced by the unit established in Anápolis/GO, limited to R$ 31,880, already restated by INPC/IBGE, up to December 31, 2020, as per amendment 5 to the agreement.

The benefit is treated as a subsidy for investment because the Company benefits through reduction, refund or exemption from taxes due, and intends to expand its activities. Moreover, FOMENTAR's goal is to attract investment for integration, expansion, modernization and consolidation in the industrial segment of that state.

- **Eternit**

a) Investment subsidy - Brazilian Supervisory Office for Development of the Northeast (SUDENE)

The Brazilian tax regulations allow corporate owners of enterprises located in areas of the SUDENE, whose activities classify as part of the priority economic sector, by act of the Executive Branch, to claim reduction of income tax under these procedures that meet the obligations and conditions set out in relevant legislation.

19. Government subsidies (Continued)

a) Investment subsidy - Brazilian Supervisory Office for Development of the Northeast (SUDENE) (Continued)

Decree No. 64214, of March 18, 1969, that governs provisions of Law No. 4239, of July 27, 1963, No. 4869, of December 1965, and No. 5508, of October 11, 1968, relates to administrative and financial incentives by SUDENE. The Constitutive Report of the right to a 75% reduction in income tax and non-refundable additions based on Profit from Tax Incentive Operations (PTIO) in favor of Eternit S.A. based on Provisional Executive Order No. 2199-14 dated August 24, 2001, reworded under article 32 of Law No. 11196/2008, as amended by Decree No. 6674 of December 3, 2008 and also in accordance with the Tax Incentive Regulations, approved by Ordinance No. 2091-A of December 28, 2007.

In March 2011, Eternit S.A. obtained through the Constitutive Report 0018/2011 the right to reduce corporate income tax and non-refundable additions on PTIO, for it is located in the relevant area for companies in the Northeast, with the benefit until calendar year 2020.

This benefit intends to fully modernize a venture in the area where SUDENE operates.

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

20. Income and social contribution taxes

a) Reconciliation of income and social contribution tax expenses with the nominal amounts

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

	Company		Consolidated	
	06/30/2014	06/30/2013	06/30/2014	06/30/2013
Income before income and social contribution taxes	**40,747**	47,840	**61,259**	66,963
Statutory rate	**34%**	34%	**34%**	34%
Income and social contribution taxes at nominal rates	**(13,854)**	(16,266)	**(20,828)**	(22,767)
IRPJ and CSLL effect on permanent differences:				
Equity pickup	**11,675**	14,298	**(885)**	-
Interest on equity	**3,146**	2,933	**4,076**	3,894
Donations and gifts	**(72)**	(52)	**(356)**	(345)
Non-deductible taxes and fines	**(20)**	(12)	**(22)**	(36)
Tax incentive	**-**	-	**213**	(82)
Other (additions) exclusions on temporary differences	**(5)**	(128)	**(1,840)**	986
Income and social contribution taxes	**870**	773	**(19,642)**	(18,350)
Effective rate	**2.1%**	1.62%	**32.1%**	27.4%

Breakdown of income and social contribution tax expenses presented in individual and consolidated interim financial information for the six-month periods ended June 30, 2014 and 2013 is as follows:

	Company		Consolidated	
	06/30/2014	06/30/2013	06/30/2014	06/30/2013
Current income and social contribution taxes	**-**	-	**(19,310)**	(20,559)
Deferred income and social contribution taxes	**870**	773	**(332)**	2,209
	870	773	**(19,642)**	(18,350)

In November 2013, Provisional Executive Order No. 627 was published and established that no taxation should be levied on profits and dividend calculated based on Profit and Loss computed between January 1, 2008 and December 31, 2013, by legal entities adopting the taxable profit, profit computed as a percentage of the Company's gross revenue, or profit determined by authorities, effectively paid through the publication date of the referred to Provisional Executive Order, at amounts exceeding those computed in light of the accounting methods and criteria in force as of December 31, 2007, provided that the company that has paid profit and dividend elected early adoption of the new tax regime as from 2014.

In May 2014, this Provisional Executive Order was converted into Law No. 12973, with amendment to some provisions, including in connection with how to address dividend, IOE and investment measurement at equity value. Differently from the Provisional Executive Order, Law No. 12973 determined that no taxes are to be levied, unconditionally, on profit and dividend calculated based on P&L computed from January 1, 2008 to December 31, 2013.

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

20. Income and social contributions taxes (Continued)

a) Reconciliation of income and social contribution tax expenses with the nominal amounts (Continued)

The Company prepared studies on the effects that might arise from the application of Law No. 12973 provisions, and concluded that there are no material effects on its individual and consolidated interim financial information as of June 30, 2014, and on its financial statements as of December 31, 2013. The Company is assessing whether to elect early adoption of effects, and a decision will be expressed in the Federal Tax Debt and Credit Return (DCTF) regarding the triggering events occurring in the month to be determined by the Brazilian IRS.

b) Breakdown of deferred income and social contribution taxes

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 social contribution tax losses, as follows:

	Company		Consolidated	
	06/30/2014	12/31/2013	06/30/2014	12/31/2013
Income and social contribution tax losses	**7,507**	5,483	**17,177**	15,154
Future benefits to former employees	**8,980**	8,800	**13,211**	13,052
Provision for tax, civil and labor claims	**7,509**	7,682	**15,778**	15,485
Unrealized income in inventories	**-**	-	**2,440**	2,348
Allowance for doubtful accounts	**-**	-	**685**	610
Provision for profit sharing	**707**	1,259	**1,590**	2,811
Provision for losses on PP&E	**1,750**	1,750	**1,750**	1,750
Unshipped products	**-**	-	**1,898**	2,271
Other provisions	**(1,546)**	(937)	**250**	1,631
	24,907	24,037	**54,779**	55,112

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:

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

20. Income and social contribution taxes (Continued)

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

Expected realization of tax credits (Continued)

i. *Income and social contribution tax losses* (Continued)

	Company	Consolidated
	06/30/2014	06/30/2014
2014	856	1,759
2015	1,880	2,445
2016	794	1,702
2017	787	1,816
2018 to 2023	3,190	9,455
	7,507	17,177

Recorded deferred tax assets are limited to the offset amount supported by projections of taxable profit, 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 profit.

As of June 30, 2014, subsidiary Tégula had income tax loss carryforward amounting to R$30,500, and social contribution tax loss of R$27,377, for which deferred taxes were not recorded. Up to June 30, 2014, there were no projections of future taxable profit confirming realization thereof.

ii. *Temporary differences*

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

	Company	Consolidated
	06/30/2014	06/30/2014
2014	2,976	5,915
2015	1,066	4,709
2016	1,552	3,340
2017	1,632	4,636
2018 to 2023	10,174	19,002
	17,400	37,602

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

20. Income and social contribution taxes (Continued)

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

Expected realization of tax credits (Continued)

ii. *Temporary differences* (Continued)

Estimated realization of deferred taxes balances calculated on temporary differences, as of June 30, 2014, may vary, as many of them depend on court orders that are beyond the Group's possible control and it is not possible to predict when a final decision will be awarded.

The projections of future taxable profit include several estimates regarding the performance of Brazilian and international economies, exchange rate fluctuations, sales volume, selling prices and tax rates, among others, that can vary in relation to actual data and amounts.

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

21. Provision for tax, civil and labor risks

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

The provision for risks was set up for proceedings assessed as involving probable loss, based on the analysis of the individual proceedings by the Group's and outside legal counsel.

The Group management believes that the provision for risks is sufficient to cover any losses from legal proceedings, as follows:

	Company		Consolidated	
	06/30/2014	**12/31/2013**	**06/30/2014**	**12/31/2013**
Labor claims (i)	**18,967**	19,780	**28,985**	29,219
Civil claims	**-**	-	**4,397**	4,397
Tax claims (ii)	**5,640**	5,335	**22,838**	21,043
	24,607	25,115	**56,220**	54,659

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

21. Provision for tax, civil and labor risks (Continued)

i) Labor claims include:

- Damages including pain and suffering and labor claims brought by former employees claiming (i) overtime (ii) night shift pay, (iii) hazardous working bonus (iv) severance pay among others.

ii) Tax claims include:

- Difference in ICMS amounts paid, and
- Difference in rates paid for INSS purposes.

Changes in provision for tax, civil and labor risks:

	Company		
	Provision for labor claims	Provisions for tax claims	Total
Balance as of January 1, 2013	17,214	5,443	22,657
Additions	3,678	1,918	5,596
Reversals	(1,112)	(2,026)	(3,138)
Balance as of December 31, 2013	19,780	5,335	25,115
Additions	**927**	**305**	**1,232**
Reversals	**(1,740)**	**-**	**(1,740)**
Balance as of June 30, 2014	**18,967**	**5,640**	**24,607**

	Consolidated			
	Provision for labor claims	Provisions for civil claims	Provisions for tax claims	Total
Balance as of January 1, 2013	26,321	4,346	20,449	51,116
Additions	5,546	508	3,650	9,704
Payments	(168)	-	-	(168)
Reversals	(2,480)	(457)	(3,056)	(5,993)
Balance as of December 31, 2013	29,219	4,397	21,043	54,659
Additions	**1,625**	**-**	**1,795**	**3,420**
Write-offs	**(1,740)**	**-**	**-**	**(1,740)**
Reversals	**(119)**	**-**	**-**	**(119)**
Balance as of June 30, 2014	**28,985**	**4,397**	**22,838**	**56,220**

21. Provision for tax, civil and labor risks (Continued)

iii) Claims whose likelihood of an unfavorable outcome is rated as possible:

As of June 30, 2014, the following claims, whose likelihood of an unfavorable outcome was rated as possible by legal advisers, had been filed against the Group:

a) Public interest suits on environmental and health matters brought by state and federal prosecutors of the state of Bahia, in Vitória da Conquista judicial district, and a class action in Poções judicial district with the same objective as the abovementioned public interest suit.

b) Consumer public interest suit 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. The suit concerning the state of Rio de Janeiro was dismissed, whereas the one concerning Pernambuco was upheld. Both are pending appeal. However, in the public interest suit in Rio de Janeiro, the Court suspended the process for it understands that this matter is constitutional.

c) Managerial Wrongdoing suit in which issues related to Financial Compensation for Exploration of Mineral Resources (CFEM) were discussed as well as an annulment action and a tax lien of the same nature.

d) Public interest and class suits, 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) On August 9, 2013, the São Paulo State Department of Labor filed a Public Interest Suit (proceeding No. 0002106-72.2013.5.02.0009) against the Company, wherein the same subject matters of the Public Interest Suit filed in 2004 are discussed. This suit is with the 9th Labor Court in the State of São Paulo. While the facts and subject matters of the former and current suits are the same, in this suit there are some different claim, among which the claim for payment of R$ 1 billion as collective pain and suffering to be deposited in the Worker's Support Fund (FAT).

