Individual and Consolidated Financial Statements

Eternit S.A.

December 31, 2014
with Independent Auditor's Report

ETERNIT S.A.

Management Report 2014

Dear Shareholders,

The Management of Eternit S.A. (“Eternit" or "Company") hereby submits for your scrutiny the Management Report and corresponding Individual and Consolidated Financial Statements of ETERNIT S.A., together with reports from the Independent Auditors and the Audit Board, for the fiscal year ended December 31, 2014. Except where stated otherwise, the operational and financial information of the Company is presented on a consolidated basis in Brazilian real, in accordance with Brazilian Corporation Law and International Financial Reporting Standards (IFRS).

Since Company exercises joint control over Companhia Sulamericana de Cerâmica S.A. (CSC), together with Companhia Colombiana de Cerâmica S.A. – a Corona Group (Colombian multinational) company, CSC's results are included in the consolidated accounting statements based on the equity pickup method of accounting, in accordance with CPC 19R2 (IFRS 11).

1. Corporate Profile

Eternit was founded in 1940 and is the largest and most diversified company in Brazil’s roofing industry, with operations in fiber-cement, concrete and metal roofing panels, chrysotile mining, bathroom chinaware and metal bathroom fixtures, construction solutions and other products.

The Company has more than 3,000 direct and indirect employees, and operates all across Brazil, with headquarters and a showroom in São Paulo and four manufacturing units located in Northeastern, Southeastern, Southern and Midwestern Brazil. It also has branch sales offices and three subsidiaries: SAMA S.A. Minerações Associadas, the third largest chrysotile mining company in the world; Precon Goiás Industrial Ltda., which produces fiber-cement roof tiles at its unit in Midwestern Brazil; and Tégula Soluções para Telhados Ltda., the leading manufacturer of concrete tiles, with six plants located in the Northeast, Southeast, South and Midwest regions; in addition to the joint venture Companhia Sulamericana de Cerâmica, located in the city of Caucaia (Ceará), which produces bathroom chinaware. The strategic location of its manufacturing units, the logistical efficiency and an extensive distribution channel ensure that Eternit products are available at more than 16,000 points of sale throughout all of Brazil, from large dealers and home centers to small stores, guaranteeing its presence in Brazil's major consumption centers.

A publicly held company traded on the stock market since 1948, Eternit joined the *Novo Mercado* segment, the highest level of corporate governance on the São Paulo Stock Exchange (BM&FBovespa), in 2006. Through the level 1 American Depositary Receipt (ADR) program, its shares have been traded on the secondary or over-the-counter market in the United States since 2010.

2. The Year 2014

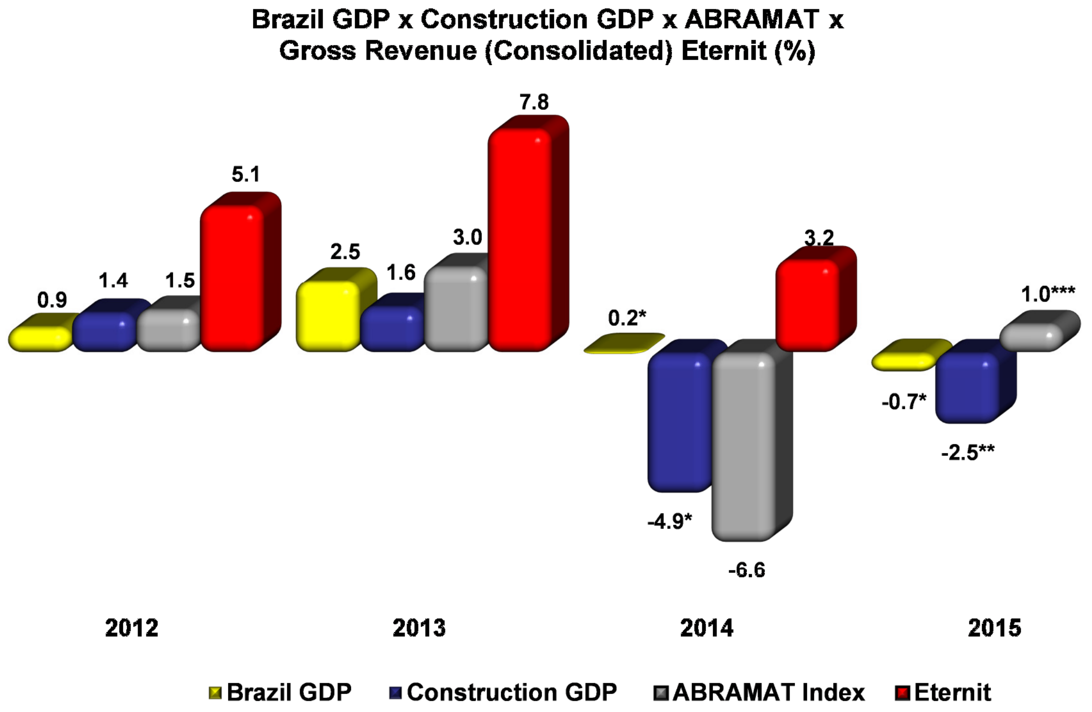
General and Market Scenario

Brazil’s economic activity in 2014 was marked by weak economic performance, a slowdown in investments and the credit and consumption markets, among other factors. In accordance with this scenario, projections of economic performance were periodically revised and GDP projection for 2014, in comparison with 2013, was 0.15% at the year-end, with construction GDP falling 4.9%, according to the FOCUS newsletter at the start of January 2015 and the inflation report for December 2014, both published by the Brazilian Central Bank (BACEN).

According to the Brazilian Association of Construction Materials Industry (ABRAMAT), domestic construction material sales in 2014 fell 6.6% from the previous year, falling far short of the 4.5% growth forecast at the beginning of 2014. The market was severely affected by the pessimism surrounding the economy, the fewer business days on account of the World Cup and holidays, and the increase in imports.

Even so, the retail segment, which accounts for nearly 50% of construction material sales in the country according to ABRAMAT, variables such as employment, income and credit affect the sector. In 2014, the retail sector faced difficulties in obtaining loans from banks, in addition to the hike in interest rates caused by a period of uncertainty about the future of the economy, which creates certain insecurity among consumers.

In comparison, Eternit[1] registered growth of 3.2% in consolidated gross revenue in 2014, far above the sector performance. The Company's chrysotile mining operated at full capacity and in the finished product units, the fiber-cement and concrete roofing tiles line kept pace with market demand throughout 2014.



Source: * **BACEN** *- projected growth of Brazil's GDP for 2014 and 2015; projections for construction for 2014.*

** **BACEN** *– projection for construction GDP up to the third quarter of 2015.*

***__ABRAMAT__ *– projection for domestic construction material sales in 2015, not adjusted for inflation.*

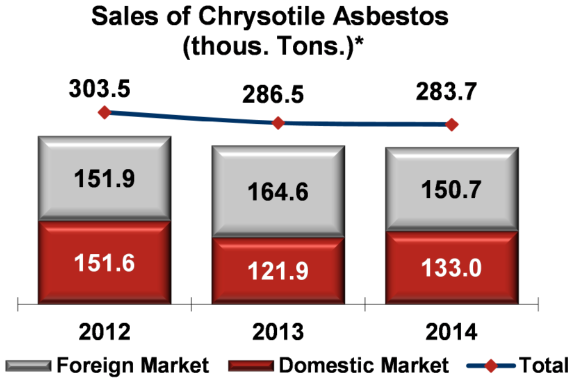
[1] **ETERNIT** *- Growth in Eternit's consolidated gross revenue compares the period from January to December 2014 with the same period in 2013, deflated by the IGP-M index.*

Operating Performance

Chrysotile Asbestos

Chrysotile asbestos sales in 2014 totaled 283,700 tons, practically stable (down 1.0%) in comparison with 2013. In the same comparison period, the export market posted growth of 9.1% resulting from gradual recovery of the Asian markets, which partially offset the 8.5% contraction of the domestic market due to reduced consumption of the mineral, particularly in Southern Brazil.

With annual capacity of 300,000 tons, SAMA maintained its position as the third largest mining company on the world chrysotile asbestos market in 2014.

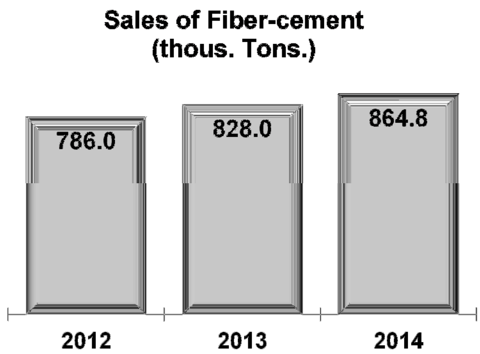


(*) Chrysotile asbestos sales include intercompany sales, which accounted for 41.8% of domestic sales in 2014.

Fiber-cement

In 2014, fiber-cement sales, including construction solutions, came to 864,800 tons, up 4.4% from 2013, mainly due to the replenishment of inventories by construction material retailers on account of suppressed demand after numerous holidays in the first half of the year, combined with a period of higher seasonal demand for the Company.

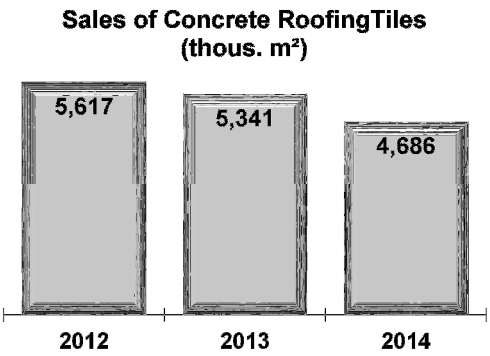
With theoretical annual production capacity of 1 million tons, Eternit retained its leadership of Brazil's fiber-cement market in 2014, with market share of 32%, gaining one percentage point from the previous year.



Concrete Tiles

In 2014, concrete tile sales totaled 4,686,000 square meters (equivalent to 41,477,000 pieces), down 12.3% from 2013 due to lower demand in the high-end roofing market, especially in the B2C (business-to-consumer) segment.

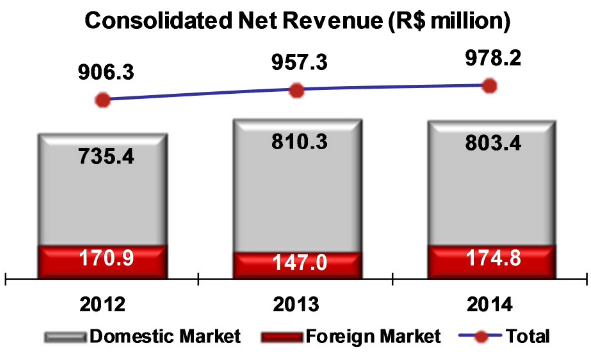
With annual production capacity of 10 million square meters (equivalent to 105,000,000 pieces), Tégula gained one percentage point in market share, reaching 31% and retaining its leadership of Brazil's concrete roofing tile market in 2014.

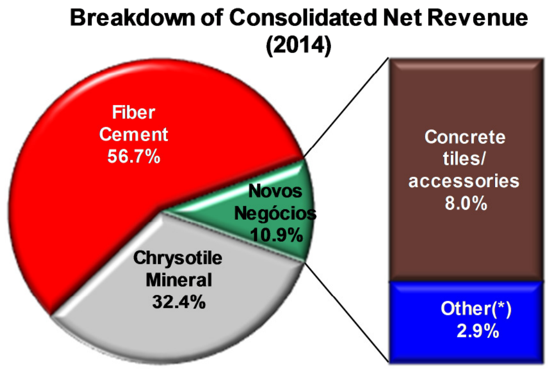


3. Economic and Financial Performance

Consolidated Net Revenue

In 2014, consolidated net revenue amounted to R$978.2 million, increasing 2.2% from 2013. This performance was the result of higher chrysotile exports and the 9.1% appreciation of the U.S. dollar against the Brazilian real (based on the average PTAX rate in the period). Domestic sales totaled R$803.4 million, practically stable (down 0.9%) in relation to 2013 due to lower sales of chrysotile asbestos and concrete roofing tiles, which were partially offset by increased fiber-cement sales.





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

Cost of Mining, Production and Goods Sold

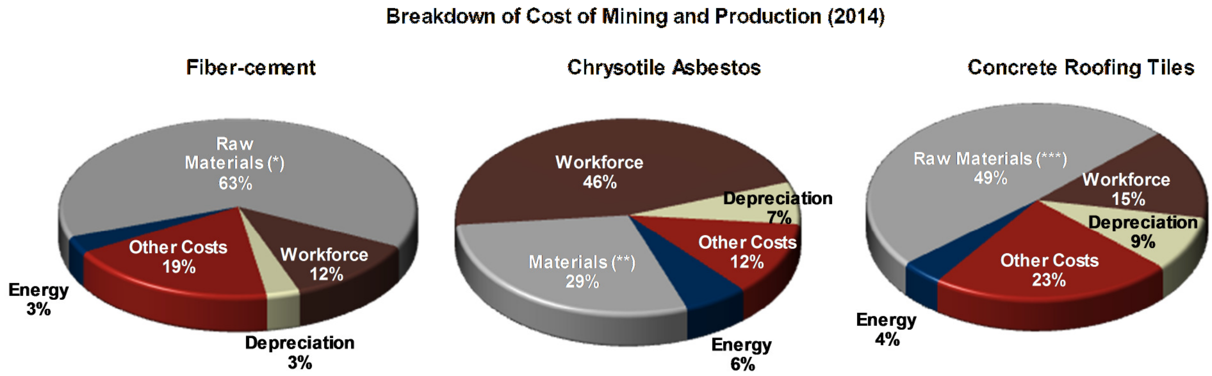
In 2014, consolidated cost of goods sold totaled R$593.9 million, increasing 3.1% from 2013, due to higher mining and production costs. Since the increase in the consolidated cost of goods sold outpaced the increase in net consolidated revenue in 2014, gross margin declined 1 percentage point from 2013, closing the period at 39%.

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

Chrysotile mining: 10% increase due to higher expenses with manpower and outsourced services related to increased rock handling (strip ratio).

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

Concrete roofing tiles: 5% increase resulting from higher raw material prices (mainly grey and white cement), increase in electricity prices and greater consumption of fuel and packaging.



(*) Raw materials: cement (45%), chrysotile asbestos (42%) and others (13%).

(**) Materials: fuel, explosives, packaging and others.

(***) Raw materials: cement (54%), sand (29%) and others (17%).

Operating Expenses

In 2014, operating expenses totaled R$242.8 million, up 4.7% from 2013, due to increased administrative expenses mainly resulting from higher expenses with the setting up of the research, development and production unit for construction material inputs in Manaus (AM) and with defending the use of chrysotile asbestos, and in the line “other operating (expenses) revenues, the variation was the result of social security credits and PIS and COFINS tax credits from prior fiscal years.

In R$ '000	2012	2013	2014	% Chg. 2014 x 2013
Selling expenses	(113,263)	(116,734)	(116,528)	(0.2)
General and administrative expenses	(119,144)	(113,349)	(122,465)	8.0
Other operating revenues (expenses), net	(8,223)	(1,871)	(3,810)	103.6
Total operating expenses	**(240,630)**	**(231,954)**	**(242,803)**	**4.7**
Percetage of net revenue	*27%*	*24%*	*25%*	*1 p.p.*

Equity Pickup

Equity pickup refers to the proportional gain or loss from the bathroom chinaware plant in the state of Ceará, the joint venture Companhia Sulamericana de Cerâmica. In 2014, this figure was a loss of R$13.7 million, versus a loss of R$6.2 million in 2013, since it is a greenfield project.