   In parallel, on October 4, 2013, ABREA also filed a Public Interest Suit (proceeding No. 0002715-55.2013.5.02.0009), with cases assigned by department, with the São Paulo State Labor Court, as these address the same facts challenged in the abovementioned suits.

21. Provision for tax, civil and labor risks (Continued)

iii) Claims whose likelihood of an unfavorable outcome is rated as possible: (Continued)

The Company filed a claim (RCL) with the STF, recorded under No. 16637, in an attempt to demonstrate that the competency to judge such suits had already been analyzed in the 2004 claim. On December 13, 2013, the STF, by means of its reporting judge, suspended, preliminarily, both public interest suits mentioned above, which are currently with the São Paulo State Labor Justice, against Eternit, and determined that the decisions already in the records should be suspended until Claim No. 16637 is awarded a final decision by the STF.

We should clarify that, in 2004, a Public Interest Suit had already been filed by the São Paulo State Department of Labor (proceeding No. 000.04.043.728-0), which addressed the same facts and with the same subject matter of the abovementioned suit, in relation to the unit in Osasco, whose activities ended in 1993.

An unfavorable decision was awarded for the suit by São Paulo Justice, which, by means of its judges, considered that Eternit was fully compliant with the legislation as far as employees' safety and health are concerned, as determined by Federal Law No. 9055/95, Decree No. 2350/97 and Regulating Standards by the Ministry of Labor. In September 2013, a final favorable decision was awarded for the Company.

In addition, as of June 30, 2014, there were other labor, civil, tax and administrative proceedings against the Group, whose likelihood of an unfavorable outcome was rated as possible by the legal counsel, in the consolidated amount of R$ 9,714 (R$ 9,714 as of December 31, 2013). Therefore, no provision was recorded for these claims.

On the other hand, whenever necessary, the Group makes judicial deposits not linked to the provisions for claims in a specific account in noncurrent assets.

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

22. Private pension plan

The Group has a private pension plan with a duly authorized private pension entity. The plan's main purpose is supplementing pension benefits granted by government to employees and executives. The plan is for defined contributions and deductible for income tax purposes (PGBL) and offered to all employees and officers. Contributions are made by the Group and participants, following predetermined progressive contribution percentages.

For the six-month periods ended June 30, 2014 and 2013, the Group and its participants made contributions to fund benefit plans as follows:

	Company		Consolidated	
	06/30/2014	06/30/2013	06/30/2014	06/30/2013
Contributions for the period ended:	**1,405**	1,532	**1,789**	1,979

23. Operating revenue, net

	Company		Consolidated	
	06/30/2014	06/30/2013	06/30/2014	06/30/2013
Gross sales revenue	**314,558**	325,052	**588,868**	579,129
Unconditional discounts and rebates	**(1,434)**	(1,728)	**(1,545)**	(1,802)
Sales taxes	**(80,683)**	(83,374)	**(123,003)**	(124,564)
Operating revenue, net	**232,441**	239,950	**464,320**	452,763

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

24. Information on the nature of expenses

The Group presented the income statements using a classification of expenses based on their function. Information on the nature of these expenses recognized in the income statements is as follows:

	Company		Consolidated	
	06/30/2014	**06/30/2013**	**06/30/2014**	**06/30/2013**
Cost of sales	**(172,182)**	(174,774)	**(284,100)**	(269,289)
Selling expenses	**(29,398)**	(28,501)	**(57,925)**	(56,208)
General and administrative expenses and management fees	**(25,410)**	(27,115)	**(59,804)**	(54,018)
	(226,990)	(230,390)	**(401,829)**	(379,515)
Raw material used	**(117,574)**	(120,735)	**(194,660)**	(191,442)
(-) Present value adjustment	**1,308**	1,022	**1,677**	1,179
Personnel expenses and charges	**(53,209)**	(52,721)	**(83,646)**	(81,612)
Material, electric energy and services	**(15,594)**	(15,458)	**(22,107)**	(21,176)
Rental of personal properties	**(3,568)**	(4,111)	**(5,818)**	(5,577)
Variable selling expenses	**(5,261)**	(6,578)	**(19,859)**	(16,648)
Depreciation and amortization	**(5,806)**	(5,517)	**(18,468)**	(17,685)
Travel expenses	**(2,214)**	(2,070)	**(4,021)**	(4,285)
Expenses with IT materials and services	**(1,769)**	(1,725)	**(3,109)**	(2,680)
Third-parties services	**(10,224)**	(9,553)	**(26,073)**	(21,469)
Commissions on sales	**(5,534)**	(5,446)	**(10,280)**	(9,168)
Trade union contributions	**(1,184)**	(838)	**(4,659)**	(903)
Advertising and publicity	**(3,987)**	(3,657)	**(5,250)**	(4,541)
Taxes and charges	**(1,032)**	(1,043)	**(2,033)**	(1,286)
Expenses with allowance for doubtful accounts	**(351)**	(199)	**(800)**	(543)
Other	**(991)**	(1,761)	**(2,723)**	(1,679)
	(226,990)	(230,390)	**(401,829)**	(379,515)

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

25. Other operating income/expenses, net

	Company		Consolidated	
	06/30/14	**06/30/13**	**06/30/14**	**06/30/13**
Other operating income:				
PP&E disposal	**221**	337	**340**	399
Incidental income	**61**	410	**405**	1,088
Unclaimed dividend and interest on equity	**211**	60	**211**	60
Rental	**-**	-	**1,572**	1,496
Previously unused tax credit	**-**	564	**-**	564
FI Fund – Private Pension	**1,446**	-	**1,446**	-
Other	**-**	-	**730**	-
	1,939	1,371	**4,704**	3,607
Other operating expenses:				
Provision for tax, civil and labor claims	**(280)**	-	**(534)**	-
Provision for future benefits to former employees	**(1,616)**	(1,797)	**(2,397)**	(3,177)
Environmental recovery	**-**	-	**(484)**	-
Taxes on other sales	**(219)**	(17)	**(582)**	(358)
Quality control	**(248)**	(325)	**(422)**	(425)
Replacement of defective products	**(140)**	(264)	**(140)**	(264)
Expenses with labor and civil indemnifications	**(146)**	(168)	**(430)**	(205)
Cost of PP&E disposal	**(59)**	(287)	**(70)**	(302)
Other	**(189)**	(860)	**(286)**	(1,650)
	(2,897)	(3,718)	**(5,345)**	(6,381)
Total	**(958)**	(2,347)	**(641)**	(2,774)

(i) Private pension credit offset, Company's contribution, in unnamed fund established upon termination of employees, in accordance with the Company's policies.

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

26. Financial income (expenses)

	Company		Consolidated	
	06/30/2014	**06/30/2013**	**06/30/2014**	**06/30/2013**
Financial income:				
Short-term investment yield – including bank deposit certificates	**1,163**	1,383	**2,616**	2,347
Discounts obtained	**66**	46	**107**	77
Interest receivable	**4,195**	2,923	**6,225**	4,546
Monetary gains	**1,763**	344	**1,819**	355
Exchange gains	**4,786**	609	**14,582**	11,860
Other financial income	**2**	2	**94**	2
	11,975	5,307	**25,443**	19,187
Financial expenses:				
Interest on financing	**(174)**	(348)	**(439)**	(648)
Interest on intercompany loan	**(1,442)**	(932)	**-**	-
Interest payable	**(1,449)**	(1,063)	**(2,693)**	(3,008)
Banking expenses	**(583)**	(480)	**(701)**	(594)
Discounts granted	**(638)**	(513)	**(1,329)**	(1,148)
Tax on financial transactions (IOF)	**(165)**	(144)	**(352)**	(256)
PIS and COFINS - interest on equity	**(126)**	(260)	**(126)**	(260)
Exchange losses	**(4,290)**	(1,855)	**(14,857)**	(12,378)
Monetary variation	**(1,056)**	(985)	**(2,607)**	(2,363)
Other	**(138)**	(152)	**(328)**	(301)
	(10,061)	(6,732)	**(23,432)**	(20,956)
Financial income (expenses), net	**1,914**	(1,425)	**2,011**	(1,769)

27. Segment reporting

The Company segmented its operational structure taking into consideration internal financial information used in the evaluation of the business and senior management decision making under the requirements of CPC 22 (IFRS8).

Based on the information available for its segments, products and regions, senior management separately monitored the results of business unit operations to make decisions on the allocation of funds and to assess performance.

27. Segment reporting (Continued)

Operational segments defined by senior management are as follows:

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

- Fiber cement: includes production and sale of roof tiles, water tanks and supplementary parts.

- Chrysotile: includes chrysotile ore mining and sale.

- Concrete roof tiles: includes production and sale of concrete roof tiles.

- Other: include production and sale of components for construction systems, polyethylene water tanks, synthetic marble and resale of sanitary wares, sanitary seats, filters for water pipes, solar water heaters, metallic roof tiles and metal fittings, and accessories for concrete roof tiles.

Financial information on the Company's segments is summarized below. Amounts stated for P&L and total assets are consistent with the balances carried in the financial information, and the accounting policies applied.

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

27. Segment reporting (Continued)

		06/30/2014		06/30/2014					
		Total assets	Liabilities	Net revenue	Gross profit	Income (loss) before taxes	Depreciation and amortization	Financial income (expenses)	IRPJ / CSLL
Fiber cement and synthetic fiber cement									
	Southeast	187,884	41,327	43,821	11,253	2,110	1,331	405	(116)
	South	41,375	49,434	66,684	17,353	3,439	2,409	616	(177)
	Mid-West	69,044	63,069	95,259	26,335	6,460	1,416	880	(252)
	North and Northeast	22,253	33,136	46,128	11,954	2,330	896	426	(122)
		320,556	186,966	251,892	66,895	14,339	6,052	2,327	(667)
Chrysotile									
	Domestic market	251,995	79,848	77,110	60,407	38,158	9,490	(119)	(8,687)
	Foreign market	-	-	79,987	37,146	14,067		(123)	(9,011)
		251,995	79,848	157,097	97,553	52,225	9,490	(242)	(17,698)
Concrete roof tiles	Domestic market	98,535	30,030	34,879	12,027	(2,181)	2,450	(713)	(909)
Other (*)	Domestic market	182,002	44,286	20,452	3,745	(3,124)	476	639	(368)
Total		853,088	341,130	464,320	180,220	61,259	18,468	2,011	(19,642)

(*) Including investment in the pre-operating phase in the ware segment, consolidated by means of equity pickup. See Note 9. Investments.