Net Financial Result

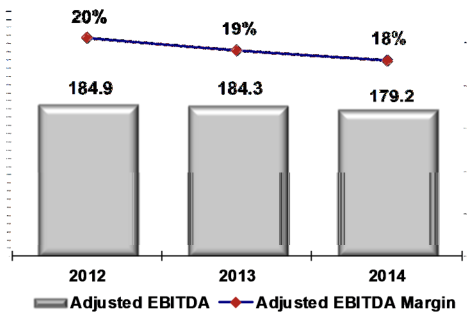
In 2014, net financial result was positive at R$2.3 million, compared to a negative result of R$1.0 million in 2013, mainly due to the positive effects of exchange variation on the Eternit Group's financial operations.

In R$ '000	2012	2013	2014	% Chg. 2014 x 2013
Financial expenses	(36,757)	(48,553)	(52,674)	8.5
Financial income	39,006	47,535	54,962	15.6
Net financial result	**2,249**	**(1,018)**	**2,288**	**-**

Adjusted EBITDA

In 2014, adjusted EBITDA totaled R$179.2 million, down 2.8%, with a margin of 18%, down one percentage point from 2013, mainly due to the increased cost of goods sold and operating expenses, as mentioned above.

Adjusted EBITDA (R$ million) and Adjusted EBITDA margin (%)



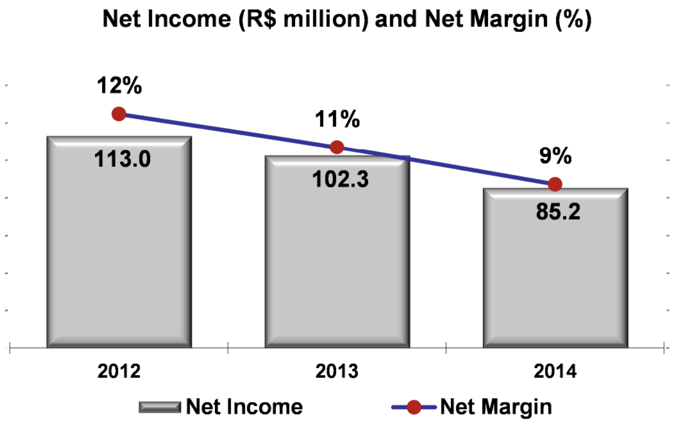
Reconciliation of consolidated EBITDA - (R$'000)	2012	2013	2014
Net income	113,004	102,256	85,160
Income tax and social contributions	44,798	39,973	44,924
Net financial Income	(2,249)	1,018	(2,288)
Depreciation and amortization	28,773	34,789	37,704
EBITDA[1]	**184,326**	**178,036**	**165,500**
Equity pickup	531	6,223	13,676
Adjusted EBITDA over equity pickup[2]	**184,857**	**184,259**	**179,176**

EBITDA[1] is calculated in accordance with Instruction 527 issued by the Securities and Exchange Commission of Brazil (CVM) on October 4, 2012. With the operational startup of CSC, its results are included in consolidated EBITDA in accordance with the equity pickup method of accounting.

Adjusted EBITDA[2] is an indicator used by the Company's Management to analyze its operational economic performance, calculated as net income from the fiscal year, income taxes and social contribution, net financial result, depreciation and amortization and equity pickup and, given Companhia Sulamericana de Cerâmicas' status as a joint venture, its data are not consolidated.

Net Income

Eternit registered net income of R$85.2 million in 2014, down 16.7% from 2013. Net margin fell 2 percentage points, closing the period at 9% due to the increased cost of goods sold and operating expenses, combined with the negative equity pickup.

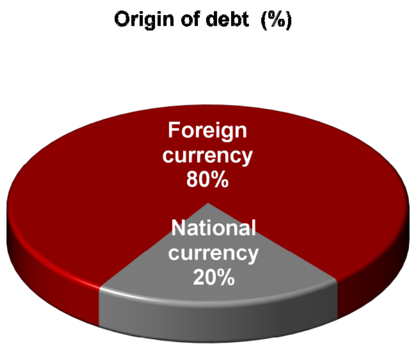


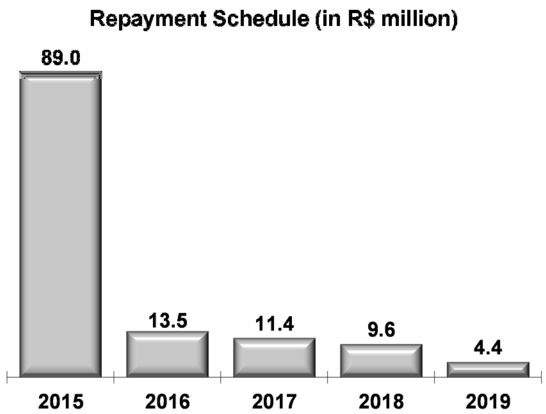
Debt

The Company ended 2014 with net debt of R$79.5 million. In 2014, the gross debt of Eternit and its subsidiaries totaled R$127.9 million, basically explained by: (i) the advances against draft presentation (ACE) for working capital; and (ii) financing for the acquisition of machinery and equipment.

Cash, cash equivalents and short-term financial investments totaled R$48.4 million, with financial investments remunerated at an average rate corresponding to 102% of the variation in the interbank rate (CDI).

DEBT - R$ ´000	2012	2013	2014
Short- term gross debt	55,839	56,881	88,946
Long-term gross debt	24,107	25,799	38,978
Cash and cash equivalents	(16,656)	(13,295)	(13,367)
Short-term investments (same cash equivalents)	(78,930)	(35,661)	(35,023)
Net Debt	**(15,640)**	**33,724**	**79,534**
EBITDA (last 12 months)	184,326	178,036	165,500
Net Debt / EBITDA x	**(0.08)**	**0.19**	**0.48**
Adjusted EBITDA over equity pickup	184,857	184,259	179,176
Net Debt / Adjusted EBITDA x	**(0.08)**	**0.18**	**0.44**
Net debt / Equity	**-**	**6.7%**	**15.4%**



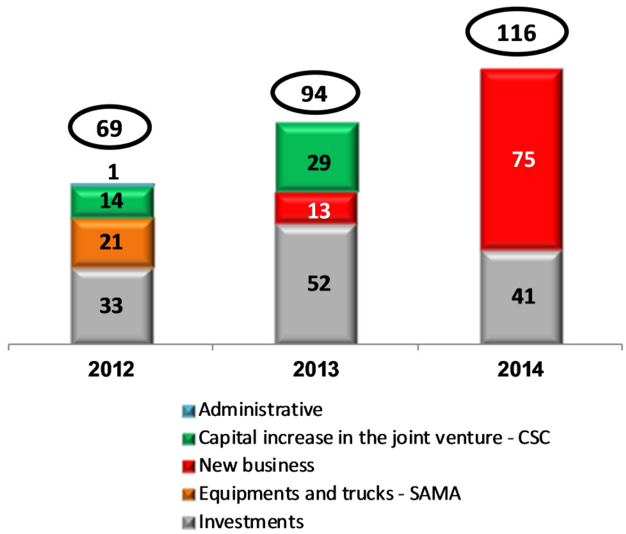


Note that the Company does not contract operations involving derivative instruments of any type that could be interpreted as speculative positions.

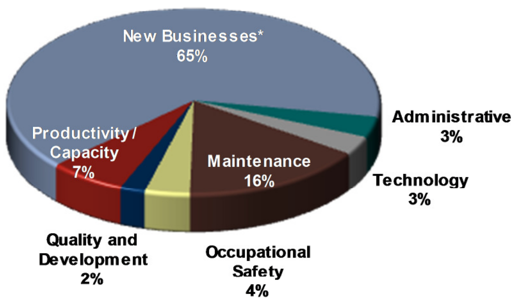
Investments

In 2014, investments totaled R$116.2 million, 24.2% more than in 2013, and were allocated as follows: (i) R$75.2 million to the establishment of a unit for the research, development and production of construction material inputs, and (ii) R$41.0 million for the maintenance and modernization of the Group's industrial facilities.

Consolidated Investments (R$'000)



Investments Distribution (%)



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

In 2015, investments are expected to be around R$39.8 million, with R$29.6 million allocated for the maintenance and modernization of the industrial facilities, R$4.6 million for establishment of the research, development and production unit for construction material inputs in Manaus and R$5.6 million for strategic investments.

Value Added

Value added in the year totaled R$546.5 million, up 2.8% from 2013. Of this amount, 35.0% was distributed to employees and 35.5% to the federal, state and municipal governments as taxes and contributions. Shareholders received 15.6% of the value added, while 13.9% went towards interest on loans.

R$ '000	2012	2013	2014
VALUE ADDED TO BE DISTRIBUTED	**528,619**	**531,730**	**546,448**
Personal	175,636	184,431	191,345
Taxes and contributions	172,130	173,547	193,814
Remuneration of third-party capital	67,849	71,498	76,130
Remuneration of own capital	113,004	102,254	85,159
DISTRIBUTION OF VALUE ADDED	**528,619**	**531,730**	**546,448**

4. Transparent Management

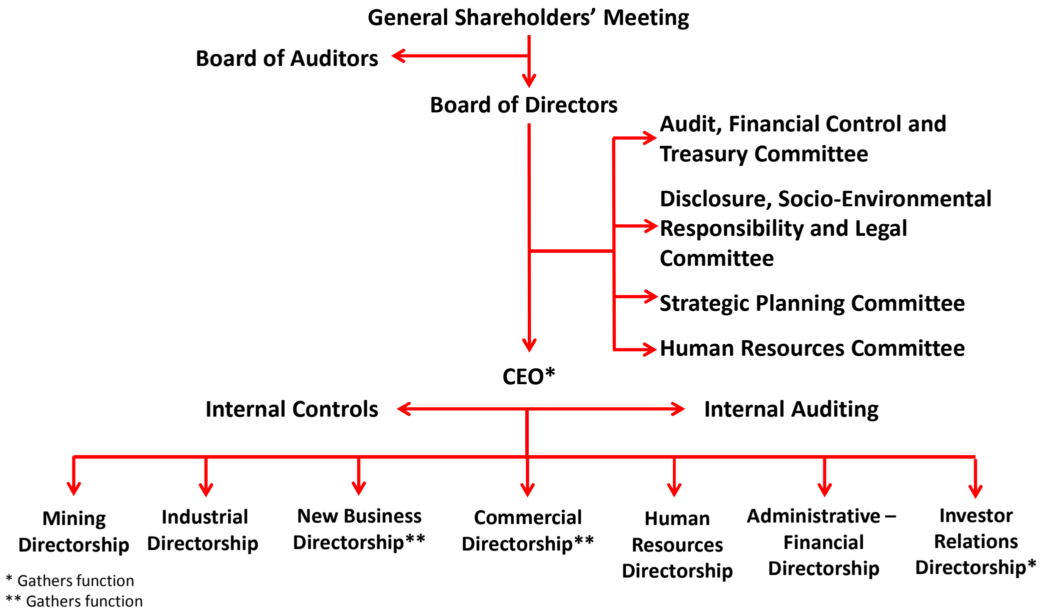
Corporate Governance

In its constant pursuit of transparency and fairness in its relations with all stakeholders, the corporate governance model adopted by Eternit is based on best market practices. The main objective of this model is to enable the Company to act in a responsible and sustainable manner in all communities where it operates, thereby generating value for shareholders, capital market and other stakeholders, in full compliance with Brazilian Corporation Law and the listing regulations of the *Novo Mercado* segment of the BM&FBovespa.

To increase its transparency in line with corporate governance best practices, since 2010 Eternit has been using the *Assembleia na Web* (www.assembleianaweb.com.br) electronic platform, which facilitates shareholder participation and voting in shareholders' meetings from anywhere in Brazil or abroad.

Eternit's governance structure consists of the Audit Board, the Board of Directors and its committees, the Executive Board and the Internal Controls and Internal Audit departments. Eternit is also subject to external audit, conducted by an independent audit firm, substituted at most every five years in accordance with CVM Instruction 308/99.

Below is the management structure of the Company on December 31, 2014.



Management practices

✓ Ethics and conduct

Eternit's Code of Ethics was implemented in 2004 and is broadly disseminated and provided to all employees, and is also available on the Company website. Furthermore, in 2006 the Company launched the Excellence in Management Program (currently the Integrated System Policy) based on environmental and health and safety management guidelines to ensure business sustainability.

✓ Integrated System Policy

The Integrated System Policy (PSI) promotes greater synergy among the management tools used by Eternit and its subsidiary Precon Goiás and guides the activities in the pursuit of continuous improvement in health, safety and the environment. SAMA has integrated management systems that address the issues of quality, environment, occupational health and safety, with the commitment to ensuring the safe use of chrysotile asbestos.

- ✓ Relationship with the market

  Particularly with regards to the capital markets, in compliance with CVM Instruction 358/02, in June 2002 Eternit established a policy for the disclosure of information and trading on shares, since consolidated in the “Manual for Disclosure and Use of Information and Policy for the Trading of Securities Issued by Eternit S.A.” This document sets out the best practices related to the disclosure and use of insider information and trading on the Company's securities.

Capital Markets

Eternit’s common shares are traded on the *Novo Mercado* segment under the 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. Each ADR of Eternit represents one common share of Eternit, for a 1:1 ratio.

With fragmented ownership and no shareholders’ agreement or controlling group, the Company’s shareholder base has a high concentration of individual investors, who accounted for 65.1% of the shareholder base on December 31, 2014, while foreign investors accounted for 10.4% and corporate shareholders, clubs, investment funds and foundations for 24.5%.

In 2014, only three shareholders held interests of over 5%, who combined held 35.4% of all shares, while the Company's executive officers held 1.2% of the shares.

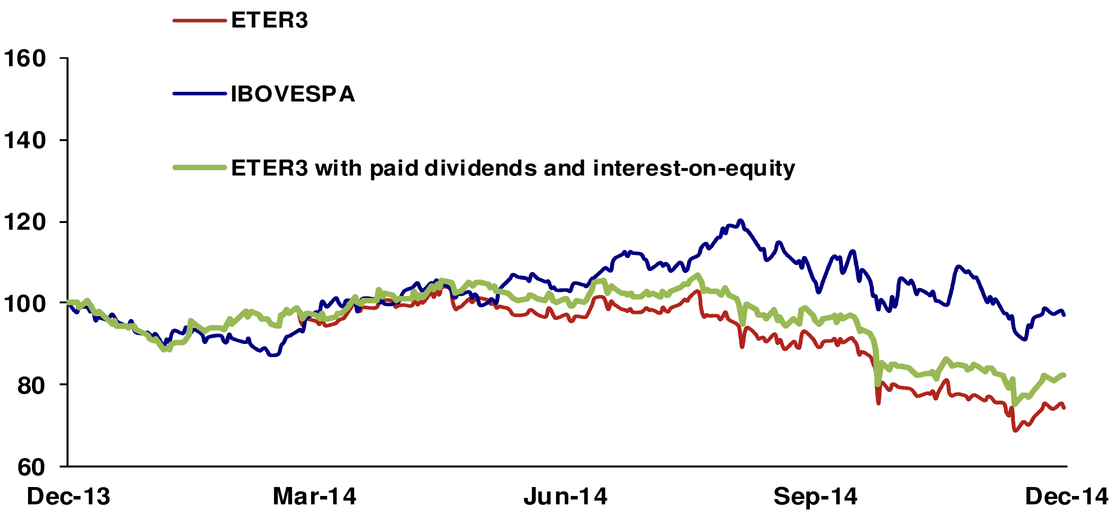
The shares of Eternit (ETER3) were being quoted at R$3.25 in December 2014, a decrease of 25.6% from the value in December 2013. In the same period, the benchmark Bovespa Index (IBOVESPA) closed at 50,007 points, losing 2.9% in the period. On December 31, 2014, Eternit's market capitalization stood at R$581.8 million. Considering the payment of dividends and interest on equity, the stock depreciated 17.8% in the period.

In 2014, the number of shareholders reached 9,357, increasing by about 14.0% from 2013, despite the depreciation in the Company’s shares, as mentioned above.

Capital Markets					
ETERNIT (ETER3)	4Q13	1Q14	2Q14	3Q14	4Q14
Closing Price (R$/Share) - Without dividends*	4.37	4.18	4.25	3.94	3.25
Average Volume Traded (Shares)	129,846	105,502	119,013	122,972	139,600
Average Volume Traded (R$)	598,194	437,625	516,649	513,042	492,597
ETER3 - Quarterly Profitability (%)	-	-4.5	1.7	-7.2	-17.5
ETER3 - 12 Months Profitability (%)	-	-6.3	-10.2	-17.2	-25.6
IBOVESPA - Quarterly Profitability (%)	-	-2.1	5.5	1.8	-7.6
IBOVESPA - 12 Months Profitability (%)	-	-10.5	12.0	3.4	-2.9
Market Capitalization (R$ Million)	782.2	747.3	759.9	705.3	581.8

** Closing prices adjusted after the stock split approved on 09/24/14.*

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



Source: Economática

Stock Split

The Extraordinary Shareholders Meeting ("ESM") held on September 24, 2014, approved the proposal of the Board of Directors for the split of common shares without par value issued by the Company, such that one (1) share was represented by two (2) shares of the same type and with no change in the capital stock, which now consists of one hundred seventy-nine million (179,000,000) registered, book-entry common shares with no par value.

The rights of common shares resulting from the split, including the holders of Level 1 American Depositary Receipts issued by the Company ("ADR") will remain unchanged in relation to the previous shareholder base. The existing parity between shares and ADRs, of 1:1, was maintained, i.e. each ADR continues to be represented by one common share of the Company.

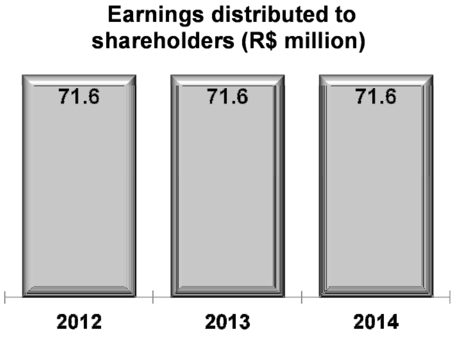
The shareholder base on September 25, 2014 was considered as the base for the stock split. Starting from September 26, 2014, the shares were traded ex-stock split. The split shares were automatically credited by the stock transfer agent Banco Itaú Unibanco S.A. to the accounts of shareholders on October 1, 2014.

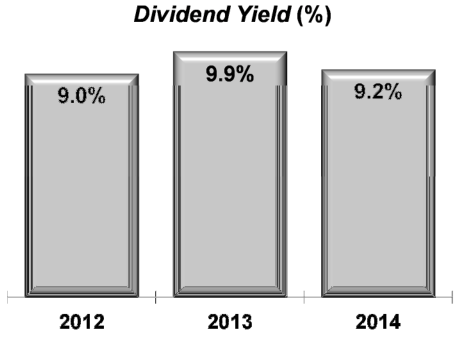
The proposed stock split was aimed at increasing investors' access to the shares issued by the Company, diversifying the shareholder base and increasing the liquidity of said shares.

Shareholder Remuneration

Eternit continues to be one of the publicly held corporations in Brazil delivering the highest returns to shareholders. In 2014, Eternit's dividend yield was 9.2%, with earnings distributed to shareholders amounting to R$71.6 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, as mentioned above.





Investor Relations

Created in 2004, the Investor Relations (IR) department of Eternit aims to provide a transparent account of the company's operations and serve as a channel of communication between the management of the Company, its shareholders and other capital market agents.

The Company holds quarterly conference calls with webcasts and public meetings, publishes press releases and fact sheets, organizes domestic road shows, and holds one-on-one meetings.

In 2014, the Association of Capital Market Investment Analysis and Professionals – Minas Gerais Chapter (APIMEC-MG) recognized Eternit's public meeting with analysts and investors in Belo Horizonte as the best meeting of 2013 in that chapter.

5. Sustainable Management

Environmental Responsibility

With excellence, social responsibility and respect for the environment, Eternit has, since 1940, marched alongside Brazil, offering raw materials, products and solutions for the construction industry. Eternit and its subsidiaries comply with rigorous safety standards at their industrial plants and also use automatic and cloistered, high-technology equipment to perform these activities.

One of Eternit's management guidelines includes focused efforts to reduce negative impacts and maximize positive ones.

The fiber-cement and mining plants are certified ISO 9001 (quality management), ISO 14001 (environmental management) and OHSAS 18001 (occupational health and safety) from DNV Veritas of Norway. In fact, SAMA was the world's first chrysotile mining company to comply with these standards.

Eternit has been a signatory to the United Nations Global Compact since 2007 and, as a result, its business practices incorporate the ten principles of the initiative. The Company also supports the UN's Millennium Goals.

The Group preserves and maintains environmental reserves at the production units in Colombo (Paraná), Simões Filho (Bahia) and Atibaia (São Paulo), as well as in the mining company SAMA (Goiás). Based on the metrics used by FIFA, the world's soccer governing body, the green areas maintained by Eternit are equivalent to 4,469 soccer fields.

Other highlights include the projects for producing zero waste and reusing water at the fiber-cement and mining plants, which aim to optimize the consumption of materials through various initiatives aligned with the 3R (Reduce, Reuse and Recycle) concept and to reuse the wastewater from the production process, respectively.

Human capital

Human capital is essential for implementing business strategies and this importance has been recognized by Eternit and its subsidiaries through diverse people management initiatives. For this reason it invests in, and recognizes the value of, its employees. Its efforts in this regard have also been recognized by the market, Eternit and SAMA featured in the most important people management rankings of 2014, such as: Eternit was elected, for the third consecutive year, one of the best Companies to Work For by the 2014 Guide of Revista Você S/A, and SAMA Minerações Associadas (SAMA), a subsidiary of Eternit, was also recognized for the seventh straight year, ranking first in the Diverse Industries segment and for Excellence in People Development.

Respect for employees is one of the Company's guidelines to ensure its sustainability, which can be translated as ensuring the perpetuity of its business in a profitable and competitive manner, and with respect to the environment, while promoting social responsibility. To ensure effective and transparent management, Eternit has established clear guidelines of conduct for its employees in business activities and in their relations with stakeholders, and who must observe the professional, regulatory and internal standards. These guidelines are explained in the Code of Ethics of the Company, which is broadly disseminated and provided to all employees, and is also available on the Company website.

At the end of the year, the Company had more than 3,000 direct and indirect employees, including interns and apprentices. Eternit prioritizes the hiring of local labor: 67% of its management staff, including executive officers, is formed by professionals from surrounding communities.

All employees of Eternit, Precon and SAMA undergo formal annual performance appraisals, which serve as the basis for their Career Plan at the Company. The Leadership Appraisal Program uses the 360º Model. In these companies, employees perform self-appraisal and are also jointly evaluated by the area manager. At Tégula, managers and supervisors undergo annual performance appraisals. Another highlight is the GoLíder Program, which promotes the development of leaderships aligned with the skills required for the business. All area heads, supervisors, coordinators, leaders and managers from all Eternit Group companies participate in this program.

Occupational health and safety, and the environment are vital issues for the Company and hence it invests heavily in measures that go beyond the standards and guidelines required by law as well as by government and industry entities, including those related to the use of chrysotile asbestos. Special committees and groups are entrusted with inspecting and ensuring compliance with all health and safety standards. The fiber-cement and mining units are parties to an agreement with representatives from the fiber-cement industry, the mining industry, workers and industry associations, for the safe use of chrysotile, which is filed with the Ministry of Labor and Employment.

Community

The Eternit Group actively supports the social, economic and cultural development of surrounding communities by sponsoring social initiatives. In addition to organizing campaigns for donation of products, food items, toys and hiring local labor, the Company also donates funds in certain cases. In 2014, the Company invested R$3.4 million in the communities, practically stable in relation to the previous year. The Open Doors Program and the Sambaíba Project are entirely sponsored by Eternit and its subsidiaries.

Eternit and its subsidiaries, through partnerships with other organizations, support various social initiatives. Learn more about a few of these: the Bienal de São Paulo exhibition space and Gols pela Vida Concerts, which support arts and instrumental initiatives, respectively.

Sambaíba – the Social and Environmental Responsibility Program of SAMA S.A. Minerações Associadas, was created in 2004 with various fronts of activities, including a handicrafts project for the social inclusion of the people of Minaçu (Goiás) and vocational courses for low-income and disabled people from the local community.

In November 2004, Eternit launched the Open Doors Program to help society better understand the extraction and processing of chrysotile asbestos, the manufacturing of fiber-cement products in a sustainable manner, and the health and safety practices. 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 launch, the program, which is considered one of the largest in the market, has received over 67,000 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.

6. Legal issues involving 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 9,055/95, Decree 2,350/97 and the Rules of the Ministry of Labor and Employment.

State Law 10,813/2001 of São Paulo and State Law 2,210/2001 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. 2,656 and No. 2,396, 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 of São Paulo, 3,579/2004 of Rio de Janeiro, 11,643/2001 of Rio Grande do Sul and 12,589/2004 of 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.

Public Interest Civil Actions

In 2013 and 2014, the Labor Prosecution Offices of the states of São Paulo and Rio de Janeiro filed two public interest civil lawsuits against the Company on different issues related to working conditions and occupational illness. The claims in each lawsuit include payment of R$1 billion for collective pain and suffering, to be paid to entities or projects recommended by the Labor Prosecution Office or the Workers' Support Fund (FAT).

In parallel, the Brazilian Association of People Exposed to Asbestos (ABREA) also filed two lawsuits that were forwarded to the Labor Courts of São Paulo and Rio de Janeiro given that they deal with the same facts claimed in the lawsuits mentioned above. The defense for both lawsuits has already been submitted and we are awaiting the court decision.

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

7. 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. In 2014, the Eternit Group companies won several important awards in the fields of Corporate Governance, Investor Relations, Human Resources, Marketing and Products. To learn about these awards, visit www.eternit.com.br, www.sama.com.br, and www.eternit.com.br/ir.

8. Outlook

In 2015, Brazil's GDP is estimated to shrink 0.66% (Focus market readout of 03/06/15), and considers the outlook for moderate economic recovery, while pointing out that the intensification of the recovery process depends, among other factors, on the strengthening of consumer and business confidence as well a moderate expansion of the credit market. In this scenario, projected GDP for the construction industry is -2.5% (until the third quarter of 2015), according to BACEN.

Housing deficit in Brazil, estimated by the João Pinheiro Foundation at 5.8 million units (preliminary results of 2012), is formed by families that are burdened by excessively high rents and by cohabitation of families, which represents over 70% of the country's housing shortage, followed by precarious living conditions and excessive density in the rented houses. Although the "My Home, My Life" program reduced the housing deficit, according to a study by the Fundação Getulio Vargas (FGV) in 2014, estimates indicate that in 2024, considering the population growth, Brazil will have approximately 16.4 million new families, of which 10 million will have family income of up to three minimum wages. The study also highlights that zeroing the housing deficit will require investments of approximately R$760 billion in low-income housing over the course of ten years.

Job creation, better income distribution, increased financing, higher investments in infrastructure and the housing units to be built under the "My Home, My Life" housing program will help reduce the housing problem, while also having a positive impact on the Company's business as there will be greater demand for the products in our portfolio primarily targeted at self-build construction projects.

The Brazilian Construction Materials Industry Association (ABRAMAT) projects 1.0% growth this year compared to 2014, which will depend on continuation of the government incentives to the construction industry, on maintenance of employment and income levels, on increased investments in the "My Home, My Life" program, as well as infrastructure projects and increased activity of construction companies, among other factors.

For 2015, the Brazilian Construction Materials Merchants Association (Anamaco) expects a more positive scenario than in the previous year, due to more business days, adjustments to the economy without causing a reduction in employment and income levels, and the outlook for increased consumer financing for construction materials by private banks, and of mortgage loans.

The Management believes it is important to take into consideration the current scenario of the Brazilian economy and the following challenges facing the country and the Company's industry: competitive conditions in the Brazilian industry against infrastructure bottlenecks, tax aspects and appreciation of the U.S. dollar, job creation and income distribution, sustainable economic policies, and increase in consumer and business confidence.

In 2014, Companhia Sulamericana de Cerâmica (CSC) started conducting equipment trials and obtained the minimum cadence expected for initial production. For 2015, the Management expects to raise production levels in line with the progress of the greenfield project.

The year 2015 will mark the consolidation of all the investments made in recent years, using the strength of our brand and our broad network of over 16,000 points of sale. Eternit is well positioned to meet the demand for construction materials and, if market conditions hold out, it will maximize opportunities in the industry, increasing the production capacity of the fiber-cement line, in line with the organic growth strategy.

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

Market Arbitration Chamber

Pursuant to the arbitration clause of its Bylaws, the Company informs that it has been bound to the Market Arbitration Chamber since August 2006.

Relationship with Independent Auditors

During the 2014 fiscal year, Eternit utilized the independent audit services of Ernst & Young Auditores Independentes S.S. ("EY") to audit and review reports on the individual and consolidated financial statements of Eternit S.A. and Sama S.A. for the 2014 fiscal year, and for interim financial information for the quarters ended June 30, 2014, September 30, 2014 and March 31, 2015 of Eternit S.A.

The company contracted the following consulting services from Ernst & Young Auditores Independentes S.S. ("EY") for the 2014 fiscal year:

(i) Nature of service: revision of credits from prior periods. Contract date: November 2014.

(ii) Nature of service: revision of product classification registration. Contract Date: December 2013.

(iii) Nature of service: monitoring and assessment of information on processes required for benefits from tax incentive laws ("*Lei do Bem*"). Contract Date: January 2014.

(iv) Nature of service: Analysis of information that have an impact on e-social. Contract Date: November 2013.

(v) Nature of service: revision of evidenciation of the financial statements' disclosure in accordance with the Technical Orientation OCPC 07 of the Accounting Pronouncement Committee (CPC). Contract Date: November 2014.

The total value of consulting services came to nine hundred and fifity-three thousand, sixty-nine reais and fifty-eight centavos (R$953,069.58), equal to 135% of all fees paid for external audit services.

The Management of the Company informs that as policy, it does not engage its Independent Auditors in consulting services that could generate conflict of interest. The Management and the independent auditors understand that the aforementioned services do not generate conflicts of interest and, therefore, do not present a risk to independence in accordance with the applicable Brazilian laws.

Management Statement

In compliance with Article 25, Paragraph 1, items V and VI of CVM Instruction 480/2009, the Executive Board of Eternit S.A. declares that it has reviewed, discussed and agrees with the Individual and Consolidated Financial Statements and notes to the financial statements related to the fiscal year ended December 31, 2014 and with the opinions contained in the audit report issued by the independent auditors - Ernst & Young Auditores Independentes S.S., dated March 10, 2015.

Additional Information

For more information on the Company and its industry, please visit our Investor Relations website www.eternit.com.br/ir and/or contact our IR team (ri@eternit.com.br).

Acknowledgments

We thank our shareholders, employees, clients, suppliers, regulatory bodies, partners and all those who contributed to Eternit's performance in 2014. We remain confident that our incessant commitment and dedication are the foundation of our work, always in line with the sustainable development of the country.

São Paulo, March 12, 2015.

The Management

Eternit S.A.