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

27. Segment reporting (Continued)

		12/31/2013		06/30/2013					
		Total assets	Liabilities	Net revenue	Gross profit	Income (loss) before taxes	Depreciation and amortization	Financial income (expenses)	IRPJ / CSLL
Fiber cement and synthetic fiber cement									
	Southeast	246,494	40,269	48,029	12,915	2,049	1,229	(242)	(164)
	South	59,274	47,950	60,225	16,367	2,742	1,951	(300)	(203)
	Mid-West	74,053	61,234	80,471	24,911	6,706	1,085	(416)	(282)
	North and Northeast	28,377	31,706	42,001	11,383	1,881	894	(187)	(128)
		408,198	181,159	230,726	65,576	13,378	5,159	(1,145)	(777)
Chrysotile									
	Domestic market	252,140	89,294	77,299	53,296	31,905	8,789	212	(9,080)
	Foreign market	-	-	69,253	41,346	22,180		187	(7,980)
		252,140	89,294	146,552	94,642	54,085	8,789	399	(17,060)
Concrete roof tiles	Domestic market	96,713	25,124	36,184	13,886	764	2,833	(1,037)	(144)
Other (*)	Domestic market	76,581	31,926	39,301	9,370	(1,264)	904	14	(369)
Total		833,632	327,503	452,763	183,474	66,963	17,685	(1,769)	(18,350)

(*) Including investment in the pre-operating phase in the ware segment, consolidated by means of equity pickup. See Note 9. Investments.

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

28. Insurance coverage

The Group has insurance coverage at an amount considered sufficient to cover any losses arising from contingent events, considering the nature of its activities, risks involved in its operations and guidance from its insurance advisers. Insurance taken out by the Group as of June 30, 2014 is as follows:

Type	Insured items	Insured amount
Engineering and operational risks, general civil liability and loss of profits	Buildings, facilities, equipment and other	R$ 311,500

29. Financial instruments

29.1 Identification and assessment of financial instruments

a) Financial instrument analysis

The Group measures its financial assets and liabilities in relation to their market values, though appropriate evaluation methodologies and information available. However, such evaluation requires considerable judgment and estimates to detect the most appropriate realizable value. As such, the estimates presented may not necessarily reflect the current market values.

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

	Company		Consolidated	
Measured at fair value	**06/30/2014**	**12/31/2013**	**06/30/2014**	**12/31/2013**
Financial assets				
Cash and cash equivalents	**1,757**	9,516	**4,976**	13,295
Short-term investments	**21,103**	9,897	**44,365**	35,661
Accounts receivable from foreign market	**-**	-	**58,453**	55,521
	22,860	19,413	**107,794**	104,477

	Company		Consolidated	
Measured at amortized cost	**06/30/2014**	**12/31/2013**	**06/30/2014**	**12/31/2013**
Financial liabilities				
Trade accounts payable	**18,836**	22,444	**37,399**	39,293
Loans and financing	**13,398**	23,312	**103,959**	82,680
	32,235	45,756	**141,358**	121,973

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

29. Financial instruments (Continued)

29.1 Identification and assessment of financial instruments (Continued)

b) Fair value hierarchy

The Group uses the following hierarchy to determine and disclose the fair value of financial assets and liabilities by the valuation technique:

Level 1: measurement is made with calculations based on assets/liabilities quoted in the market, without adjustment.

Level 2: measurement is made with techniques where data with significant effect on the fair value is quoted in markets, directly or indirectly.

Level 3: measurement is made with techniques where data with significant effect on the fair value is quoted in markets, directly or indirectly.

The Company adopted the hierarchy-based assumption that cash and cash equivalents, short-term investments and accounts receivable have no difference between carrying amount and fair value ("market value").

The following table presents the financial instruments recorded at fair value, by measurement method:

	Company			
Measured at fair value	**06/30/2014**	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Cash and cash equivalents	**1,757**	**1,757**	**-**	**-**
Short-term investments	**21,103**	**21,103**	**-**	**-**
	22,860	**22,860**	**-**	**-**

	Consolidated			
Measured at fair value	**06/30/2014**	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Cash and cash equivalents	**4,976**	**4,976**	**-**	**-**
Short-term investments	**44,365**	**44,365**	**-**	**-**
Accounts receivable from foreign market	**58,453**	**58,453**	**-**	**-**
	107,794	**107,794**	**-**	**-**

29. Financial instruments (Continued)

29.1 Identification and assessment of financial instruments (Continued)

For the period ended June 30, 2014, there was no fair value assessment transfer between Level I and Level II, or fair value assessment transfer between Level III and Level II.

29.2 Financial risk management

The Group's main financial liabilities, other than derivatives, refer to trade accounts payable, loans and financing. The main purpose of these financial liabilities is to raise funds for operations. The Group also has trade accounts receivable, demand deposits and short-term investments that result directly from its operations. Accordingly, the Group is exposed to market, credit and liquidity risks.

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes two types of risks for the Group: a) currency risk and b) interest rate risk.

a) Currency risk

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

As of June 30, 2014, the Group was exposed to a currency other than its functional currency, as follows:

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

29. Financial instruments (Continued)

29.2 Financial risk management (Continued)

a) Currency risk (Continued)

	Consolidated		Quote as of June 30, 2014
	06/30/2014	**12/31/2013**	**(US$ / € 1.00 = R$1.00)**
Foreign market customers	**58,453**	55,521	2.20
Foreign market suppliers	**(2,004)**	(7,570)	2.20
ACE	**(38,038)**	(39,955)	2.20
Financing – (USD)	**(46,363)**	(24,020)	2.20
Financing (EUR)	**(1,004)**	(1,067)	3.02
Total currency exposure	**(28,956)**	(17,091)	

a1) *Sensitivity analysis*

In order to measure the economic impact of exchange variation on the Group's financial instruments, four scenarios were considered in relation to the exchange rate at June 30, 2014. Pursuant to CVM Ruling No. 475/08, the Group conducted a sensitivity analysis using the probable depreciation scenario at the rate of 50% (Scenario I) and 25% (Scenario II), and appreciation at the rate of 25% (Scenario III) and 50% (Scenario IV), as follows.

				Rate depreciation		Rate appreciation	
Balances (foreign currency) – consolidated	**Risk**	**Rate (*)**	**Position as of June 30, 2014**	**Scenario I (-50%)**	**Scenario II (-25%)**	**Scenario III (+25%)**	**Scenario IV (+50%)**
USD				1.10	1.65	2.75	3.30
Foreign market customers	USD	2.20	58,453	29,227	43,840	73,067	87,680
Foreign market suppliers	USD	2.20	(2,004)	(1,002)	(1,503)	(2,505)	(3,006)
ACE	USD	2.20	(38,038)	(19,019)	(28,528)	(47,547)	(57,057)
Financing	USD	2.20	(46,363)	(23,181)	(34,772)	(57,954)	(69,544)
EUR				1.51	2.26	3.77	4.52
Financing	EUR	3.02	(1,004)	(502)	(753)	(1,255)	(1,506)
		Potential gain (loss)	**(28,956)**	**(14,477)**	**(21,716)**	**(36,194)**	**(43,433)**

(*) US dollar and Euro rates available on the web site of the Central Bank of Brazil (BACEN).

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

29. Financial instruments (Continued)

29.2 Financial risk management (Continued)

b) Interest rate risk

Interest rate risk is the risk that fair value of future cash flows of a financial instrument floats due to market interest rate variations.

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 CDI.

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

	Company		Consolidated	
	06/30/2014	**12/31/2013**	**06/30/2014**	**12/31/2013**
Short-term investments (cash equivalents)	**-**	-	**258**	2,195
Short-term investments	**21,103**	9,897	**44,365**	35,661
Total exposure to interest rate	**21,103**	9,897	**44,623**	37,856

The Group's management believes that there is low risk of significant fluctuations in CDI over the next 12 months, taking into account the stability allowed by the current monetary policy adopted by the Federal Government, as well as the history of increases in the base interest rate in Brazilian economy in recent years. Thus, it did not take out derivatives to hedge against 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, using the probable scenario of interest rate reduction by 50% (Scenario I) and 25% (Scenario II), and increase by 25% (Scenario III) and 50% (Scenario IV), in addition to the probable scenario, which corresponds to maintenance of current interest rate.

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

29. Financial instruments (Continued)

29.2 Financial risk management (Continued)

b) Interest rate risks (Continued)

			Projection of financial income – one year				
				Reduction risk		Increase risk	
Short-term investments – Consolidated	**Index**	**Position as of June 30, 2014**	**Probable scenario**	**Scenario I (-50%)**	**Scenario II (-25%)**	**Scenario III (+25%)**	**Scenario IV (+50%)**
CDI			**9.80%**	**4.90%**	**7.35%**	**12.25%**	**14.70%**
Short-term investments (cash equivalents)	CDI	258	284	271	277	290	296
Short-term investments	CDI	44,365	48,713	46,539	47,626	49,800	50,887

c) Credit risk

Trade accounts receivables
Customer credit risk is managed by the Group 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 Allowance for Doubtful Accounts, as described in Note 6.

No Group customer accounts for more than 5% of total trade accounts receivable balance as of June 30, 2014 (5% as of December 31, 2013).

Demand deposits and short-term investments
The Group is also subject to credit risks related to financial instruments taken out for business management purposes. The Group 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)

29. Financial instruments (Continued)

29.2 Financial risk management (Continued)

d) Liquidity risk

The liquidity risk consists in the Group's occasionally not having sufficient funds to meet its commitments, given the different currencies and realization/settlement terms of its rights and obligations.

The control over the Group's liquidity and cash flow is monitored daily by management, in such way as to ensure that the operating cash generation and the available lines of credit, as necessary, are sufficient to meet their schedule of commitments, not generating liquidity risks.

e) Capital management

The major objective of Group capital management is to ensure that capital has a strong credit classification and a problem-free capital ratio, in order to support business and maximize value for the shareholder.

Management may adjust capital of the Group in accordance with its strategy, seeking the best capital structure and adjusting it to current economic conditions. For the quarter ended June 30, 2014, there were no changes in the Company's objectives, policies or capital structure processes. The Group includes in its net debt structure: loans, financing less cash and cash equivalents.