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

		Company		Consolidated	
	Note	**12/31/2014**	**12/31/2013**	**12/31/2014**	**12/31/2013**
Assets					
Current assets					
Cash and cash equivalents	4	**5,711**	9,516	**13,367**	13,295
Short-term investments	5	**15,726**	9,897	**35,023**	35,661
Accounts receivable	6	**71,327**	69,774	**175,933**	160,389
Inventories	7	**69,395**	85,833	**148,093**	141,944
Taxes recoverable	8	**6,035**	16,542	**10,373**	19,648
Related parties	10	**27,196**	31,615	**2,427**	9,780
Other current assets		**4,971**	4,734	**9,682**	9,226
		200,361	227,911	**394,898**	389,943
Assets held for sale		**553**	-	**553**	-
		553	-	**553**	-
Total current assets		**200,914**	227,911	**395,451**	389,943
Noncurrent assets					
Judicial deposits		**8,703**	8,819	**15,307**	15,536
Taxes recoverable	8	**22,915**	22,219	**24,456**	25,022
Deferred income and social contribution taxes	20.b	**24,750**	24,037	**53,299**	55,112
Related parties	10	**29,297**	9,723	**726**	2,018
Investments	9	**256,080**	247,729	**34,338**	36,032
Property, plant and equipment	11	**145,659**	149,425	**341,684**	279,064
Intangible assets	12	**6,437**	4,584	**30,622**	28,676
Other noncurrent assets		**339**	490	**1,981**	2,229
Total noncurrent assets		**494,180**	467,026	**502,413**	443,689
Total assets		**695,094**	694,937	**897,864**	833,632

	Note	Company 12/31/2014	Company 12/31/2013	Consolidated 12/31/2014	Consolidated 12/31/2013
Liabilities and equity					
Current liabilities					
Trade accounts payable	13	**22,858**	22,444	**42,151**	39,293
Related parties	10	**7,672**	7,243	**-**	-
Loans and financing	14	**3,066**	8,944	**88,946**	56,881
Provisions and social charges	15	**12,738**	12,980	**28,657**	28,009
Dividends and interest on equity payable	18.e	**17,897**	17,881	**17,897**	17,881
Provision for future benefits to former employees	17.b	**2,511**	2,174	**3,677**	3,861
Taxes, charges and contributions payable	16	**11,866**	12,226	**29,181**	34,015
Other current liabilities		**3,060**	4,934	**10,743**	13,142
Total current liabilities		**81,668**	88,826	**221,252**	193,082
Noncurrent liabilities					
Provision for future benefits to former employees	17.b	**27,730**	23,710	**41,654**	34,527
Loans and financing	14	**5,129**	14,368	**38,978**	25,799
Related parties	10	**31,763**	29,108	**-**	-
Provision for tax, civil, and labor claims	21	**26,226**	25,115	**59,549**	54,659
Taxes, charges and contributions payable	16	**7,787**	7,697	**10,605**	9,432
Provision for restoration of degraded mining areas	30	**-**	**-**	**10,718**	9,726
Other noncurrent liabilities		**-**	-	**300**	278
Total noncurrent liabilities		**98,635**	99,998	**161,804**	134,421
Equity					
Capital	18.a	**334,251**	334,251	**334,251**	334,251
Capital reserve		**19,460**	19,672	**19,460**	19,672
Treasury shares		**(174)**	(174)	**(174)**	(174)
Income reserves		**168,745**	155,807	**168,745**	155,807
Other comprehensive income		**(7,491)**	(3,443)	**(7,491)**	(3,443)
Equity attributable to controlling interests		**514,791**	506,113	**514,791**	506,113
Non-controlling interests		**-**	-	**17**	16
Total equity		**514,791**	506,113	**514,808**	506,129
Total liabilities and equity		**695,094**	694,937	**897,864**	833,632

See accompanying notes.

Eternit S.A.

Income statements
Years ended December 31, 2014 and 2013
(In thousands of reais - R$, except earnings per share)

	Note	Company		Consolidated	
		12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Net operating revenue	22	**507,665**	508,525	**978,154**	957,301
Cost of sales	23	**(370,995)**	(372,752)	**(593,879)**	(575,877)
Gross profit		**136,670**	135,773	**384,275**	381,424
Operating income (expenses)					
Selling expenses	23	**(59,715)**	(59,097)	**(116,528)**	(116,734)
General and administrative expenses	23	**(43,582)**	(41,895)	**(111,780)**	(97,804)
Management compensation	23	**(8,501)**	(12,802)	**(10,685)**	(15,545)
Other operating income (expenses), net	24	**(3,285)**	3,293	**(3,810)**	(1,871)
Equity pickup	9	**63,774**	76,267	**(13,676)**	(6,223)
Total operating income (expenses)		**(51,309)**	(34,234)	**(256,479)**	(238,177)
Financial expenses	25	**(19,692)**	(18,692)	**(52,674)**	(48,553)
Financial income	25	**20,732**	16,887	**54,962**	47,535
Financial income (expenses), net		**1,040**	(1,805)	**2,288**	(1,018)
Income before income and social contribution taxes		**86,401**	99,734	**130,084**	142,229
Income and social contribution taxes					
Current	20	**(858)**	472	**(41,309)**	(41,489)
Deferred	20	**(384)**	2,048	**(3,615)**	1,516
Net income for the year		**85,159**	102,254	**85,160**	102,256
Attributable to:					
Controlling interests		**85,159**	102,254	**85,159**	102,254
Noncontrolling interests		**-**	-	**1**	2
Net income for the year		**85,159**	102,254	**85,160**	102,256
Earnings per share:					
basic and diluted – R$	18.c	**0.48**	1.14	**0.48**	1.14

See accompanying notes.

Eternit S.A.

Statements of comprehensive income
Years ended December 31, 2014 and 2013
(In thousands of reais)

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Net income for the year	**85,159**	102,254	**85,160**	102,256
Other comprehensive income				
Net gain / (loss) on restatement of defined contribution plan	**(3,283)**	(5,866)	**(6,132)**	(5,219)
Effect of income and social contribution taxes	**1,116**	1,995	**2,084**	1,776
Equity pickup - comprehensive income	**(1,881)**	428	**-**	-
Other comprehensive income, net of taxes	**(4,048)**	(3,443)	**(4,048)**	(3,443)
Comprehensive income for the year	**81,111**	98,811	**81,112**	98,813
Attributable to:				
Controlling interests	**81,111**	98,811	**81,111**	98,811
Noncontrolling interests	**-**	-	**1**	2

See accompanying notes.

Eternit S.A.

Statements of changes in equity
Years ended December 31, 2014 and 2013
(In thousands of reais)

			Capital reserve			Income reserves							
	Note	Capital.	Subsidies for investments	Goodwill on acquisition of shares	Treasury shares	Statutory	Legal	Retained profits	Retained earnings	Other comprehensive income	Total Company	Noncontrolling 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 year		-	-	-	-	-	-	-	102,254	-	102,254	2	102,256
Set up of reserves		-	754	-	-	5,113	5,113	19,697	(30,677)	-	-	-	-
Gain/loss on restatement of defined contribution plan		-	-	-	-	-	-	-	-	(3,443)	(3,443)	-	(3,443)
Reversal of investment subsidy reserve		-	(470)	-	-	4	4	(179)	-	-	(641)	-	(641)
Allocation of net income:													
Interest on equity - R$0.254 per outstanding share	18	-	-	-	-	-	-	-	(22,726)	-	(22,726)	-	(22,726)
Dividends – R$0.5467 per outstanding share	18	-	-	-	-	-	-	-	(48,851)	-	(48,851)	-	(48,851)
Balances at December 31, 2011		334,251	19,649	23	(174)	26,990	30,630	98,187	-	(3,443)	506,113	16	506,129
Net income for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**85,159**	**-**	**85,159**	**1**	**85,160**
Set up of reserves	18	**-**	**-**	**-**	**-**	**4,258**	**4,258**	**5,066**	**(13,582)**	**-**	**-**	**-**	**-**
Gain/loss on restatement of defined contribution plan		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4,048)**	**(4,048)**	**-**	**(4,048)**
Reversal of monetary restatement of capital		**-**	**(212)**	**-**	**-**	**3**	**3**	**(650)**	**-**	**-**	**(856)**	**-**	**(856)**
Allocation of net income:													
Interest on equity - R$0.134 per outstanding share	18	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(23,889)**	**-**	**(23,889)**	**-**	**(23,889)**
Dividends – R$0.267 per outstanding share	18	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(47,688)**	**-**	**(47,688)**	**-**	**(47,688)**
Balances at December 31, 2014		**334,251**	**19,437**	**23**	**(174)**	**31,251**	**34,891**	**102,603**	**-**	**(7,491)**	**514,791**	**17**	**514,808**

See accompanying notes.

Eternit S.A.

Cash flow statements
Years ended December 31, 2014 and 2013
(In thousands of reais)

	Note	Company		Consolidated	
		12/31/2014	12/31/2013	12/31/2014	12/31/2013
Cash flows from operating activities					
Income before income and social contribution taxes		**86,401**	99,734	**130,084**	142,229
Adjustments to reconcile pre-tax income to net cash generated by operating activities:					
Equity pickup	9	**(63,774)**	(76,267)	**13,676**	6,223
Depreciation and amortization	11/12	**11,995**	11,075	**37,704**	34,789
Gain (loss) on disposal of permanent assets	24	**(405)**	(65)	**(1,078)**	(145)
Allowance for doubtful accounts on accounts receivable	6	**655**	402	**1,444**	985
Provision for tax, civil, and labor risks	21	**2,912**	2,458	**7,079**	3,711
Reversal of (provision of) sundry losses		**1,869**	6,387	**(5,606)**	7,660
Financial charges, monetary and exchange variations		**1,574**	2,397	**43**	1,069
Short-term investment yield		**(2,194)**	(2,220)	**(4,861)**	(4,495)
Net changes in prepaid expenses		**1,561**	1,609	**1,750**	2,248
		40,594	45,510	**180,235**	194,274
(Increase) decrease in operating assets:					
Accounts receivable	6	**(1,776)**	8,878	**(15,956)**	16,215
Related party receivables	10 a.	**7,697**	(9,800)	**7,353**	(11,798)
Inventories	7	**14,990**	(4,325)	**(7,035)**	(14,801)
Taxes recoverable		**11,616**	(7,764)	**10,164**	(7,539)
Judicial deposits		**(1,685)**	(2,179)	**(1,572)**	(2,489)
Dividends and interest on equity received		**76,981**	79,343	**-**	-
Other assets		**(1,958)**	(1,735)	**(2,457)**	559
Increase (decrease) in operating liabilities					
Trade accounts payable	13	**193**	(7,864)	**2,604**	(9,560)
Related party payables	10	**429**	(1,038)	-	-
Taxes, charges and contributions payable	16	**(83)**	(1,996)	**4,728**	(1,563)
Provisions and social charges	15	**(242)**	(4,330)	**648**	(6,930)
Other liabilities		**(2,137)**	2,412	**(2,649)**	1,807
Interest paid		**(492)**	(452)	**(1,507)**	(621)
Income and social contribution taxes paid		**-**	(3,342)	**(42,651)**	(48,218)
Net cash generated by operating activities		**144,127**	**91,318**	**131,905**	**109,336**
Cash flows from investing activities					
Loan from related-party receivable	10	**(19,574)**	(2,509)	**1,293**	-
Cash receipt from the sale of property, plant and equipment	24	**577**	354	**1,488**	470
Additions to property, plant and equipment and intangible assets	11/12	**(25,608)**	(39,802)	**(104,216)**	(64,348)
Capital contribution in subsidiaries	9	**(28,480)**	(29,426)	**(11,982)**	(29,226)
Short-term investments		**(146,820)**	(115,783)	**(330,977)**	(292,141)
Redemption of short-term investments		**143,185**	156,718	**336,475**	339,905
Net cash used in investing activities		**(76,720)**	(30,448)	**(107,919)**	(45,340)
Cash flows from financing activities					
Loans and financing raised	14	**7,177**	15,972	**220,938**	182,624
Repayment of loans and financing	14	**(8,676)**	(1,608)	**(175,607)**	(180,738)
Loan with related party	10	**(468)**	(327)	**-**	-
Payment of dividends and interest on equity		**(69,245)**	(69,243)	**(69,245)**	(69,243)
Net cash used in financing activities		**(71,212)**	(55,206)	**(23,914)**	(67,357)
(Decrease) increase in cash and cash equivalents		**(3,805)**	5,664	**72**	(3,361)
(Decrease) increase in cash and cash equivalents					
At beginning of year	4	**9,516**	3,852	**13,295**	16,656
At end of year	4	**5,711**	9,516	**13,367**	13,295
(Decrease) increase in cash and cash equivalents		**(3,805)**	5,664	**72**	(3,361)

See accompanying notes.

Eternit S.A.

Statements of value added
Years ended December 31, 2014 and 2013
(In thousands of reais)

	Note	Company 12/31/2014	Company 12/31/2013	Consolidated 12/31/2014	Consolidated 12/31/2013
Revenues					
Sales of goods, products and services	22	**680,030**	684,554	**1,235,017**	1,219,671
Other revenues		**19**	316	**49,689**	47,128
Allowance for doubtful accounts on accounts receivable		**(655)**	(402)	**(1,444)**	(945)
Total		**679,394**	684,468	**1,283,262**	1,265,854
Inputs acquired from third parties					
Cost of sales		**(319,423)**	(341,573)	**(545,641)**	(545,593)
Materials, electric energy, third-party services and other		**(118,556)**	(114,669)	**(192,120)**	(194,915)
Loss/recovery of asset values		**(7,474)**	(7,541)	**(7,959)**	(7,541)
Other discounts, rebates and donations		**(4,426)**	(3,632)	**(8,637)**	(4,762)
		(449,879)	(467,415)	**(754,357)**	(752,811)
Gross value added		**229,515**	217,053	**528,905**	513,043
Depreciation, amortization and depletion	11/12	**(11,995)**	(11,075)	**(37,704)**	(34,789)
Net value added generated by the Company		**217,520**	205,978	**491,201**	478,254
Value added received in transfer					
Equity pickup	9	**63,774**	76,267	**(13,676)**	(6,223)
Financial income	25	**20,732**	16,887	**54,962**	47,535
Other		**13,964**	8,868	**13,961**	12,164
		98,470	102,022	**55,247**	53,476
Total value added to be distributed		**315,990**	308,000	**546,448**	531,730
Distribution of value added					
Personnel:					
Direct compensation		**64,190**	55,689	**130,539**	115,990
Benefits		**24,098**	31,376	**49,828**	57,793
Unemployment Compensation Fund (FGTS)		**5,906**	6,689	**10,978**	10,648
		94,194	93,754	**191,345**	184,431
Taxes, charges and contributions:					
Federal		**72,281**	60,318	**131,618**	125,006
State		**35,604**	23,532	**59,790**	46,460
Local		**1,662**	1,468	**2,406**	2,081
		109,547	85,318	**193,814**	173,547
Debt remuneration					
Interest		**19,692**	18,692	**52,674**	51,314
Rental		**7,398**	7,982	**23,456**	20,184
		27,090	26,674	**76,130**	71,498
Equity remuneration:					
Dividends	18	**47,688**	48,851	**47,688**	48,851
Interest on Equity (IOE)	18	**23,889**	22,726	**23,889**	22,726
Retained profits		**13,582**	30,677	**13,582**	30,677
		85,159	102,254	**85,159**	102,254
		315,990	308,000	**546,448**	531,730

See accompanying notes.

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

1. Operations

Eternit S.A. ("Company", or "Eternit"), 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 Company currently comprises 14 manufacturing units in Brazil, with branches in major Brazilian cities.

The Group is structured as follows:

Company	% - Ownership interest	Voting capital (%)	Headquarters location	Core activity
SAMA S.A.	99.99%	99.99%	Minaçu/GO	Exploration and processing of Chrysotile
Tégula Soluções para Telhados Ltda.	99.99%	99.99%	Atibaia/SP	Manufacturing and sale of concrete roofing and roofing accessories.
Precon Goiás Industrial Ltda.	99.99%	99.99%	Anápolis/GO	Manufacturing and sale of fiber cement products
Prel Empreendimentos e Participações Ltda.	99.99%	99.99%	São Paulo/SP	Shareholding interest in industrial and commercial companies
Engedis Distribuição Ltda.	99.94%	99.94%	Minaçu/GO	No economic activity.
Wagner Ltda.	99.99%	99.99%	São Paulo/SP	No economic activity.
Wagner da Amazônia Ltda.	99.99%	99.99%	São Paulo/SP	No economic activity.
Eternit da Amazônia Indústria de Fibrocimento Ltda.	99.99%	99.99%	Manaus/AM	Research, development and production of inputs for the construction industry Operations had not started up until the financial statement closing date for the year ended December 31, 2014.
Companhia Sulamericana de Cerâmica S.A.	60.00%	60.00%	Caucaia/CE	Import, production, sale, export and distribution of sanitary wares and related accessories in general.

The main products manufactured and/or sold by the Group as well as information correlated to segment reporting are described in Note 26.

1. **Operations** (Continued)

Legal issue - amiantus

The Company clarified that Federal Law No. 9055/95 - Decree No. 2350/97 and Regulations of the Department of Labor govern the extraction, industrialization, use, sale and transportation of chrysotile asbestos and production containing it.

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

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

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

On October 31, 2012, the STF started the judgment of the merits of ADI No. 3357 in relation to State Law No. 11643/2001, in Rio Grande do Sul, and ADI No. 3937 in relation to State Law No. 12684/2007, in 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 decision.

On December 30, 2013, Law No. 21114/13 was signed. Its article 1 prohibits the import, transportation, storage, manufacture, sale and use of products containing amiantus in the state of Minas Gerais, considering an 8-10 year period for compliance with article 1. Therefore, compliance with this provision will be mandatory as from 2021 and 2023, respectively.

Approval of financial statements

The presentation of the annual financial statements was approved and authorized by

1. **Operations** (Continued)

the Company's Supervisory Board and the Board of Directors on March 10, 2015 and March 11, 2015, respectively, to be published on March 12, 2015.

2. Basis of preparation and significant accounting practices

Significant accounting practices adopted by the Group are described in specific notes that relate to the items presented, and the ones that in general apply to different aspects in the financial statements are described below:

Accounting policies for immaterial transactions are not included in the financial statements.

Worth noting, the accounting practices were uniformly applied to the current year, are consistent with those used in the prior reporting year and used for both the Company and subsidiaries. Where necessary, the subsidiaries' financial statements are adjusted to meet this criterion.

2.1. Statement of compliance and basis of preparation

The Company's financial statements comprise:

a) Consolidated financial statements

The Company's consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), implemented in Brazil through the Brazilian FASB (CPC) and its technical interpretations (ICPC) and guidance (OCPC), approved by the Brazilian Securities and Exchange Commission (CVM).

b) Individual financial statements - Company

The Company's individual financial statements were prepared in accordance with accounting practices adopted in Brazil, which comprise provisions set forth in the Brazilian Corporation Law (Law No. 6406/76), as amended by Laws No.11638/07 and No.11941/09, and accounting pronouncements, interpretations and guidance issued by the Brazilian Financial Accounting Standards Board (CPC), approved by the Brazilian Securities and Exchange Commission (CVM). Up to December 31, 2013, these practices, applicable to separate financial statements, differed from IFRS only in connection with valuation of investments in subsidiaries, affiliates and jointly-controlled subsidiaries by the equity pickup method, which, under IFRS, would be at cost or fair value.

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

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

Upon issuance of standard IAS 27 (Separate Financial Statements) reviewed by the IASB in 2014, separate financial statements in accordance with IFRS are allowed to use the equity method for valuation of investments in subsidiaries, affiliates and jointly controlled subsidiaries. In December 2014, the CVM issued Resolution No. 733/2014, which approved the Revised Accounting Pronouncements document No. 7 referring to Pronouncements CPC 18, CPC 35 and CPC 37 issued by the Brazilian Financial Accounting Standards Board (CPC), incorporating referred to amendment to IAS 27 and allowing its adoption from the years ended December 31, 2014 onwards. Thus, the individual financial statements of the Company are in accordance with the IFRS as from this year.

The financial statements were prepared based on historical cost, except for certain financial instruments measured at fair value, as described in the following accounting practices. The historical cost is generally based on the fair value of the consideration paid in exchange for assets.

2.2. Basis of consolidation and investments in subsidiaries

The consolidated financial statements include the Company's financial statements and those of its 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 treated 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).

Noncontrolling 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 statements, subsidiaries' financial statements are recognized under the equity method.

2. Summary of significant accounting practices (Continued)

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

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 only.
- Interest in capital and net income (loss) for the year of subsidiaries.

The fiscal year of consolidated subsidiaries coincides with that of the Company. All intercompany balances and transactions of subsidiaries are fully eliminated in the consolidated financial statements. 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.

2.3. Provisions

Provisions are recorded when the Group has a present (legal or constructive) obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits, in an amount that can be reliably estimated. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is stated in the income statement, net of any reimbursement.

2. Summary of significant accounting practices (Continued)

2.4. Foreign currency

In the preparation of the financial statements for each company of the Group the transactions in foreign currency, i.e. any currency distinct from each companies' functional currency are recorded at the effective rates on the dates of those transactions. At the end of each reporting period the foreign exchange monetary items are translated at the rates in force at year end. Non-monetary items recorded at fair value calculated in foreign currency are retranslated at the rates in force when fair value was determined. Non-monetary items that are measured at historical cost in foreign exchange should be translated using the rate in force of the transaction date.

2.5. Financial instruments

The Group operates with several financial instruments, particularly cash and cash equivalents, short-term investments, trade accounts receivable from customers abroad, trade accounts payable in the foreign market and loans.

The amounts recorded in current assets and liabilities have immediate liquidity or mature within three months, in most cases. Considering the term and characteristics of these instruments, which are systematically renegotiated, the book values approximate the fair values.

a) Identification and assessment of financial instruments

These financial instruments are managed and monitored by the Group management, in order to leverage business profitability to the shareholder, and set the balance between third-party capital and equity.

Financial assets are classified as:

i) *Financial assets measured at fair value through profit or loss*

These are financial assets held for trading, when acquired for such purpose, particularly in the short-term, and are measured at fair value as of the financial statements date, with variations posted to Profit and loss. This group includes cash and cash equivalents, short-term investments and trade accounts receivable from customers abroad.

2. Summary of significant accounting practices (Continued)

2.5. Financial instruments (Continued)

ii) *Financial assets available for sale*

When applicable, this classification includes non-derivative financial assets designated as available for sale or those not classified as: (a) loans and receivables; (b) held-to-maturity investments; or (c) financial assets at fair value through profit or loss.

Short-term investments comprise investment funds classified as available for sale and, after initially measured, they are measured at fair value and posted to Profit and loss for the year upon realization.

iii) *Loans and receivables*

This classification includes non-derivative financial assets, with payments that are fixed or determinable, which cannot be quoted in an active market.

They are recorded under current assets, except for applicable cases, those with maturity exceeding 12 months after the financial statements date (these are classified as noncurrent assets).

Financial assets are classified as:

i) *Other financial liabilities*

These are initially recognized at fair value, upon receipt of funds, net of transaction costs. They are then measured at amortized cost, under the effective interest method. The effective interest rate method is used to calculate amortized cost of a financial liability and allocate the interest expense over the related period.

As of December 31, 2014, financial liabilities are as follows: loans and financing (Note 14) and balances payable to trade accounts payable - foreign and domestic (Note 13).

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

2. Summary of significant accounting practices (Continued)

2.6. Statement of Value Added ("SVA")

The purpose of this statement is to disclose the wealth created by the Company and its distribution for the year, and is presented by the Company, as required by the Brazilian Corporation Law as part of its individual financial statements and as supplementary information to the consolidated financial statements, as this statement is not considered or required by the IFRS. The statement of value added was prepared based on information obtained from accounting records that serve as a basis of preparation of the financial statements.

2.7. Standards, amendments and interpretation of standards

Management also considered the impact of new standards, interpretations and amendments that are in force but not yet effective. Unless otherwise stated, they are not considered relevant to the Company and will become effective on or after January 1, 2015:

Standard	Requirement	Impact on financial statements
IFRS 9 - Financial Instruments	The objective of IFRS 9 is ultimately to replace IAS 39 - Financial Instruments: Recognition and Measurement. Main changes estimated are: (i) all financial assets must be initially recognized at fair value; (ii) the standard divides all financial assets that are currently in the scope of IAS 39 into two classifications: amortized cost and fair value; (iii) the IAS 39 categories of available for sale and held to maturity were eliminated; and (iv) the IAS 39 concept of embedded derivatives was extinguished by the concepts of this new standard. Effective as from January 1, 2018.	The Group does not anticipate any material impact from IFRS 9 on its financial statements.
IFRS 15 – Revenue from customer agreements	This standard will replace IAS 11 - Construction contracts and IAS 18 - Revenue and their related interpretations; the main objectives consist of: (i) eliminating inconsistencies in revenue recognition standards, providing clear principles on how to record account balances; (ii) providing a single revenue recognition model, improving the comparability of accounting and financial information; and (iii) simplifying the process of preparing the financial statements. It will apply to all contracts with customers except leases, financial instruments and insurance contracts. Effective as from January 1, 2017.	The Group does not anticipate any material impact from IFRS 15 on its financial statements.
Amendment to IFRS 11 – Joint arrangements	This standard establishes that the entity engaged in a joint venture shall apply relevant principles related to business combination, which includes preparing disclosures required by the standard applicable to the transaction. Effective as from January 1, 2016.	The Group does not anticipate any material impact from IFRS 11 on its financial statements.
Amendment to IAS 16 and IAS 38 – Clarification for acceptable methods of depreciation and amortization	The purpose of the publication is to determine that it is not appropriate to define the basis for depreciation and amortization as the expected pattern of consumption by the entity, of future economic benefits of an asset. Effective as from January 1, 2016.	The Group does not anticipate any material impact from IAS 16 and 38 on its financial statements.

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

2. Summary of significant accounting practices (Continued)

2.7. Standards, amendments and standard interpretations (Continued)

Standard	Requirement	Impact on Financial Statements
Amendment to IAS 27 - Equity method in separate financial statements	This amendment enables the possibility of adopting the equity method in investments held in subsidiaries in separate financial statements. Effective as from January 1, 2016.	The Group does not anticipate any material impact from IAS 27 on its financial statements.
Amendment to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture	The objective of the amendment is to correct an inconsistency between the requirements in IFRS 10 – Consolidated financial statements and those in IAS 28 – Investments in associates and joint ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate, subsidiary or joint venture. Effective as from January 1, 2016.	The Group does not anticipate any material impact from IFRS 10 and IAS 28 on its financial statements.
Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment entities – applying the consolidation exception	This issuance (i) clarifies to those that meet the definition of investment entities how to consolidate their investments and lists the exceptions to the rule; and (ii) allows that other entities keep on applying the equity method, measurement of fair value through profit or loss used for their investments (associate or joint venture) and do not proceed with the consolidation.	The Group does not anticipate any material impact from IFRS 10, IFRS 12 and IAS 28 on its financial statements.
Amendments to IAS 1	This intends to review concepts previously determined, such as relevance. The Committee's intention is to reaffirm commitment to quality of financial and accounting information that must be objective and easy to understand. Effective as from January 1, 2016.	The Group does not anticipate any material impact from IAS 1 on its financial statements.
IFRS 7 Financial instruments (Disclosure) – Applicability of the offsetting disclosures to condensed financial statements	The amendment removes the phrase "and interim periods within those annual periods" from paragraph 44r, and explains that these IFRS 7 disclosure requirements are not required in condensed financial statements. However, IAS 34 requires an entity to disclose "an explanation of events and transactions that are significant to the understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period". Therefore, if IFRS 7 disclosures provide a significant update to the information included in the most recent annual report, it is expected that the disclosures be included in the condensed financial statements. This amendment shall be retrospectively applied for annual periods beginning or after January 1, 2016, with earlier adoption permitted. Effective as from January 1, 2016.	The Group does not anticipate any material impact from IFRS 7 on its financial statements.
IFRS 7 – Servicing agreements	This clarifies that a servicing agreement that includes an administration fee may be characterized as continuing involvement in a financial asset. An entity shall assess the nature of the fee and arrangement against the guidance for continued involvement in paragraphs IFRS 7.B30 and IFRS 7.42C, in order to assess whether the disclosures are required. Effective as from January 1, 2016.	The Group does not anticipate any material impact from IAS 7 on its financial statements.
IAS 34 – Interim Financial Reporting – Disclosure of information "elsewhere in the interim financial report"	This states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference among the interim financial report and wherever they are included within the interim information (e.g., in the management commentary or risk report). Effective as from January 1, 2016.	The Group does not anticipate any material impact from IAS 34 on its financial statements.

2. Summary of significant accounting practices (Continued)

2.7. Standards, amendments and standard interpretations (Continued)

IAS 19 – Employee benefits – discount rate	The amendment clarifies that market depth of high quality corporate bonds shall be assessed based on the currency in which the obligation is denominated, rather than the country in which the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates shall be used. Effective as from January 1, 2016.	The Group does not anticipate any material impact from IAS 19 on its financial statements.
IFRS 5 - Reclassification of noncurrent assets held for sale to assets held for distribution to partners/shareholders	This clarifies, through issuance of a guidance, the circumstances in which an entity reclassifies assets held for sale to assets held for distribution to partners/shareholders (and vice versa) and also cases in which assets held for distribution to partners/shareholders no longer meet the criterion to maintain this classification. Effective as from January 1, 2016.	The Group does not anticipate any material impact from IFRS 5 on its financial statements.

CPC has not yet edited the related pronouncements and amendments regarding the new and revised IFRS presented previously. In view of the Brazilian FASB (CPC) and the Brazilian Securities and Exchange Commission (CVM)'s commitment to update the set of standards issued based on restatements made by IASB, such pronouncements and changes are expected to be edited by the CPC and approved by the CVM by the date of their mandatory adoption.

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. The estimates and related assumptions are based on historical experience and other factors deemed relevant. Actual results could differ from those estimates.

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.

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

3.1. Impairment of goodwill for expected future profitability

To determine whether goodwill is impaired, it is necessary to estimate the value in use of the cash generating units to which goodwill was allocated. The calculation of value in use requires management to estimate expected future cash flows from cash generating units and an adequate discount rate to calculate present value. No evidence of goodwill impairment was detected.

3.2. Useful lives of property, plant and equipment

From time to time the Group reviews the recoverable amounts and useful life estimates of property, plant and equipment. 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 and social contribution taxes and other taxes

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

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

3.4. Provision for tax, civil and labor risks

This provision refers to legal proceedings and assessments the Group was served. The obligation is recognized when it is considered probable and can be measured with reasonable certainty. The matching entry of this obligation is an expense for the year. This obligation is restated according to the progress of the legal proceeding or financial charges incurred and can be reversed if the estimated loss is no longer probable, or written off when the obligation is settled.

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

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

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.

4. Cash and cash equivalents

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Cash and banks	**5,711**	9,516	**11,690**	11,100
Investments in bank deposit certificates	**-**	-	**1,677**	2,195
	5,711	9,516	**13,367**	13,295

As of December 31, 2014, investments were remunerated at average rates of 102% of the Interbank Deposit Certificate (CDI) variation (103% as of December 31, 2013), with the portfolio basically comprising investments in repurchase agreements. 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	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Investment funds	**15,726**	9,897	**35,023**	35,661

Most investment funds are fixed-income investments, repurchase agreements, remunerated at average CDI rates of 102% (103% as of December 31, 2013).