	Company		Consolidated	
	Leverage		Leverage	
	06/30/2014	12/31/2013	06/30/2014	12/31/2013
Loans and financing	**13,398**	23,312	**103,959**	82,680
(-) Cash and cash equivalents	**(1,757)**	(9,516)	**(4,976)**	(13,295)
Net debt	**11,641**	13,796	**98,983**	69,385
Equity	**511,942**	506,113	**511,942**	506,129
Net debt and equity	**500,301**	492,317	**412,959**	436,744

30. Commitments and guarantees

The Group has a commitment with supplier Oerlikon Neumag, Zweigniederlassung der Oerlikon Textile GmbH & Co. KG, for the purchase of equipment items and the rendering of equipment creation and commissioning services for the amount of € 11,375 (R$34,353 as of June 30, 2014). The existing commitment follows market practices.

As of June 30, 2014, the Group had the following guarantees:

(i) Assignment of fixed assets provided as guarantee in legal proceedings, amounting to R$ 940, as mentioned in Note 11;

(ii) The Company has collaterally signed R$ 7,122 in ACE operations of subsidiary SAMA, amounting to R$ 38,038, as mentioned in Note 14 (e);

(iii) Guarantee of the electric energy purchase and sale agreement entered into by subsidiary SAMA and the supply company Tractebel, amounting to R$ 3,770, with Banco Safra, maturing in March 2015;

(iv) Guarantee of tax enforcement payment - DNPM (National Department of Mineral Production) amounting to R$ 1,440, with Banco Bradesco, with indefinite maturity;

(v) Financing guarantee to the Goiás State Development Agency, amounting to R$ 4,371, with Banco Bradesco, maturing in February 2015;

(vi) R$ 40,909 (60%) guarantee of the financing entered into between Companhia Sulamericana de Cerâmica and BNB, Banco do Nordeste, for installation of a sanitary ware plant, with Banco Bradesco, maturing in January 2015.

(vii) Guarantee of the equipment import financing contract with Banco Bradesco S.A. amounting to € 593 (R$ 1,790 as of June 30, 2014).

31. Environment and mineral resources

Environment

The mining industry in Brazil is subject to governmental controls to avoid potential risks to the environment, resulting from mineral extraction.

Decree No. 97632/89 requires mining projects, detailing environmental restoration programs and the impact on the environment. Subsidiary SAMA follows the Plan for Restoration of Degraded Areas - PRAD, which was approved and includes the schedule for "restoration of degraded mining areas", after mineral resources depletion.

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

31. Environment and mineral resources (Continued)

Following the PRAD plan, SAMA is able to extract and process Chrysotile ore. According to the initial project, extraction and processing of Chrysotile ore will end in 2032, when the project for dismantlement, indemnification and restoration of degraded areas will be implemented.

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

	06/30/2014
Discount rate	**10% p.a.**
Long-term inflation rate	**5% p.a.**

Present value of expected cash outlays	**06/30/2014**
2032	**3,837**
2033	**3,293**
2034	**1,706**
2035 to 2039	**1,374**
	10,210

Under the PRAD plan, environmental restoration in degraded mining sites will occur between 2032 and 2039.

Total expenses recognized for environmental restoration of degraded mining sites for the period ended June 30, 2014 was R$ 484 (R$ 292 as of June 30, 2013), calculated based on the current production of Chrysotile.

Mineral resources (unaudited)

Details on mineral resources of the Group (Chrysotile asbestos), which are mined and processed by the subsidiary SAMA, are as follows:

Description	**06/30/2014**
Mineral resources	**8,015,310 t**
Production for the period	**156,147 t**
Mine estimated useful life	**18 years**

Management Report

General and Market Scenario

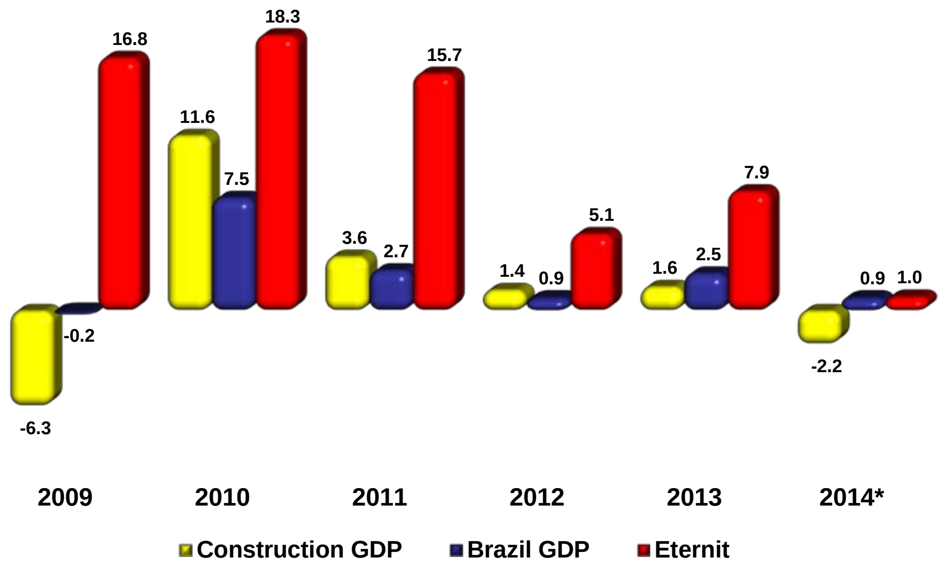
On the international front, since the last Inflation Report, the Central Bank of Brazil (BACEN) committee considers that the risks to global financial stability have remained high despite the low probability of extreme events occurring in international financial markets. Overall, the prospects of more intense global economic activity remained unchanged despite evidence pointing to low growth rates in a few mature economies this year, below their growth potential. According to the International Monetary Fund (IMF), the growth forecast for the global economy in 2014 was revised downward from 3.7% to 3.4%, primarily due to poor performance in the first quarter, particularly in the United States, as well as a less optimistic outlook for a few emerging markets.

In the domestic scenario, BACEN indicates that due to the moderate increase in credit and employment levels, household consumption should continue to increase, though at a slower pace than in previous years, and investments and exports should pick up momentum. However, these changes depend on higher confidence among companies and families. In this regard, BACEN believes that the central scenario is one of slower growth in economic activity in 2014 compared to 2013. The Bank also revised the forecast for GDP growth in 2014 from 2.0% at the start of the year to 0.86% (FOCUS report of BACEN dated August 01), and for construction GDP from 1.1% to -2.2% (June edition of the Inflation Report). Still on the domestic scenario, the IMF points out that investments and consumption growth are being hampered by highly restrictive financial conditions and by low confidence among businessmen and consumers.

According to the Brazilian Association of Construction Materials Industry (ABRAMAT), domestic construction material sales in 1H14 declined 4.6% year on year, well below the revised growth forecast for 2014 from 4.5% to 2.0%, mainly due to the sales in June, which decreased significantly by 11.0% and 13.6% from May this year and June 2013, respectively. The decrease is primarily explained by the fewer business days due to the World Cup holidays and the consequent decline in sector activity, apart from the behavior of consumers, who reduced the pace of renovations and retail purchases. Achievement of this forecast by the end of 2014 will depend on the resumption of small construction and renovation projects postponed by households, improved prospects for the real estate segment, and the maintenance of income, employment and credit supply levels in the market.

According to the National Association of Construction Material Dealers (ANAMACO), construction material retail sales were lower than expected in 1H14, but the expectation of increase from 2013 remains, since sales are stronger in the second half of the year.

Brazil GDP x Construction GDP x Gross Revenue (Consolidated) Eternit (%)



(*) – Forecast.
Source: Central Bank of Brazil, projected GDP growth of Brazil and the construction industry in 2014.
Growth in Eternit's consolidated gross revenue compares January-June 2014 with the same period in 2013, deflated by the IGP-M index.

Operational and Financial Aspects

The construction materials industry registered a weak performance in 2Q14, ending the first half well below the growth forecast for the period according to the Brazilian Association of Construction Materials Industry (ABRAMAT).

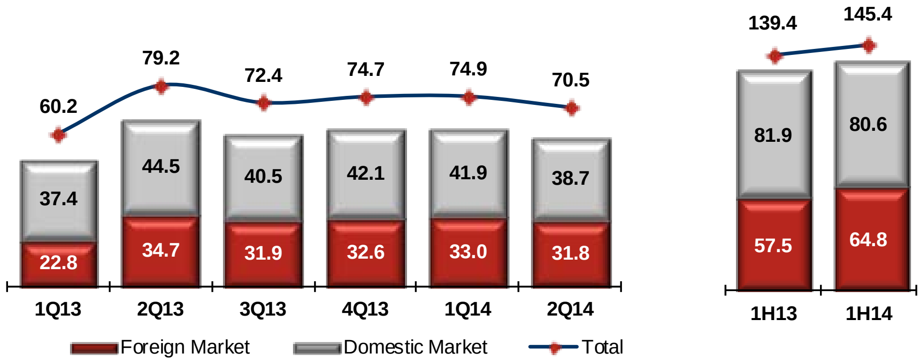
In 2Q14, the Company operated at full capacity in its chrysotile asbestos mining unit and in its line of finished products, capacity utilization was approximately 90% in fiber-cement and 50% in concrete roofing tiles. Though 2Q14 is a period of lower demand for it, Eternit operated at levels above demand to build inventories for the second half of the year, when demand is traditionally higher.

Sales

Chrysotile Asbestos

Chrysotile asbestos sales in 2Q14 reached 70,500 tons, down 11.0% from 2Q13. Domestic sales decreased 13.1% during the period, particularly due to the lower demand for construction materials in the domestic market. Exports decreased 8.3%, primarily due to the non-recurring slowdown of the economies in Asia.

Sales of Chrysotile Asbestos (thous. Tons.)*



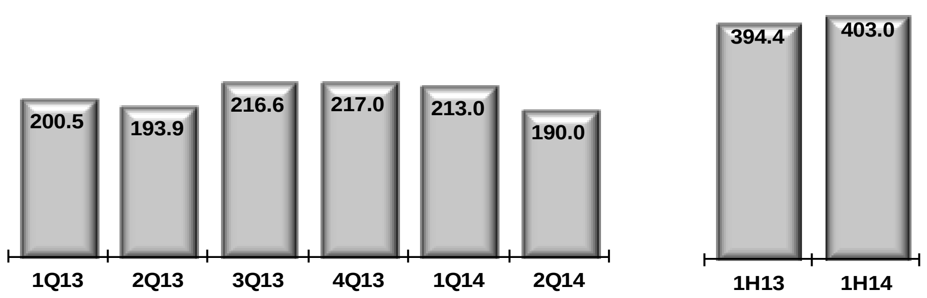
(*) Chrysotile asbestos sales include intercompany sales, which accounted for 41.7% of domestic sales in 2Q14.

Sales in 1H14 totaled 145,400 tons, increasing 4.3% from 1H13. In the same comparison period, the highlight was the 12.8% growth in the export market, mainly due to the strong sales performance in the first quarter, offsetting the slight 1.8% decrease in the domestic market.

Fiber-cement

Fiber-cement sales in the domestic market, including construction solutions, totaled 190,000 tons in 2Q14, down 2.2% from 2Q13 as a result of the industry slowdown, particularly in June because of the high number of holidays on account of the World Cup.

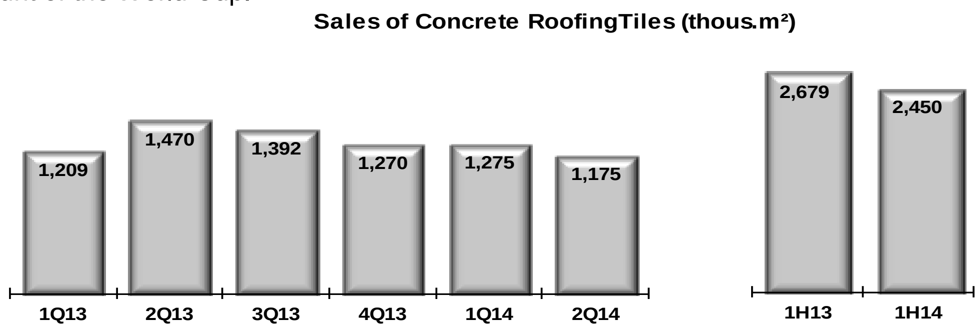
Sales of Fiber-cement (thous. Tons.)



Sales in 1H14 totaled 403,000 tons, up 2.0% year on year. Maintenance of the credit policy and unemployment rates, as well as the high competitiveness of these products in the roofing segment, has contributed to this small growth.

Concrete Tiles

In 2Q14, concrete tile sales in the domestic market totaled 1,175,000 square meters (equivalent to 10,466,000 pieces), a 20.0% decrease from 2Q13, due to the steep fall in demand in this segment and the fewer business days on account of the World Cup.



In 1H14, sales volume reached 2,450,000 square meters (equivalent to 21,893,000 pieces), down 8.6% from 1H13 due to the factors mentioned above.

Other Products

These include the manufacture and sale of polyethylene water tanks and the resale of metal roofing tiles, metal bathroom fixtures and roofing accessories, among others, in the domestic market. Bathroom chinaware has been the highlight of the Eternit Group's portfolio, and Companhia Sulamericana de Cerâmica (CSC), its jointly-owned subsidiary, started production in the state of Ceará and the commercialization it all across Brazil.

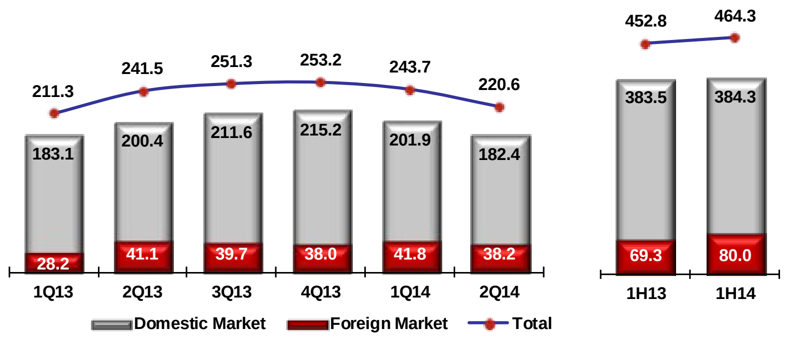
Consolidated Net Revenue

Consolidated net revenue in 2Q14 reached R$ 220.6 million, down 8.6% from the same period in 2013. Domestic market revenue amounted to R$ 182.4 million, a decrease of 8.9% primarily explained by the lower demand in the construction materials segment and the fewer business days due to the World Cup, which was partially offset by price increases in fiber-cement and concrete tiles segments. Net revenue from exports decreased 7.2% from 2Q13 to reach R$ 38.2 million, as a result of lower volume, which was partially neutralized by the appreciation of the U.S. dollar against the Brazilian real.

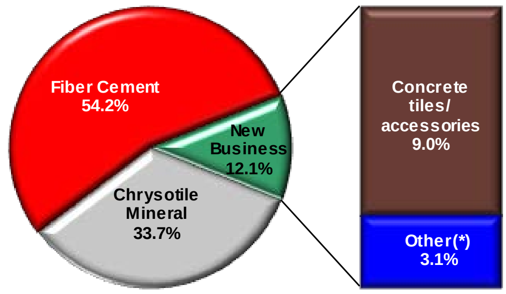
Comparing 2Q14 with 2Q13 by product line, revenue from chrysotile asbestos sales decreased 14.0% to R$ 74.3 million, due to the lower sales volume, which was offset by the appreciation of the U.S. dollar. In the same comparison period, fiber-cement revenue increased 3.5% to end 2Q14 at R$ 119.5 million, primarily due to price repositioning.

Revenue from concrete roofing tiles and roofing accessories came to R$ 19.8 million in 2Q14, down 11.5% from 2Q13 as a result of lower demand in the segment, partially offset by price increases. The other products line amounted to R$ 7.0 million in 2Q14, 59.5% lower than in 2Q13, mainly due to the sales of bathroom chinaware and toilet seats, from January 2014, be made by Companhia Sulamericana de Cerâmica (CSC) due to the transfer of Eternit's inventory of bathroom chinaware and lavatory seats to CSC with the start of its industrial operations. The sales of bathroom chinaware and toilet seats of CSC are not consolidated given that the shareholders (Eternit and Colceramica, a Colombian multinational) have joint control, as established by CPC 36 and IFRS 10 with regard to consolidated financial statements and CPC 19 and IFRS 11 with regard to joint arrangements.

Consolidated Net Revenue (R$ million)



Breakdown of Consolidated Net Revenue (2Q14)



(*) Other: metal bathroom fixtures, metal roofing tiles, polyethylene water tanks, synthetic marble and construction solutions.

In 1H14, net revenue amounted to R$ 464.3 million, up 2.6% compared to the same period in 2013. This performance is the result of exports of R$ 80.0 million, up 15.5% year on year, primarily explained by the higher sales volume in 1Q14 and the 13.0% appreciation of the U.S. dollar against the Brazilian real (comparison of average PTAX in the period). Domestic sales amounted to R$ 384.3 million, virtually stable (growth of 0.2%) compared to 1H13.

Cost of Mining, Production and Goods Sold

Consolidated cost of goods sold reached R$ 131.2 million in 2Q14, down 8.0% from 2Q13, mainly due to the lower sales volume in the operating segments. Gross margin remained stable at 41% between the periods.

The main variations in mining and production costs are shown below:

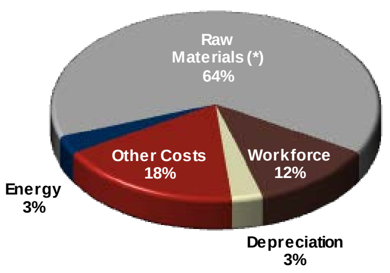
Chrysotile mining: 10% increase on account of higher manpower expenses due to the amendment to the service agreement with third parties for rock transport, maintenance and depreciation of new equipment and trucks at the extraction area.

Fiber-cement: 9% increase due to the higher price of raw materials (especially chrysotile asbestos and pulp), electricity tariffs and higher consumption of packaging.

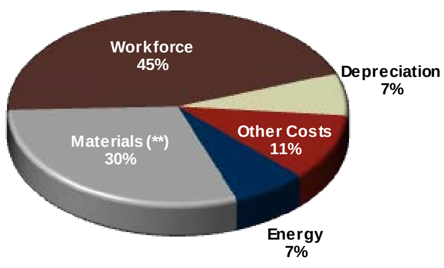
Concrete roofing tiles: 1% increase due to the higher price of raw materials (especially white cement, varnish and pigments) and inputs (electricity and fuel).

Breakdown of Cost of Mining and Production (2Q14)

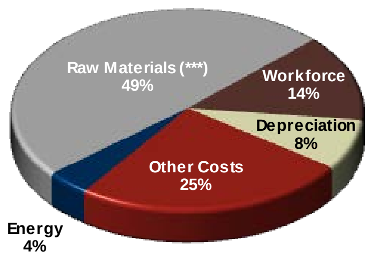
Fiber-cement



Chrysotile Asbestos



Concrete Roofing Tiles



(*) Raw materials: cement (45%), chrysotile asbestos (42%) and other (13%).
(**) Materials: fuel, explosives, packaging and others.
(***) Raw materials: cement (54%), sand (29%) and other (17%).

In 1H14, consolidated cost of goods sold amounted to R$ 284.1 million, increasing 5.5% from 1H13, due to higher mining and production costs. Since the increase in the consolidated cost of goods sold outpaced the increase in net consolidated revenue in 1H14, gross margin declined 2 percentage points year on year to 39%.

Operating Expenses

Total operating expenses in 2Q14 increased 3.4% from the prior-year period, mainly due to the following variations:

Selling expenses: virtually stable (0.2% decrease) due to higher expenses with marketing campaigns, neutralized by lower expenses with commissions due to lower sales volume.

General and administrative expenses: 10.6% increase due to the administrative and commercial restructuring of Tégula, the rise in payroll expenditure as a result of a collective wage increase agreement, higher expenses with the implementation of the research, development and production unit for construction material inputs in Manaus and with defending the use of chrysotile asbestos.

Other operating (expenses) revenues: decrease of 64.5% due to social security credits offset during the period.

In R$ '000	2nd Quarter			Accum.6 Months		
	2014	2013	Chg. %	2014	2013	Chg. %
Selling expenses	(29,490)	(29,542)	(0.2)	(57,925)	(56,208)	3.1
General and administrative expenses	(31,287)	(28,294)	10.6	(59,804)	(54,018)	10.7
Other operating revenues (expenses), net	(493)	(1,391)	(64.5)	(641)	(2,774)	(76.9)
Total operating expenses	**(61,270)**	**(59,227)**	**3.4**	**(118,370)**	**(113,000)**	**4.8**
Percetage of net revenue	*28%*	*25%*	*3 p.p.*	*25%*	*25%*	-

In 1H14, operating expenses totaled R$ 118.4 million, up 4.8% from 1H13 due to the aforementioned factors.