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

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

6. Accounts receivable

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Domestic market	**74,634**	73,487	**109,199**	112,241
Foreign market	**-**	-	**73,753**	55,521
(-) Present value adjustment	**-**	(432)	**(330)**	(1,362)
	74,634	73,055	**182,622**	166,400
Allowance for doubtful accounts	**(3,307)**	(3,281)	**(6,689)**	(6,011)
	71,327	69,774	**175,933**	160,389

<u>Aging list of accounts receivable</u>

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Falling due	**69,637**	65,939	**166,787**	146,010
Overdue:				
Within 30 days	**1,098**	2,362	**6,933**	10,538
From 30 to 60 days	**293**	1,283	**1,444**	2,654
Above 60 days	**299**	190	**769**	1,187
	71,327	69,774	**175,933**	160,389

<u>Changes in allowance for doubtful accounts</u>

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Opening balance	**(3,281)**	(3,242)	**(6,011)**	(6,518)
Addition	**(734)**	(782)	**(1,531)**	(1,482)
Reversal	**79**	380	**87**	497
Write-off	**629**	363	**766**	1,492
Closing balance	**(3,307)**	(3,281)	**(6,689)**	(6,011)

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

7. Inventories

Accounting practice

Inventories are carried at the lower of cost and net realizable value. Inventory costs are determined under the average cost method. Net realizable value corresponds to the estimated inventory selling price, less those costs estimated for completion and costs required for the sale.

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Finished products	**36,060**	41,554	**88,370**	72,551
Semi-finished products	**-**	-	**2,444**	2,116
Resale	**7,749**	9,751	**12,343**	14,698
Raw materials	**21,793**	29,854	**21,503**	31,142
Support materials	**5,658**	5,091	**25,671**	22,789
(-) Provision for losses (*)	**(1,865)**	(417)	**(2,238)**	(1,352)
	69,395	85,833	**148,093**	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 year ended December 31, 2014 and 2013 are as follows:

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Opening balance	**(417)**	-	**(1,352)**	(935)
Provision	**(1,865)**	(443)	**(2,009)**	(443)
Reversal	**417**	26	**1,123**	26
Closing balance	**(1,865)**	(417)	**(2,238)**	(1,352)

For the year ended December 31, 2014, raw material equivalent to R$257,513 (R$259,318 in December 2013) was used, recorded as cost in the Company, and R$409,669 (R$395,647 in December 2013) in the Consolidated, as mentioned in Note 23.

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

8. Taxes recoverable

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Current:				
State Value-Added Tax (ICMS)	**1,760**	1,005	**3,803**	2,131
Withholding Income Tax (IRRF)	**204**	191	**401**	413
Corporate Income Tax (IRPJ)	**602**	8,285	**1,051**	8,690
Social Contribution Tax on Net Profit (CSLL)	**140**	2,243	**194**	2,311
Withholding Income Tax (IRRF) on interest on equity	**996**	3,400	**996**	3,400
FOMENTAR fund – ICMS (*)	**1,661**	1,197	**1,661**	1,197
Contribution Tax on Gross Revenue for Social Security Financing (COFINS) and other	**672**	221	**2,267**	1,506
	6,035	16,542	**10,373**	19,648
Noncurrent:				
State Value-Added Tax (ICMS)	**1,164**	1,218	**2,705**	4,021
Withholding Income Tax (IRRF)	**13,841**	13,363	**13,841**	13,363
Corporate Income Tax (IRPJ)	**7,910**	7,638	**7,910**	7,638
	22,915	22,219	**24,456**	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 subsidiary are as follows:

Summary of investment breakdown:

	Company							
	Eternit da Amazônia	**Precon**	**Prel**	**SAMA**	**CSC**	**Tégula**	**Wagner**	**Total**
Investments	11,685	23,985	7,830	90,385	34,338	67,134	4,164	239,521
Surplus value of net assets	-	-	-	16,559	-	-	-	16,559
Balance as of December 31, 2014	**11,685**	**23,985**	**7,830**	**106,944**	**34,338**	**67,134**	**4,164**	**256,080**

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

9. **Investments** (Continued)

	Eternit da Amazônia	Precon	Prel	SAMA	CSC	Tégula	Wagner	Total
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	-	(829)	-	(4,492)	-	-	-	(5,321)
Equity pickup	(938)	10,694	2,890	70,304	(6,223)	(459)	(1)	76,267
Equity pickup of comprehensive income	-	-	-	428	-	-	-	428
Capital contribution	200	-	-	-	29,226	-	-	29,426
At December 31, 2013	(738)	20,221	8,058	108,311	36,032	71,787	4,058	247,729
Dividends	**-**	**(7,121)**	**(2,803)**	**(65,691)**	**-**	**-**	**-**	**(75,615)**
Interest on equity	**-**	**(955)**	**-**	**(4,509)**	**-**	**-**	**-**	**(5,464)**
Equity pickup	**(4,075)**	**11,842**	**3,080**	**70,935**	**(13,676)**	**(4,455)**	**123**	**63,774**
Reversal of supplementary monetary restatement - IFRS	**-**	**(2)**	**(505)**	**(221)**	**-**	**(198)**	**(17)**	**(943)**
Equity pickup of comprehensive income	**-**	**-**	**-**	**(1,881)**	**-**	**-**	**-**	**(1,881)**
Capital contribution	**16,498**	**-**	**-**	**-**	**11,982**	**-**	**-**	**28,480**
At December 31, 2014	**11,685**	**23,985**	**7,830**	**106,944**	**34,338**	**67,134**	**4,164**	**256,080**

The balance of investment in the consolidated financial statements as of December 31, 2014 amounting to R$34,338 (R$36,032 as of December 31, 2013) refers to investment in the jointly-controlled subsidiary with Companhia Sulamericana de Cerâmica “CSC”.

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

9. **Investments** (Continued)

The balances of subsidiaries and joint venture as of December 31, 2014 are as follows:

	Subsidiaries						Join Venture
	Eternit da Amazônia	**Precon**	**Prel**	**SAMA**	**Tégula**	**Wagner**	**Companhia Sulamericana de Cerâmica S.A.**
Current assets	4,947	23,230	4,059	166,231	32,799	3,956	65,074
Noncurrent assets	114,301	14,696	4,555	114,707	59,348	1,785	115,580
Current liabilities	59,281	9,851	783	128,748	11,987	16	54,518
Noncurrent liabilities	48,281	4,089	-	57,161	13,020	1,554	68,907
Equity	11,686	23,986	7,831	95,029	67,141	4,171	57,229
Proportional interest	99.9900%	99.9946%	99.9977%	99.9977%	99.9900%	99.8400%	60%
Book value of investments	11,685	23,985	7,830	95,027	67,134	4,164	34,338
Net operating revenue	-	77,869	-	407,789	79,049	-	39,491
Cost of sales	-	(54,208)	-	(206,966)	(55,799)	-	(33,315)
Unrealized profit in inventories	-	-	-	85	-	-	-
Net income (loss) for continuing operations	(4,076)	11,842	3,080	70,935	(4,455)	123	(22,793)
Attributable to:							
Company interest	(4,075)	11,842	3,080	70,933	(4,455)	123	(13,676)

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

10. Related parties

a) Related-party transactions and balances

	Current assets				Noncurrent assets		Current liabilities				Noncurrent liabilities	
	Trade accounts receivable		Dividends		Loan agreement receivable		Trade accounts payable		Other accounts payable		Loan agreement payable	
	Dec/2014	Dec/2013	**Dec/2014**	Dec/2013	**Dec/2014**	Dec/2013	**Dec/2014**	Dec/2013	**Dec/2014**	Dec/2013	**Dec/2014**	Dec/2013
Eternit da Amazônia (ii) and (iii)	**53**	1,062	**-**	-	**20,150**	-	**-**	-	**-**	-	**-**	-
Precon (i) and (ii)	**980**	488	**1,964**	7,926	**-**	-	**-**	-	**8**	-	**-**	-
SAMA (ii) and (iii)	**311**	169	**19,974**	8,735	**-**	-	**7,544**	7,128	**29**	26	**31,763**	29,108
Prel	**-**	-	**654**	2,653	**-**	-	**-**	-	**91**	88		
Tégula (i) and (ii)	**127**	96	**706**	706	**8,421**	7,705	**-**	-	**-**	1	**-**	-
Companhia Sulamericana de Cerâmica (i) and (iii)	**2,427**	9,780	**-**	-	**726**	2,018	**-**	-	**-**	-	**-**	-

(i) There are purchases and sales between related parties, therefore the balances refer to supplies of raw materials (chrysotile) and/or finished products, which were eliminated in the Company's consolidated financial statements. The joint venture, which is consolidated by equity pickup, is not eliminated in the consolidated financial statements.

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

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

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

10. Related parties (Continued)

a) Related-party transactions and balances (Continued)

	Company							
	Sales		Purchases		Expense		Other revenues	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Precon	**2,710**	8,880	**-**	-	**-**	-	**-**	-
Tégula	**464**	385	**-**	-	**-**	-	**-**	-
CSC	**1,706**	-	**-**	-	**-**	-	**-**	-
SAMA	**-**	-	**78,335**	70,264	**-**	-	**-**	-
Discounts obtained - SAMA	**-**	-	**30**	-	**-**	-	**-**	-
Administrative expenses - Prel	**-**	-	**1,056**	500	**-**	-	**-**	-
Interest on loan - SAMA	**-**	-	**-**	-	**3,124**	2,183	**-**	-
Interest on loans - Tégula	**-**	-	**-**	-	**-**	-	**844**	578
Interest on equity - SAMA	**-**	-	**-**	-	**-**	-	**4,509**	4,492
Interest on equity - Precon	**-**	-	**-**	-	**-**	-	**955**	828

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

As of December 31, 2014 and 2013, there are no outstanding guarantees with related parties, and there are no allowance for related-party doubtful accounts.

b) Key management personnel compensation

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

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Salaries, fees and benefits	**4,599**	5,082	**5,559**	6,014
Social charges	**1,288**	1,430	**1,599**	1,735
Profit sharing (PLRE)	**1,797**	3,642	**2,372**	4,316
Supplementary bonus	**735**	2,419	**1,062**	3,093
Post-employment benefits	**82**	229	**93**	387
	8,501	12,802	**10,685**	15,545

10. Related parties (Continued)

b) Key management personnel compensation (Continued)

The Group's Board of Directors approved a stock option plan for the Company's Officers. The Group grants supplementary bonus as profit sharing to officers that invest up to 100% of their profit sharing net amount for the purchase of Company shares. This supplementary 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 December 31, 2014, Officers' shareholding position was 2,121,148 shares - ETER3 (995,283 shares - ETER3 for the year ended December 31, 2013).

11. Property, plant and equipment

Accounting practice

Property, plant and equipment

Property and equipment are stated at cost, less depreciation and accumulated impairment loss, when applicable. These are recorded as part of the costs from construction in progress, professionals' fees directly attributable to bringing the asset to the location and condition required for its use and borrowing costs, until the completion of the assets. Maintenance and repair expenses incurred are accounted for only if the economic benefits associated with these items are probable and the amounts can be reliably measured, while the remaining maintenance and repair expenses are recognized in the income statement when incurred.

11. Property, plant and equipment (Continued)

Depreciation of these assets starts when they are ready for use, on the same basis as depreciation of other property, plant and equipment.

Depreciation of property, plant and equipment items is calculated by the straight-line method at rates that take into consideration the estimated economic useful life of each asset.

Impairment of tangible and intangible assets, less goodwill

At the end of each year, the Group reviews the book value of its tangible and intangible assets to determine whether there is any evidence that those assets have suffered some impairment loss. In case such evidence exists, the recoverable amount of the asset is estimated in order to measure the loss amount, if any. If the calculated recoverable amount of an asset (or cash-generating unit) is lower than its book value, the book value of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment loss is recognized immediately in the income statement.

(Em milhares de reais - R$, exceto quando de outra forma indicado)

11. Property, plant and equipment (Continued)

	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 as of December 31, 2013	701	32,804	101,651	12,955	79,088	2,787	5,743	4,004	38,164	277,897
Additions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**22,863**	**22,863**
Write-offs	**(553)**	**(16)**	**(664)**	**(4)**	**(178)**	**(1,221)**	**(73)**	**(196)**	**(14,473)**	**(17,378)**
Transfers	**1,873**	**697**	**9,027**	**131**	**4,836**	**93**	**374**	**543**	**(17,574)**	**-**
Balances as of December 31, 2014	**2,021**	**33,485**	**110,014**	**13,082**	**83,746**	**1,659**	**6,044**	**4,351**	**28,980**	**283,382**
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 as of December 31, 2013	-	(19,353)	(45,646)	(9,738)	(46,113)	(2,056)	(2,736)	(2,830)	-	(128,472)
Additions	**-**	**(742)**	**(2,934)**	**(928)**	**(5,509)**	**(120)**	**(477)**	**(393)**	**-**	**(11,103)**
Write-offs	**-**	**16**	**273**	**2**	**173**	**1,140**	**54**	**194**	**-**	**1,852**
Transfers	**-**	**-**	**29**	**-**	**(30)**	**-**	**1**	**-**	**-**	**-**
Balances as of December 31, 2014	**-**	**(20,079)**	**(48,278)**	**(10,664)**	**(51,479)**	**(1,036)**	**(3,158)**	**(3,029)**	**-**	**(137,723)**
Net book value										
At January 1, 2013	701	13,534	50,787	4,226	36,466	1,047	2,799	783	12,717	123,060
December 31, 2013	701	13,451	56,005	3,217	32,975	731	3,007	1,174	38,164	149,425
At December 31, 2014	**2,021**	**13,406**	**61,736**	**2,418**	**32,267**	**623**	**2,886**	**1,322**	**28,980**	**145,659**

(Em milhares de reais - R$, exceto quando de outra forma indicado)

11. Property, plant and equipment (Continued)

	Consolidated													
	Land	Buildings and improvements	Machinery and equipment	Extraction machinery	Tooling and molds	Facilities	Vehicles	Off-road vehicles	Furniture and fixtures	IT equipment	Renovation of degraded 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 as of 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	-	25	627	-	7	92	855	-	52	119	-	-	98,676	100,453
Write-offs	(553)	(906)	(1,461)	(7)	(6)	(178)	(2,435)	(2,763)	(194)	(309)	-	-	-	(8,812)
Transfers	1,873	1,360	12,865	2,495	131	13,860	550	-	1,052	1,052	-	-	(35,238)	-
Balances as of December 31, 2014	**5,404**	**82,019**	**207,804**	**30,058**	**26,855**	**230,168**	**23,675**	**1,776**	**18,238**	**9,315**	**5,778**	**13,387**	**107,222**	**761,699**
Average depreciation rates	-	4%	8.6%	28.4%	15%	10%	20%	26.8%	10%	20%	2.9%	5.3%	-	-
Accumulated depreciation														
Balances at January 1, 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 as of 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	-	(1,752)	(6,311)	(4,491)	(2,369)	(11,925)	(5,561)	(180)	(1,575)	(796)	(231)	(696)	-	(35,887)
Write-offs	-	565	703	7	4	173	2,334	2,617	161	302	-	-	-	6,866
Transfers	-	-	28	-	-	(30)	-	-	(2)	4	-	-	-	-
Balances as of December 31, 2014	**-**	**(49,168)**	**(110,751)**	**(23,546)**	**(22,338)**	**(170,197)**	**(19,907)**	**(1,604)**	**(9,975)**	**(6,708)**	**(1,550)**	**(4,271)**	**-**	**(420,015)**
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
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
December 31, 2014	**5,404**	**32,851**	**97,053**	**6,512**	**4,517**	**59,971**	**3,768**	**172**	**8,263**	**2,607**	**4,228**	**9,116**	**107,222**	**341,684**

Due to legal proceedings, subsidiary SAMA gave in warranty PP&E (machinery and equipment) in the net book value of R$1,172 (R$1,272 as of December 31, 2013).