Net Financial Income

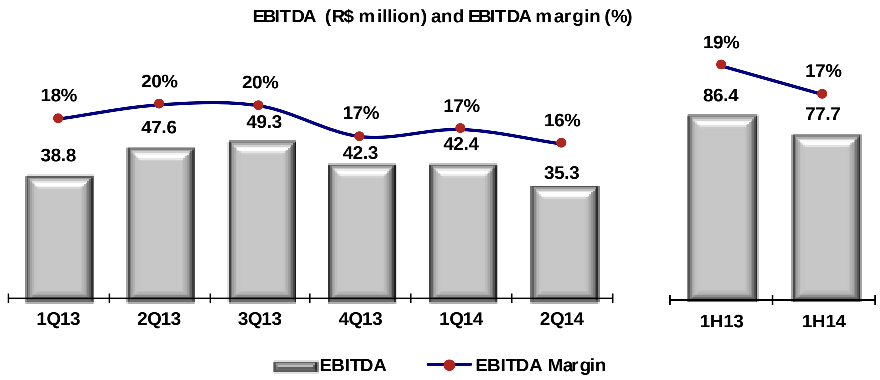
Eternit recorded net financial income of R$ 220,000 in 2Q14, compared to a negative result of R$ 1.6 million in 2Q13, due to the effects of gains and losses from exchange variation and inflation adjustment.

In R$ '000	2nd Quarter			Accum.6 Months		
	2014	2013	Chg. %	2014	2013	Chg. %
Financial expenses	(10,383)	(12,129)	(14.4)	(23,432)	(20,956)	11.8
Financial income	10,603	10,570	0.3	25,443	19,187	32.6
Net financial result	**220**	**(1,559)**	**-**	**2,011**	**(1,769)**	**-**

In 1H14, Eternit recorded net financial income of R$ 2.0 million, versus loss of R$ 1.8 million in 1H13, due to the reasons explained above.

EBITDA

Consolidated EBITDA (earnings before interest, taxes, depreciation and amortization) amounted to R$ 35.3 million in 2Q14, down 25.7% from 2Q13, primarily due to the lower sales volume of chrysotile asbestos, fiber-cement and concrete roofing tiles, the non-recurring increase in operating expenses due to the administrative and commercial restructuring of the subsidiary Tégula, as well as expenses to implement the unit for the research, development and production of construction material inputs in Manaus, partially offset by the price repositioning in the fiber-cement and concrete roofing tiles segments and the U.S. dollar appreciation against the Brazilian real. As a result, EBITDA margin in 2Q14 was 16%, down 4 percentage points from 2Q13.



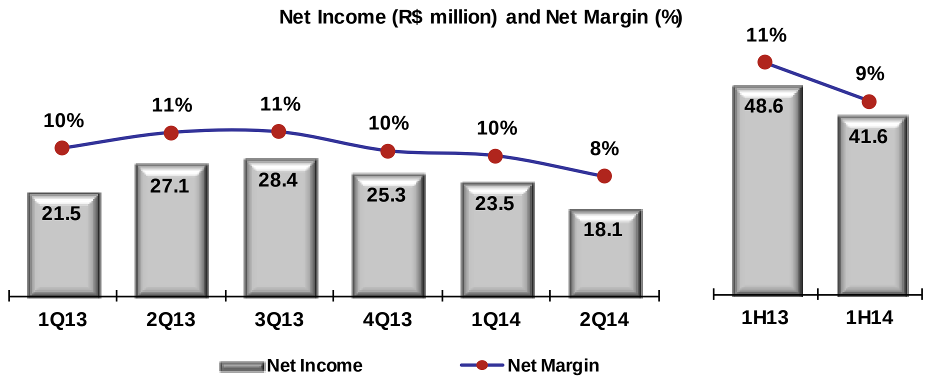
EBITDA in 1H14 totaled R$ 77.7 million, decreasing 10.1% from 1H13, with EBITDA margin of 17%, down 2 percentage points from 1H13, due to the factors described above.

Reconciliation of consolidated EBITDA - (R$'000)	2nd Quarter			Accum. 6 Months		
	2014	2013	% Chg.	2014	2013	% Chg.
Net income	**18,127**	**27,140**	**(33.2)**	**41,617**	**48,613**	**(14.4)**
Income tax and social contributions	8,147	10,069	(19.1)	19,642	18,350	7.0
Net financial Income	(220)	1,559	-	(2,011)	1,769	-
Depreciation and amortization	9,291	8,828	5.3	18,468	17,685	4.4
EBITDA	**35,345**	**47,596**	**(25.7)**	**77,716**	**86,417**	**(10.1)**

Note that EBITDA is calculated in accordance with Instruction 527 issued by the Securities and Exchange Commission of Brazil (CVM) on October 4, 2012.

Net Income

Eternit registered net income of R$ 18.1 million in 2Q14, down 33.2% from 2Q13, while net margin decreased 3 percentage points to end the period at 8%, due to the same factors explained in the EBITDA section.



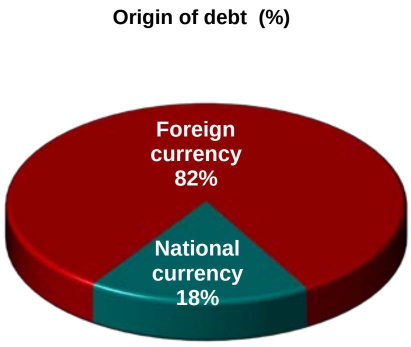
In 1H14, net income amounted to R$ 41.6 million, with net margin of 9%, compared to R$ 48.6 million and 11% in 1H13, respectively.

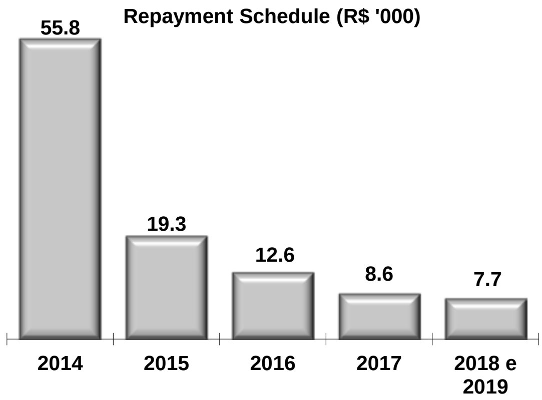
Debt

The Company ended 2Q14 with net debt of R$ 54.6 million. In June 2014, the gross debt of Eternit and its subsidiaries totaled R$ 104.0 million, which is basically explained by: (i) the advances against draft presentation (ACE) for working capital (maturing in 2014); and (ii) the financing lines contracted for the acquisition of trucks, machinery and equipment for its operations under the programs FINIMP (import financing) and FINAME (long-term financing for the acquisition and manufacture of new machinery and equipment).

Cash, cash equivalents and short-term financial investments amounted to R$ 49.3 million, with financial investments remunerated at an average rate corresponding to 102% of the variation in the interbank overnight rate (CDI).

DEBT	Parent Company		Consolidated	
	06/30/14	12/31/13	06/30/14	12/31/13
Short- term gross debt	8,535	8,944	55,790	56,881
Long-term gross debt	4,863	14,368	48,169	25,799
Cash and cash equivalents	(1,757)	(9,516)	(4,976)	(13,295)
Short-term investments (same cash equivalents)	(21,103)	(9,897)	(44,365)	(35,661)
Net debt	**(9,462)**	**3,899**	**54,618**	**33,724**
EBITDA (last 12 months)	33,916	36,347	169,336	178,037
Net debt / EBITDA x	**(0.28)**	**0.11**	**0.32**	**0.19**
Net debt / Equity	**-**	**0.8%**	**10.7%**	**6.7%**



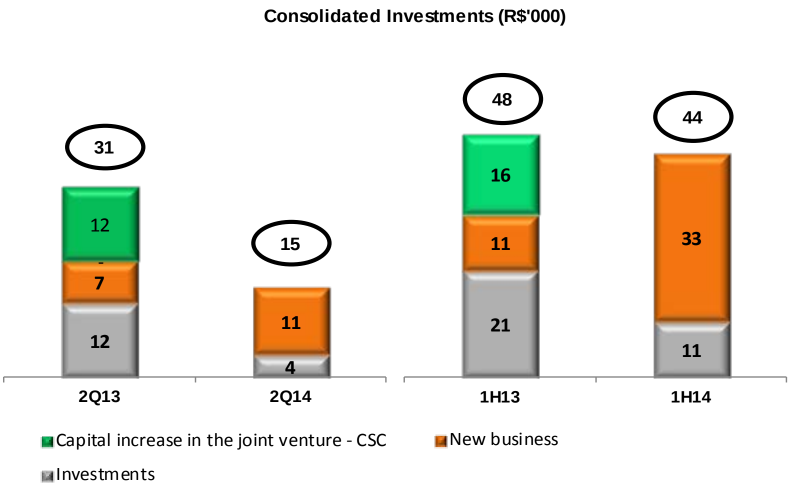


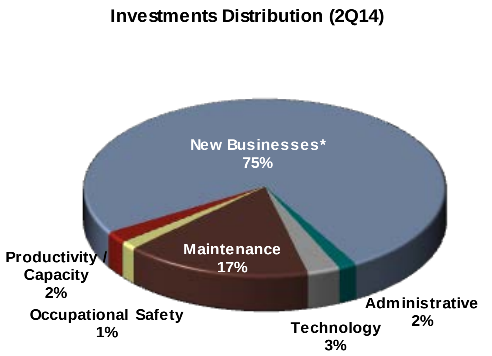
Note that the Company does not contract leveraged operations involving derivative instruments of any type that could be interpreted as speculative positions.

Investments

The investments made by Eternit and its subsidiaries in 2Q14 amounted to R$ 14.8 million, which is 51.5% lower than in the same quarter of 2013. The funds were allocated primarily to the installation of a unit for the research, development and production of construction material inputs in the state of Amazonas and the maintenance and modernization of the Group's industrial facilities.

In 1H14, investments totaled R$ 44.0 million, decreasing 8.9% from the prior-year period, and were allocated as follows: (i) R$ 33.2 million to the installation of a unit for the research, development and production of construction material inputs; and (ii) R$ 10.8 million for the maintenance and modernization of the industrial facilities.