12. Intangible assets

<u>Accounting practice</u>

Intangible assets

Intangible assets with finite useful lives, separately acquired, are recorded at cost, less amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis based on the estimated useful lives of the assets. The estimated useful life and depreciation method are reviewed at each year-end, and the effect of any changes in estimates is recorded prospectively. Intangible assets with finite useful lives, separately acquired, are recorded at cost, less amortization and accumulated impairment losses.

Goodwill

Goodwill stemming from a business combination is stated at cost on the business combination date net of accumulated impairment losses.

In order to test impairment losses goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) which will benefit from business combination synergy.

The cash-generating units for which goodwill was allocated are submitted to annual impairment testing or whenever there is any indication that a unit may post impairment losses. If the recoverable amount of a cash-generating unit is lower than book value, the impairment loss on recoverable amount is firstly allocated to reduce the book value of any goodwill allocated to that unit, and subsequently, to other assets of that unit proportionally to the book value of each of its assets. Any impairment loss in the recoverable amount of goodwill is directly recognized in Profit and loss for the year.

Impairment of tangible and intangible assets, less goodwill

See Note 11.

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

12. Intangible assets (Continued)

Company	Software	Software in progress	Other	Total
Cost				
Balance at January 1, 2013	7,185	-	11	7,196
Additions	45	2,844	-	2,889
Balance as of December 31, 2013	7,230	2,844	11	10,085
Additions	**133**	**2,612**	**-**	**2,745**
Transfer	**3,756**	**(3,756)**	**-**	**-**
Balance as of December 31, 2014	**11,119**	**1,700**	**11**	**12,830**
Useful life (in years)	5	-	-	-
Amortization				
Balance as of January 1, 2013	(4,682)	-	-	(4,682)
Additions	(819)	-	-	(819)
Balance as of December 31, 2013	(5,501)	-	-	(5,501)
Additions	**(892)**	**-**	**-**	**(892)**
Balance as of December 31, 2014	**(6,393)**	**-**	**-**	**(6,393)**
Net book value				
Balance as of January 1, 2013	2,503	-	11	2,514
Balance as of December 31, 2013	1,729	2,844	11	4,584
Balance as of December 31, 2014	**4,726**	**1,700**	**11**	**6,437**

Consolidated	Software	Goodwill	Trademarks and patents	Software in progress	Other	Total
Cost						
Balance as of January 1, 2013	13,143	19,995	1,156	-	75	34,369
Additions	325	-	260	3,636	-	4,221
Transfers	792	-	-	(792)	-	-
Balance as of December 31, 2013	14,260	19,995	1,416	2,844	75	38,590
Additions	**552**	**-**	**-**	**3,211**	**-**	**3,763**
Transfers	**4,355**	**-**	**-**	**(4,355)**	**-**	**-**
Balance as of December 31, 2014	**19,167**	**19,995**	**1,416**	**1,700**	**75**	**42,353**
Useful life (in years)	5	-	-	-	-	-
Amortization						
Balance as of January 1, 2013	(8,328)	-	-	-	(1)	(8,329)
Additions	(1,585)	-	-	-	-	(1,585)
Balance as of December 31, 2013	(9,913)	-	-	-	(1)	(9,914)
Additions	**(1,817)**	**-**	**-**	**-**	**-**	**(1,817)**
Balance as of December 31, 2014	**(11,730)**	**-**	**-**	**-**	**(1)**	**(11,731)**
Net book value						
Balance as of January 1, 2013	4,815	19,995	1,156	-	74	26,040
Balance as of December 31, 2013	4,347	19,995	1,416	2,844	74	28,676
Balance as of December 31, 2014	**7,437**	**19,995**	**1,416**	**1,700**	**74**	**30,622**

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

13. Trade accounts payable

	Company		Consolidated	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Domestic market	**20,528**	15,718	**39,408**	31,977
Foreign market	**2,330**	6,947	**2,743**	7,570
(-) Present value adjustment (domestic/foreign market)	**-**	(221)	**-**	(254)
	22,858	22,444	**42,151**	39,293

14. Loans and financing

<u>Accounting practice</u>

Loans and financing are initially recognized at fair value upon receipt of funds, net of transaction costs. Subsequently borrowings are stated at amortized cost, i.e., plus charges and interest proportional to the period incurred (on a “pro rata temporis” basis), using the effective interest rate method, except for those with hedging derivative instruments, which are stated at their fair value. The borrowing costs directly attributed to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily take substantial time to be ready for its intended use or sale, are capitalized as part of the cost of such assets, when it is probable that they will result in future economic benefits to the entity and that such costs can be reliably measured. All other borrowing costs are expensed in the period they incur.

In 2014, the Group capitalized borrowing costs of construction in progress, totaling R$7,766 (R$2,737 in 2013).

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

14. Loans and financing (Continued)

	Interest rate and commissions - %	Company		Consolidated	
		2014	2013	2014	2013
Current:					
Domestic currency for acquisition of machinery and equipment	From 1.14% to 10% p.a. + TJPL	**1,225**	628	**6,595**	6,072
Foreign currency for acquisition of machinery and equipment	From 1.03% to 3.56% p.a.	**1,841**	8,316	**13,255**	10,854
Domestic currency (finance lease) for acquisition of vehicle	1.23% p.a.	**-**	-	**363**	-
Domestic currency for working capital	0.9% + 100% of CDI	**-**	-	**10,391**	-
Foreign currency for working capital - Advances on Export Contracts (ACE)	Average of 1.68% p.a.	**-**	-	**58,342**	39,955
		3,066	8,944	**88,946**	56,881
Noncurrent:					
Domestic currency for acquisition of machinery and equipment	From 1.14% to 10% p.a. + TJLP	**3,409**	1,750	**8,254**	11,566
Foreign currency for acquisition of machinery and equipment	From 1.03% to 3.56% p.a.	**1,720**	12,618	**30,491**	14,233
Domestic currency (finance lease) for acquisition of vehicle	1.23% p.a.	**-**	-	**233**	-
		5,129	14,368	**38,978**	25,799

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

14. Loans and financing (Continued)

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Noncurrent payment flow:				
2015	**-**	11,328	**-**	17,663
2016	**2,084**	2,336	**13,470**	6,161
2017	**2,067**	490	**11,429**	1,210
2018	**924**	214	**9,641**	562
2019	**54**	-	**4,438**	203
	5,129	14,368	**38,978**	25,799

The Group has loan agreements with non-financial covenants with which it was compliant as of December 31, 2014.

15. Provision and social charges

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Vacation pay	**7,843**	6,760	**15,077**	12,980
Profit sharing (a)	**2,381**	3,704	**8,671**	10,145
Unemployment Compensation Fund (FGTS)	**555**	593	**1,011**	1,008
Social Security Tax (INSS)	**1,951**	1,848	**3,476**	3,367
Other	**8**	75	**422**	509
	12,738	12,980	**28,657**	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	
	12/31/2014	12/31/2013
Company	**4,269**	5,785
Consolidated	**11,117**	13,168

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

16. Taxes, charges and contributions payable

	Company		Consolidated	
Current:	**12/31/2014**	**12/31/2013**	**12/31/2014**	**12/31/2013**
Income taxes				
Corporate Income Tax (IRPJ)	**-**	863	**8,923**	12,242
Social Contribution Tax on Net Profit (CSLL)	**-**	-	**1,751**	2,432
Other taxes				
State Value-Added Tax (ICMS)	**6,162**	6,304	**9,026**	9,372
Federal VAT (IPI)	**2,345**	1,824	**2,686**	2,107
Contribution Tax on Gross Revenue for Social Security Financing (COFINS)	**1,408**	1,405	**2,274**	3,258
Contribution Tax on Gross Revenue for Social Integration Program (PIS)	**280**	281	**467**	683
Withholding Income Tax (IRRF)	**1,394**	1,331	**2,128**	1,943
Mineral resource offsetting financial contribution	**-**	-	**1,413**	1,515
Other	**277**	218	**513**	463
Total current	**11,866**	12,226	**29,181**	34,015
Noncurrent:				
ICMS (*)	**7,787**	7,697	**10,605**	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

<u>Accounting practice</u>

Private pension plan costs

The payments under the defined contribution pension plan are recognized as expenses when the services that grant the right to these payments are provided.

I) <u>Future health benefits</u>

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.

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

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

I) <u>Future health benefits</u> (Continued)

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

	12/31/2014	12/31/2013
Actual actuarial annual interest rate	**6.09%**	6.32%
Actual annual medical cost increase rate	**3.80%**	3.80%
Annual projected inflation rate	**6.49%**	5.80%
General mortality table	**AT-2000**	AT-2000

b) *Plan liabilities for future benefits to former employees*

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Current	**2,511**	2,174	**3,677**	3,861
Noncurrent	**27,730**	23,710	**41,654**	34,527
	30,241	25,884	**45,331**	38,388

c) *Net expenses with the benefit in 2014 (posted to P&L)*

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Current service and interest cost	**3,232**	1,813	**4,793**	3,049
Benefits paid	**(2,452)**	(2,209)	**(4,377)**	(4,209)
Net income (expense) with the benefit	**780**	(396)	**416**	(1,160)

d) Changes in present value of the defined benefit obligation

	Company	Consolidated
Defined benefit obligations at January 1, 2013	22,363	32,029
Current service and interest cost	1,813	3,049
Benefits paid	(2,209)	(4,209)
Defined benefit obligations at December 31, 2013	21,967	30,869
Current service and interest cost	**3,232**	**4,793**
Benefits paid	**(2,452)**	**(4,377)**
Defined benefit obligations at December 31, 2014	**22,747**	**31,285**

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

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

Changes in plan defined benefit obligations in 2014

	Company	Consolidated
January 1, 2014	25,884	38,388
Current service and interest cost	3,232	4,793
Benefits paid	(2,452)	(4,377)
Experience adjustments	3,577	6,527
December 31, 2014	**30,241**	**45,331**

f) Sensitivity analysis:

Company	**Sensitivity of the interest rate on obligations calculated**			**Sensitivity of average cost increase of obligations calculated**		
	Actual	**Increase 1%**	**Decrease 1%**	**Actual**	**Increase 1%**	**Decrease 1%**
Impact on benefit obligation, net	30,241	27,747	32,999	30,241	32,889	27,934
Variation		**(8.25%)**	**9.12%**		**8.76%**	**(7.63%)**

Consolidated	**Sensitivity of the interest rate on obligations calculated**			**Sensitivity of average cost increase of obligations calculated**		
	Actual	**Increase 1%**	**Decrease 1%**	**Actual**	**Increase 1%**	**Decrease 1%**
Impact on benefit obligation, net	45,331	41,599	49,558	45,331	49,421	41,810
Variation		**(8.23%)**	**9.32%**		**9.02%**	**(7.77%)**

The abovementioned sensitivity analysis was conducted by submitting most significant assumptions to some variation, and reflecting the effect thereof on the obligations amount.

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

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

g) The following payments represent contributions expected for future years based on the defined benefit plan obligations:

	Company		Consolidated	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Within 12 months	**2,511**	2,174	**3,677**	3,224
From 2 to 5 years	**9,472**	7,543	**14,458**	11,188
From 5 to 10 years	**9,213**	7,519	**13,499**	11,152
After 10 years	**9,045**	8,648	**13,697**	12,824
	30,241	25,884	**45,331**	38,388

II) Supplementary private pension plan

The Group has an open-ended supplementary private pension plan with a duly authorized private pension entity. This plan is for defined contributions and deductible for income tax purposes (PGBL) and offered to all employees and officers. There is no provision recorded in December 2014.

For the years ended December 31, 2014 and 2013, the Group and its participants made contributions to fund benefit plans as follows:

	Company		Consolidated	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Contributions for the year ended:	**1,444**	3,017	4,081	3,864

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

18. Equity

Accounting practice

Dividends and interest on equity

The Company's articles of incorporation ensures shareholders mandatory minimum dividend of 25% of net income for the year, less legal reserves of 5% and statutory reserve of 5% of income, under the Brazilian Corporation Law. In addition, if proposed by the Board of Directors, the Company may set up reserves for risks and capital budget. After such allocations, the remaining balance, if any, shall be fully allocated to dividend payment to shareholders. For corporate and accounting purposes, Interest on Equity (IOE) is posted as allocation of net income directly to equity.

a) Capital

As of December 31, 2014, the Company's fully subscribed and paid-in capital amounted to R$334,251.

At the Special General Meeting held on September 24, 2014, shareholders resolved to split common shares of the Company. On September 25, 2014, each 1 (one) share issued by the Company comprised 2 (two) shares of the same type, with no changes in capital. The 89,500,000 shares then comprised 179,000,000 common registered book-entry shares, with no par value, with the right to vote in Annual General Meeting deliberations, and, as of December 31, 2014, were held as follows:

	12/31/2014		12/31/2013	
Shareholding structure	**Shareholders**	**Shares**	**Shareholders**	**Shares**
Individuals	**9,012**	**116,445,329**	7,866	54,545,407
Legal entities	**94**	**3,102,086**	97	1,619,554
Persons resident abroad	**137**	**18,680,383**	146	11,422,700
Clubs, funds and foundations	**114**	**40,713,470**	131	21,882,973
	9,357	**178,941,268**	8,240	89,470,634
Treasury shares	**-**	**58,732**	-	29,366
	9,357	**179,000,000**	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, which 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 December 31, 2014, market value of treasury shares was R$95 (R$257 as of December 31, 2013).

c) Earnings per share

The following table reconciles net income to amounts used to calculate basic and diluted earnings per share:

	Company	
	12/31/2014	12/31/2013
Dilutive effect		
Net income for the period attributable to noncontrolling interests	**85,159**	102,254
Weighted average number of outstanding common shares, less the average of treasury common shares	**178,941**	89,471
Basic and diluted earnings per share - R$	**0.48**	1.14

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

d) Dividends

Dividends proposed for the year ended December 31, 2014 was as follows:

Event	Payment beginning on	Total amount	Amount per share - R$
BDM (*) held on May 7, 2014	05/28/2014	11,900	0.133
BDM (*) held on August 6, 2014	08/27/2014	11,899	0.133
BDM (*) held on November 5, 2014	11/27/2014	11,900	0.067
BDM (*) held on March 11, 2015	03/31/2015	11,989	0.067
		47,688	

(*) BDM - Board of Directors' Meeting.

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

18. Equity (Continued)

e) Interest on Equity (IOE)

IOE proposed for the year ended December 31, 2014 was as follows:

Event	Payment beginning on	Total amount	Amount per share - R$
BDM (*) held on May 7, 2014	05/28/2014	5,994	0.067
BDM (*) held on August 6, 2014	08/27/2014	5,995	0.067
BDM (*) held on November 5, 2014	11/27/2014	5,995	0.034
BDM (*) held on December 19, 2014	03/31/2015	5,905	0.033
		23,889	

(*) BDM - Board of Directors' Meeting.

Dividends and interest on equity payable

Dividend and IOE outstanding balance as of December 31, 2014 represent:

	Company and Consolidated	
	12/31/2014	12/31/2013
interest on equity	**5,204**	4,639
Dividends	**11,989**	12,436
Proceeds from prior years	**704**	806
	17,897	17,881

f) Allocation of P&L for the year

	Company and Consolidated	
	12/31/2014	12/31/2013
Net income for the year	**85,159**	102,254
Set-up of reserves		
Legal	**(4,258)**	(5,113)
Statutory (i)	**(4,258)**	(5,113)
Investment subsidies	**-**	(754)
Retained profits	**(5,066)**	(19,697)
Income available	**71,577**	71,577
Dividend proposed and paid	**47,688**	48,851
IOE proposed and paid	**23,889**	22,726
Total	**71,577**	71,577
Mandatory minimum dividends	**19,161**	23,007

(i) As provided for the Company's articles of incorporation, the statutory reserve will be intended for maintaining the Company's working capital, capped at 10% of capital.