* Unit for the research, development and production of construction material inputs

Capital Markets

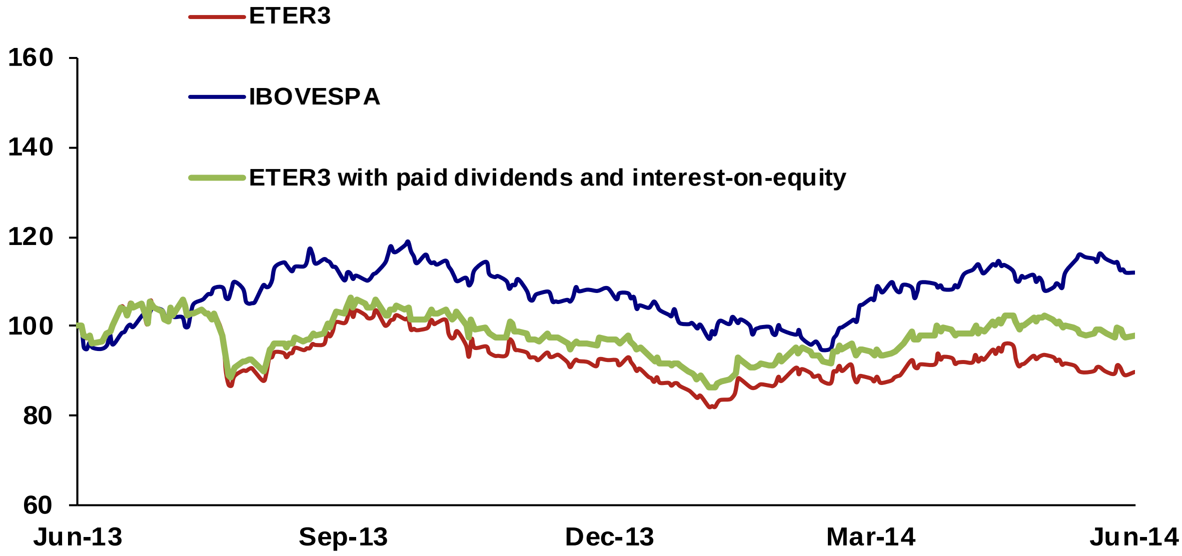
Eternit has been registered on the stock exchange since 1948, and since 2006 its stock has traded on the Novo Mercado, the listing segment of the São Paulo Securities, Commodities and Futures Exchange (BM&FBovespa) with the highest level of corporate governance, under the stock ticker ETER3. The Company has also maintained a Level I American Depositary Receipt (ADR) program since May 2010, which allows its shares to trade on the secondary or over-the-counter market in the United States, under the stock ticker ETNTY.

In 2Q14, Eternit's shareholder base had a high concentration of individual investors, who accounted for 62.5%, while foreign investors accounted for 11.5% and institutional investors, investment clubs, investment funds and foundations accounted for 26.0%.

The shares of Eternit (ETER3) were being quoted at R$ 8.49 in June 2014, showing a depreciation of 10.2% compared to June 2013. In the same period, the benchmark Bovespa Index (IBOVESPA) closed at 53,168 points, representing a gain of 12.0%. On June 30, 2014, Eternit's market capitalization stood at R$ 759.9 million.

Capital Markets					
ETERNIT (ETER3)	2Q13	3Q13	4Q13	1Q14	2Q14
Closing Price (R$/Share) - Without dividends	9.45	9.52	8.74	8.35	8.49
Average Volume Traded (Shares)	139,741	85,218	64,923	52,751	59,507
Average Volume Traded (R$)	1,326,183	774,671	598,194	437,625	516,649
ETER3 - Quarterly Profitability (%)	-	0.7	-8.2	-4.5	1.7
ETER3 - 12 Months Profitability (%)	-	-2.9	7.9	-6.3	-10.2
IBOVESPA - Quarterly Profitability (%)	-	10.3	-1.6	-2.1	5.5
IBOVESPA - 12 Months Profitability (%)	-	-11.6	-15.5	-10.5	12.0
Market Capitalization (R$ Million)	845.8	852.0	782.2	747.3	759.9

Performance of ETER3 Share vs. Ibovespa Index (Basis: 100) - R$/ShareCapital



Source: Economática

Dividends and Interest on Equity

Eternit continues to be one of the publicly held corporations in Brazil delivering the highest returns to its shareholders. In 2014, Eternit's dividend yield[1] is already at 6.9%, with earnings distributed to shareholders amounting to R$ 53.7 million.

Dividends and interest on equity have historically been paid on a quarterly basis. In view of this practice, individual investors account for a major share of Eternit's shareholder base.

[1]Dividend yield: It is the result of dividing shareholder earnings (dividends + interest on equity) per share distributed in the fiscal year (payment base date) by the stock price quoted on the last trading day of the previous fiscal year.

Dividends Distribution (2012 to 2014)				
Approval Date	Type	Payment Start Date	Total Value R$ 000	Value per Share (R$)
	2012			
12/07/11 (*)	BDM	03/28/12	5,905	0.066
03/07/12 (*)	BDM	03/28/12	11,989	0.134
04/25/12	BDM	05/17/12	5,905	0.066
04/25/12	BDM	05/17/12	11,989	0.134
08/08/12	BDM	08/29/12	6,710	0.075
08/08/12	BDM	08/29/12	11,184	0.125
10/24/12	BDM	11/14/12	5,726	0.064
10/24/12	BDM	11/14/12	12,168	0.136
Total		-	**71,576**	**0.800**
Closing Price		-	-	**8.90**
Dividend Yield		-	-	**9.0%**
	2013			
12/12/12 (*)	BDM	03/26/13	5,726	0.064
03/06/13 (*)	BDM	03/26/13	12,168	0.136
04/17/13	BDM	05/10/13	5,726	0.064
04/17/13	BDM	05/10/13	12,168	0.136
08/07/13	BDM	08/28/13	5,726	0.064
08/07/13	BDM	08/28/13	12,168	0.136
10/23/13	BDM	11/13/13	5,816	0.065
10/23/13	BDM	11/13/13	12,079	0.135
Total		-	**71,577**	**0.800**
Closing Price		-	-	**8.10**
Dividend Yield		-	-	**9.9%**
	2014			
11/12/13 (*)	BDM	04/02/14	5,458	0.061
03/06/13 (*)	BDM	04/02/14	12,436	0.139
05/07/14	BDM	05/28/14	5,994	0.067
05/07/14	BDM	05/28/14	11,900	0.133
06/08/14	BDM	08/27/14	5,995	0.067
06/08/14	BDM	08/27/14	11,899	0.133
Total			**53,682**	**0.600**
Closing Price		-	-	**8.74**
Dividend Yield		-	-	**6.9%**

(*) Recording in the accounts for the preceding fiscal year.

Social, Environmental and Corporate Responsibility

Open Doors Program

To contribute to a better understanding by society of the extraction and processing of chrysotile asbestos, the manufacturing of fiber-cement products in a sustainable manner and the health and safety practices adopted, in November 2004, Eternit created its Open Doors Program. The program entails visits by the public to the Group's five fiber–cement units located in Anápolis (Goiás), Colombo (Paraná), Goiânia (Goiás), Rio de Janeiro (Rio de Janeiro), and Simões Filho (Bahia), as well as to SAMA, the mining company located in Minaçu in the north of Goiás. Since its introduction, the program, which is considered one of the largest in the market, has already received over 64,000 visitors.

To schedule a visit, please check the location of the unit closest to you and send an e-mail to the addresses on the Eternit website (www.eternit.com.br/sobre-a-eternit/portas-abertas - in Portuguese).

Legal issue regarding chrysotile mineral

The Company clarifies that the extraction, processing, use, sale and transport of chrysotile asbestos and products containing the mineral are regulated by Federal Law 9055/95, Decree 2,350/97 and the Regulatory Rules of the Ministry of Labor and Employment.

State Law 10,813/2001 in the state of São Paulo and State Law 2,210/2001 in the state of Mato Grosso do Sul, which prohibited the importation, extraction, processing, sale and installation of products or materials containing any sort of asbestos, in any form, were both, through Direct Actions of Unconstitutionality (ADI) No. 2656 and No. 2396, adjudicated and declared unconstitutional by the Federal Supreme Court (STF), based on the fact that they violated the jurisdiction of the federal government.

Current State Laws 12,684/2007 in São Paulo, 3,579/2004 in Rio de Janeiro, 11,643/2001 in Rio Grande do Sul and 12,589/2007 in Pernambuco that restrict the use of asbestos in their jurisdiction are currently the subject-matter of the ADIs filed by the National Confederation of Industrial Workers (CNTI) at the Federal Supreme Court (STF).

On April 2, 2008, the National Association of Labor Court Judges (ANAMATRA) and the National Association of Labor Prosecutors (ANPT) filed ADI No. 4,066 questioning the constitutionality of Article 2 of Federal Law 9,055 of 1995.

On December 30, 2013, State Law 21,114/13 was sanctioned, whose Article 1 prohibits the importation, transportation, storage, manufacturing, sale and use of products containing asbestos in the state of Minas Gerais, providing for a period of 8 to 10 years for full compliance with said Article 1. Therefore, compliance with this provision will be required as of 2021 and 2023, respectively.

The Company reaffirms its belief in Brazil's legal system and expects the technical and scientific evidence to be considered during the judgment of these lawsuits.

Recognition

The numerous awards received over the past seven decades since its foundation are proof that the Company is serious about what it does for all its stakeholders. Following is a list of the awards won in the second quarter of 2014:

The 2014 Best Workplaces in Latin America – SAMA was elected the sixth best company to work for in Latin America by the Great Place to Work (GPTW) Institute, and was the only mining company awarded at the international GPTW in the category of 500 to 1,000 employees.

GPTW Best Companies to Work for – Midwest – 2014 – for the fourth consecutive time, SAMA was elected by Great Place to Work and the newspaper O Popular as one of the best companies to work for in the Midwest, and was ranked first.

Most Admired HR Departments in Brazil 2014 – Flávio Grisi and Moacyr de Melo Junior, respectively the HR officer of Eternit and the HR manager of SAMA, were awarded for being part of the Most Admired HR Departments in Brazil 2014, organized by the magazine Gestão RH.

20th ABEMD Award - 2014 – granted by the Brazilian Direct Marketing Association (ABEMD), Eternit won in the Digital/Mobile – Browsing Optimization category with its **“New Eternit Portal – The Brand of the Owl”** project.

Outlook

Economic activity grew moderately at the start of the year and the GDP growth expectation for 2014, which was once again lowered, now stands at 0.86% (as per the FOCUS report published by the Central Bank of Brazil on August 01), already taking into consideration the slowdown of the Brazilian economy in relation to 2013, as well as other advances that depend on higher confidence of companies and households. The construction industry is one of the drivers of the country's economic development, which involves the actual industry, the construction materials industry and its suppliers, as well as services along the chain, which generate jobs and income in the country. Despite the Brazilian government’s increased investments in housing, basic sanitation and infrastructure, and the signs of a positive scenario for the Brazilian economy in general, the projected GDP of the construction industry is 2.2% lower for 2014, according to the Central Bank’s Report on Inflation.

Given the current economic scenario and the expectations of GDP growth of below 1.0%, the Central Bank announced the injection of R$ 45 billion into the financial system to finance new consumer and corporate credit lines in order to resume economic growth.

Brazil suffers from a severe housing deficit, which is estimated by the João Pinheiro Foundation at 6.9 million units, which is formed by families that are burdened by excessively high rents and by the cohabitation of families, which represents 70% of the country's housing shortage, followed by precarious living conditions and excessive density in the rented houses. According to studies for the industry conducted by the U.S. consulting firm Booz Allen Hamilton, 77% of the housing units in Brazil are built under a self-build regime, since 72% of this deficit is concentrated in households earning up to three minimum monthly wages and in which the activities of contractors is very limited.

New job creation, better income distribution, increased financing, higher investments in infrastructure and more units built under the government's My Home, My Life housing program will help resolve the housing problem, while also having a positive impact on the Company's business, given the stronger demand for the products in our portfolio targeting primarily self-build construction projects.

Supported by its Structured Expansion and Diversification Program, Eternit is preparing to become the most diversified construction materials manufacturer in Brazil. The first phase of this program consolidated Eternit as the country's largest and most diversified roofing products manufacturer in 2010, and its capacity to innovate and develop competitive advantages has enabled it to double its revenue. The Company is now starting a new cycle to become the most diversified manufacturer of construction materials in Brazil using the force of its brand and the extensive reach of its network of more than 16,000 points of sale.

The guidelines of the Program are: (i) organic growth to expand its current capacities to sell more of the same; (ii) diversified organic growth, with the objective of including new products in the Company's portfolio, drawing on the capacity of third parties or on product development; and (iii) inorganic growth, with the objective of acquiring companies in the construction materials segment.

Companhia Sulamericana de Cerâmica, the first bathroom chinaware plant (initial production capacity of 1.5 million units/year) at the multiproduct unit in Ceará, started operations and domestic sales in 2014. Since the joint venture between the Eternit Group and Colceramica, a company of the Colombian multinational group Organizações Corona, is a greenfield project*,* it will be officially inaugurated after gaining certain momentum and after the progress and growth targets for the ramp up phase are met.

In line with its Expansion and Diversification Plan, the Company will focus its efforts in the second half of 2014 on consolidating the investments in Fortaleza and in the unit for the research, development and production of construction material inputs in Manaus.

According to the Brazilian Association of Construction Materials Industry (ABRAMAT), the construction materials sector registered a 4.6% decline in year-to-date sales compared to the same period in 2013, and a 13.6% decline in June, due to the slowdown in sector activity on account of the soccer World Cup. As a result, ABRAMAT reduced the projected sales growth for 2014 from 4.5% to 2.0%. Expectations for the second half of the year point to a recovery and positive results in comparison with 2013, combined with resumption of construction and renovation works that drive the retail segment, improvements in the real estate sector, as well as the maintenance of income, employment and credit supply levels in the market.

According to Brazil's National Association of Construction Material Dealers (ANAMACO), construction material sales in the second half account for around 60% of annual sales, and it expects sales growth to once again pick up momentum, which has historically coincided with the period of highest demand for the Company.

Management believes that it is important to take into account the current scenario in the Brazilian economy, with factors such as weak GDP growth, the competitiveness of the country's manufacturing sector, which faces infrastructure bottlenecks and a weak local currency, the new challenges that will emerge during the course of the year, which could impact the country's investment projects, new job creation and income distribution.

Regardless of the challenges mentioned above, Eternit believes in the resumption of growth of the Brazilian economy and, especially, of its sector.

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

The Executive Board of **Eternit** invites you to participate in the reporting of its results for the second quarter of 2014.

Presentation: Rodrigo Lopes da Luz – Chief Financial Officer and IR
Date: Friday, August 8, 2014
Time: 11:00 a.m. – Brasília - 10:00 a.m. - New York - 3:00 p.m. - London

The presentation, which is accompanied by slides, can be viewed online by registering at **www.ccall.com.br/eternit/2q14.htm** or at Eternit's investor relations website: **www.eternit.com.br/ir**

To participate in the presentation by telephone, dial **(55-11) 3193-1001 or 2820-4001** in Brazil and **(1 786) 924-6977** in other countries – Password for participants: **Eternit**

Playback*:* A recording of the call will be available from **August 8, 2014** to **August 14, 2014**
Dial-in: **(55-11) 3193-1012 or 2820-4012** - Password for participants: **2287501#**

Eternit

Investor Relations

Rodrigo Lopes da Luz	rodrigo.luz@eternit.com.br	(55-11) 3038-3818
Paula D. A. Barhum Macedo	paula.barhum@eternit.com.br	(55-11) 3194-3881
Thiago Scheider	thiago.scheider@eternit.com.br	(55-11) 3194-3872

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 06/30/2014 (In Units)**	
	Ordinary Shares		**Total**	
Shareholder	**Qty.**	**%**	**Qty.**	**%**
Generation L. Pair Shares Investment Fund	13.650.000	15,25	13.650.000	15,25
Luiz Barsi Filho	12.175.000	13,60	12.175.000	13,60
Victor Adler	6.276.600	7,01	6.276.600	7,01
Shares in treasury	29.366	0,03	29.366	0,03
Others	57.369.034	64,11	57.369.034	64,11
Total	**89.500.000**	**100,00**	**89.500.000**	**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 06/30/2013 (In Units)**	
	Ordinary Shares		**Total**	
Shareholder	**Qty.**	**%**	**Qty.**	**%**
Generation L. Pair Shares Investment Fund	13.650.000	15,25	13.650.000	15,25
Luiz Barsi Filho	12.140.000	13,56	12.140.000	13,56
Victor Adler	6.000.000	6,70	6.000.000	6,70
Shares in treasury	29.366	0,03	29.366	0,03
Others	57.680.634	64,46	57.680.634	64,46
Total	**89.500.000**	**100,00**	**89.500.000**	**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 06/30/2014**	**%**	**Quantity of ordinary shares (in units) Activity**		**Quantity of ordinary shares (in units) 06/30/2013**	**%**
Controller	N/A	-	N/A		N/A	-
Administrators						
Board of Directors	229.433	0,26	-12.645.361		12.874.794	14,39
Advisory Council						
Management	1.108.083	1,24	163.500		944.583	1,06
Tax Council	13.062	0,014594413	3800		9262	0,01
Shares in treasury	29.366	0,03	0		29.366	0,03
Other shareholders	88.120.056	98,46	12.478.061		75.641.995	84,51
Total	**89.500.000**	**100,00**	**0**		**89.500.000**	**100,00**
Current shares	**88.120.056**	**98,46**	**12.478.061**		**75.641.995**	**84,51**

A free translation from Portuguese into English of independent auditor's review report on individual interim financial information prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and on consolidated interim financial information prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board - IASB and specific CVM rules.

Independent auditor's review report on interim financial information

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

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Eternit S.A. ("Company") and its subsidiaries, contained in the Quarterly Financial Information Form (ITR) for the quarter ended June 30, 2014, comprising the balance sheet as at June 30, 2014 and the related income statements and statements of comprehensive income for the three and six-month periods then ended, the statement of changes in equity and cash flow statement for the six-month period then ended, including other explanatory information.

Management is responsible for the preparation of the individual interim financial information in accordance with Accounting Pronouncement CPC 21 (R1) - Interim Financial Reporting, and consolidated interim financial information in accordance with CPC 21 (R1) and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the fair presentation of this information in conformity with the specific rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Financial 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, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with 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.

Conclusion on the individual interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual interim financial information included in the quarterly financial information referred to above was not prepared, in all material respects, in accordance with CPC 21 (R1) applicable to the preparation of the Quarterly Information (ITR), and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

Conclusion on the consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information included in the quarterly financial 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 the Quarterly Financial Information (ITR), and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

Emphasis of matters

We draw attention to Note 1 to the interim financial information, which describes the uncertainty surrounding the Supreme Court (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 the State of São Paulo of products, materials or goods that contain any type of asbestos or amianthus, and of other ADIs related to amianthus. Our conclusion does not contain any qualification related to this matter.

We draw attention to Note 21iii e) to the interim financial information, which describes Civil Class Actions (proceedings No. 0002106-72.2013.5.02.0009 and No. 0002715-55.2013.5.02.0009) filed on August 9 and October 4, 2013, respectively, by the São Paulo Labor Prosecution Office and by ABREA against the Company, that discuss the work environmental conditions at the Osasco's plant, whose activities were discontinued in 1993. The probability of loss was assessed as possible by the Company's legal advisors. Accordingly, no provision for loss was recognized in connection with those Civil Class Actions. Our conclusion does not contain any qualification related to this matter.

Other matters

Statements of value added

We also reviewed the individual and consolidated statements of value added (SVA), for the six-month period ended June 30, 2014, prepared under the responsibility of Company management, whose presentation in the interim financial information is required by the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to preparation of Quarterly Financial Information (ITR) and as supplemental information under IFRS, whereby no statement of value added 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 were not prepared, in all material respects, consistently with the overall individual and consolidated interim financial information.

São Paulo, August 05, 2014.

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

Clinton L. Fernandes
Accountant CRC-1SP205541/O-2

<u>ETERNIT S.A.</u>

<u>C.N.P.J. nº 61.092.037/0001-81</u>

<u>NIRE 35.300.013.344</u>

<u>REPORT BY THE BOARD OF AUDITORS</u>

The Audit Board of Eternit S.A., in compliance with the law and its Bylaws, examined the interim, individual and consolidated accounting information of Eternit S.A., referring to the quarter ending June 30, 2014.

Based on its examination, and considering the unqualified Auditor's Report dated August 05, 2014 issued by the independent auditors Ernst & Young Auditores Independentes S.S., as well as the information and clarifications received during the quarter, it is of the opinion that said documents are in adequate conditions to be presented to the Board of Directors for appreciation.

São Paulo, August 05, 2014.

Herein undersigned by.:) André Eduardo Dantas – Coordinator, Paulo Henrique Zukanovich Funchal

Declaration by the Executive Board

In compliance with Article 25, paragraph 1, sub paragraphs V and VI, of CVM Instruction No. 480/2009, the Executive Board hereby declares that it has reviewed, discussed and agreed these financial statements, and agrees with the opinions expressed in the report from the Independent Auditors referring to them.

São Paulo, August 07, 2014.

The Management