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

18. Equity (Continued)

f) Allocation of P&L for the year (Continued)

Market conditions, macro-economic scenarios and other operational factors that involve risks, uncertainties and assumptions may affect business projections and perspectives, and, as a result, the amount projected in this capital budget.

As one of the sources of funding to finance investment projected in this capital budget, management is proposing to retain remaining net income for 2014 amounting to R$5,066, totaling R$102,603 as of December 31, 2014, under the "Retained profits reserve".

g) Capital budget - use of funds

Projection - 2015	
• Maintenance and update of the plant	29,557
• Installation of an R&D unit to produce inputs for construction materials	4,625
• Strategic investment	5,608
	39,790

19. Government subsidies

Accounting practice

Government subsidies are not recognized until there is sufficient certainty that the Group will meet the conditions related to the subsidies to be received.
Government subsidies are systematically recognized in P&L during the periods in which the Group recognizes the corresponding costs that the subsidies are intended to offset as expenses.

Tégula - Investment subsidy- Goiás Industrial Development Program - Produzir

Tégula Soluções para Telhados has a tax benefit to reduce 73% of ICMS calculated on sales of goods produced in the unit established in the city of Anápolis, Goiás state, limited to the amount of R$6,875. The term to obtain this benefit ends on December 31, 2020.

19. Government subsidies (Continued)

Tégula - Investment subsidy- Goiás Industrial Development Program – Produzir (Continued)

For the year ended December 31, 2014, this benefit totaled R$971 (R$898 as of December 31, 2013). This 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.

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

Precon Goiás Industrial Ltda. has a tax benefit to reduce 70% of ICMS calculated on sales of goods produced in the unit established in the city of Anápolis, Goiás state, limited to the amount of R$31,880. The term to obtain this benefit ends on December 31, 2020.

For 2014, this benefit totaled R$3,457 (R$2,439 as of December 31, 2013). This 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.

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

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

The history of laws and granting of tax benefit related to each program mentioned herein were disclosed by management in the financial statements as of December 31, 2014.

20. Income and social contribution taxes

<u>Accounting practice</u>

Provision for income and social contribution taxes is based on taxable profit for the year. Taxable profit is different from profit stated in the income statement, as it excludes taxable or deductible revenues and expenses in other years, in addition to permanently excluding non-taxable or non-deductible items. The provision for income and social contribution taxes is calculated individually by each Group company, based on year-end rates in force.

Deferred income and social contribution taxes ("deferred tax") are recognized on temporary differences, at the end of each reporting period, between assets and liabilities recognized in the financial statements and corresponding tax bases used in computing taxable profit, including income and social contribution tax losses, where applicable. Deferred tax liabilities are generally recognized on all taxable temporary differences, and deferred tax assets are recognized on all deductible temporary differences only when the Company is likely to recognize future taxable profit at an amount sufficient for such deductible temporary differences to be used. Deferred tax assets and liabilities are measured at the tax rate expected to be applied in the year in which the asset or liability will be realized or settled, based on the tax rates (and tax law) in force as of the balance sheet date.

The recoverability of deferred tax assets is reviews at the end of each reporting period and adjusted by the amount that are expected to be recovered.

Current and deferred income and social contribution taxes are recognized as expenses or revenue in Profit Loss for the year, except when these are related to items recorded under other comprehensive income, when applicable.

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

20. Income and social contribution taxes (Continued)

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

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

	Company		Consolidated	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Income before income and social contribution taxes	**86,401**	99,734	**130,084**	142,229
Statutory rate	**34%**	34%	**34%**	34%
Income and social contribution taxes at statutory rates	**(29,376)**	(33,910)	**(44,228)**	(48,357)
Effect of income and social contribution taxes on permanent differences:				
Equity pickup in subsidiaries	**21,683**	25,930	**(4,650)**	(2,116)
Interest on equity	**6,264**	5,918	**8,122**	7,727
Donations and gifts	**(485)**	(158)	**(2,048)**	(904)
Non-deductible taxes and fines	**(48)**	(28)	**(98)**	(152)
Tax incentive	**32**	51	**692**	714
Other (additions) exclusions on permanent differences	**688**	4,717	**(2,714)**	3,115
Income and social contribution taxes on P&L	**(1,242)**	2,520	**(44,924)**	(39,973)
Effective rate	**(1.4%)**	2.5%	**(34.5%)**	(28.1%)

Breakdown of income and social contribution tax expense presented in the individual and consolidated financial statements for the years ended December 31, 2014 and 2013 is as follows:

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

20. Income and social contribution taxes (Continued)

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

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Current income and social contribution taxes	**(858)**	472	**(41,309)**	(41,489)
Deferred income and social contribution taxes	**(384)**	2,048	**(3,615)**	1,516
	(1,242)	2,520	**(44,924)**	(39,973)

Management opted not to early adopt the effects of the new tax regime in 2014, since there is no significant impact on the Group's financial statements.

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 income and social contribution tax losses, as follows:

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Income and social contribution tax losses	**5,108**	5,483	**14,779**	15,154
Future benefits to former employees	**10,282**	8,800	**15,413**	13,052
Provision for tax, civil and labor risks	**8,059**	7,682	**16,773**	15,485
Unrealized income in inventories	**-**	-	**2,392**	2,348
Allowance for doubtful accounts	**-**	-	**703**	610
Provision for profit sharing	**810**	1,259	**1,972**	2,811
Provision for losses on PP&E	**1,750**	1,750	**1,750**	1,750
Unshipped products	**-**	-	**-**	2,271
Other provisions	**(1,259)**	(937)	**(483)**	1,631
	24,750	24,037	**53,299**	55,112

(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

i. *Income and social contribution tax losses*

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

	Company	Consolidated
	12/31/2014	12/31/2014
2015	552	1,456
2016	331	897
2017	659	1,567
2018	659	1,689
2019 to 2024	2,907	9,170
	5,108	14,779

Recorded deferred tax assets are limited to the offset amount supported by projections of taxable profit, 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 December 31, 2014, subsidiary Tégula had accumulated income tax loss of R$32,582 and social contribution tax loss of R$32,733, for which deferred taxes were not recorded, since up to December 31, 2014 there were no projections of future taxable profit confirming realization thereof.

(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)

Estimated realization of tax credits (Continued)

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
	12/31/2014	12/31/2014
2015	3,862	5,606
2016	1,768	4,334
2017	1,768	3,819
2018	1,768	5,323
2019 to 2024	10,476	19,438
	19,642	38,520

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

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

21. Provision for tax, civil and labor risks

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

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

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Labor claims (i)	**20,258**	19,780	**29,225**	29,219
Civil proceedings	**-**	-	**4,930**	4,397
Tax proceedings (ii)	**5,968**	5,335	**25,394**	21,043
	26,226	25,115	**59,549**	54,659

i) Significant 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) Significant tax proceedings include:

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

Changes in provision for tax, civil and labor risks:

	Company		
	Labor provisions	Tax provisions	Total
Balance at January 1, 2013	17,214	5,443	22,657
Additions	3,678	1,918	5,596
Reversals	(1,112)	(2,026)	(3,138)
Balance at December 31, 2013	19,780	5,335	25,115
Additions	**3,973**	**1,266**	**5,239**
Write-offs	**(1,801)**	**-**	**(1,801)**
Reversals	**(1,694)**	**(633)**	**(2,327)**
Balance at December 31, 2014	**20,258**	**5,968**	**26,226**

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

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

ii) Significant tax proceedings include: (Continued)

	Consolidated			
	Labor provisions	Civil provisions	Tax provisions	Total
Balance at 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 at December 31, 2013	29,219	4,397	21,043	54,659
Additions	**5,557**	**533**	**8,353**	**14,443**
Write-offs	**(1,801)**	**-**	**(388)**	**(2,189)**
Reversals	**(3,750)**	**-**	**(3,614)**	**(7,364)**
Balance at December 31, 2014	**29,225**	**4,930**	**25,394**	**59,549**

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

As of December 31, 2014, there were civil, tax, administrative and labor claims against the Group whose likelihood of loss was assessed by legal advisors as possible in the consolidated amount of R$10,863 (R$9,714 as of December 31, 2013); accordingly, no provision was recorded for these claims and proceedings.

In addition, the following suits were being processed against the Group, whose likelihood of loss was assessed as possible by legal advisors, and whose amounts are not measurable up to date.

a) Public interest suits on environmental and health matters brought by state and federal prosecutors of the state of Bahia, and a class action in 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.

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.

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

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

e) In 2013 and 2014, two public interest suits were filed against the Company by the State Department of Labor (MPT) in the state of São Paulo and MPT in the state of Rio de Janeiro, wherein subject matters relate to work environment and occupational disease. Claims include payment of R$1 billion as collective pain and suffering to be deposited in entities or projects appointed by the State Department of Labor or in the Worker's Support Fund (FAT).

In parallel to these suits, ABREA also filed two suits assigned by department with the São Paulo and Rio de Janeiro State Labor Courts, as these address the same facts challenged in the abovementioned suits. The defense was presented and awaits judgment of the merits.

The Group makes judicial deposits linked to the provisions for risks in a specific account in noncurrent assets.

22. Net operating revenue

Accounting practice

Revenues

Revenue is measured at fair value of the consideration received or receivable, less any estimates of returns, trade discounts and/or subsidies granted to the buyer and other similar deductions. Sales revenue is recognized when:

- The Group has transferred to the buyer the significant risks and rewards related to ownership of the products;
- The Group has neither continued involvement in the management of products sold at levels usually associated with the ownership nor effective control over these products;
- The value of the revenue can be reliably measured;
- The costs incurred or to be incurred in relation to the transaction can be reliably measured.

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

22. Net operating revenue (Continued)

Sales taxes

Taxes relating to revenues and expenses are recognized net of sales taxes, except when the taxes are incurred in the acquisition of goods or services that are not recoverable from the tax authorities. This occurs when the sales taxes are recognized as part of the cost of acquisition of the asset or expenses item as applicable; and when the amounts receivable or payable are stated with the sales tax amount.

When the net amount of sales taxes, recoverable or payable, is included as a component of amounts receivable or payable in the balance sheet.

	Company		**Consolidated**	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Gross sales revenue	**680,030**	684,554	**1,235,017**	1,219,671
Unconditional discounts and rebates	**(2,992)**	(3,438)	**(3,178)**	(3,602)
Sales taxes	**(169,373)**	(172,591)	**(253,685)**	(258,768)
Net operating revenue	**507,665**	508,525	**978,154**	957,301

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

23. Information on the nature of expenses

	Company		Consolidated	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Cost of sales	**(370,995)**	(372,752)	**(593,879)**	(575,877)
Selling expenses	**(59,715)**	(59,097)	**(116,528)**	(116,734)
General and administrative expenses and management fees	**(52,083)**	(54,697)	**(122,465)**	(113,349)
	(482,793)	(486,546)	**(832,872)**	(805,960)
Raw material used	**(257,513)**	(259,318)	**(409,669)**	(395,647)
(-) Present value adjustment	**1,341**	2,244	**1,952**	2,670
Personnel expenses and charges	**(105,668)**	(108,252)	**(164,861)**	(165,186)
Material, electric energy and services	**(32,814)**	(41,784)	**(45,683)**	(56,933)
Rental of personal properties	**(7,134)**	(7,768)	**(11,810)**	(9,790)
Variable selling expenses	**(10,294)**	(9,018)	**(38,671)**	(38,110)
Depreciation and amortization	**(11,995)**	(11,075)	**(37,704)**	(34,789)
Travel expenses	**(5,159)**	(6,177)	**(8,727)**	(10,459)
Expenses with materials and IT services	**(3,923)**	(3,707)	**(6,669)**	(6,328)
Third-party services	**(20,528)**	(16,049)	**(52,644)**	(44,051)
Sales commissions	**(12,000)**	(11,094)	**(21,085)**	(19,886)
Trade union contribution	**(3,558)**	(1,918)	**(14,800)**	(7,897)
Advertising and publicity	**(9,359)**	(7,932)	**(12,266)**	(9,898)
Taxes	**(1,918)**	(2,005)	**(3,977)**	(3,305)
Expense with allowance for doubtful accounts	**(655)**	(407)	**(1,444)**	(945)
Other	**(1,616)**	(2,286)	**(4,814)**	(5,406)
	(482,793)	(486,546)	**(832,872)**	(805,960)

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

24. Other operating income (expenses), net

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Other operating income:				
PP&E disposal	**577**	354	**1,488**	470
Incidental income	**328**	2,324	**669**	5,179
Rental	**-**	-	**3,017**	3,042
Previously unused tax credit	**3,759**	6,758	**3,759**	6,758
FI Fund - Private Pension (i)	**1,446**	4,153	**1,446**	4,153
Other	**354**	182	**1,250**	183
	6,464	13,771	**11,629**	19,785
Other operating expenses:				
Provision for tax, civil, and labor risks	**(914)**	(3,038)	**(2,080)**	(3,038)
Provision for future benefits to former employees	**(3,249)**	(2,530)	**(4,672)**	(4,254)
Taxes on other sales	**(256)**	(427)	**(938)**	(1,150)
Quality control	**(515)**	(615)	**(768)**	(776)
Replacement of defective products	**(685)**	(434)	**(685)**	(434)
Expenses with labor and civil indemnifications	**(1,203)**	(1,173)	**(1,679)**	(1,518)
Cost of PP&E disposal	**(172)**	(289)	**(410)**	(325)
Other	**(2,755)**	(1,972)	**(4,207)**	(10,161)
	(9,749)	(10,478)	**(15,439)**	(21,656)
Total	**(3,285)**	3,293	**(3,810)**	(1,871)

(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)

25. Financial income and expenses

Accounting practice

Revenue from interest bearing financial assets is recognized when it is probable that the future economic benefits shall flow to the Group and revenue can be reliably measured. Interest income is recognized by the straight line method based on the period and the effective interest rate on the outstanding principal amount. The effective interest rate is that which exactly discounts receivable from estimated future cash flows during the estimated life of the financial asset in relation to the initial net book value of the asset.

	Company		Consolidated	
	12/31/2014	**12/31/2013**	**12/31/2014**	**12/31/2013**
Financial income:				
Short-term investment yields – including Bank Deposit Certificates (CDB)	**2,194**	2,241	**5,027**	4,719
Discounts obtained	**110**	395	**188**	524
Interest income	**6,748**	6,855	**10,526**	10,355
Monetary gains	**2,886**	726	**2,961**	759
Exchange gains	**8,794**	6,670	**36,166**	31,075
Other financial income	**-**	-	**94**	103
	20,732	16,887	**54,962**	47,535
Financial expenses:				
Interest on financing	**(320)**	(288)	**(854)**	(722)
Interest on loan	**(3,123)**	(2,183)	**-**	-
Interest expenses	**(1,810)**	(2,442)	**(4,267)**	(5,656)
Banking expenses	**(1,096)**	(986)	**(1,351)**	(1,255)
Discounts granted	**(879)**	(931)	**(2,045)**	(2,234)
Tax on Financial Transactions (IOF)	**(437)**	(322)	**(1,045)**	(539)
PIS and COFINS - Interest on Equity (IOE)	**(378)**	(491)	**(383)**	(491)
Exchange losses	**(9,119)**	(8,818)	**(36,744)**	(32,348)
Monetary losses	**(2,197)**	(1,956)	**(5,266)**	(4,674)
Other	**(333)**	(275)	**(719)**	(634)
	(19,692)	(18,692)	**(52,674)**	(48,553)
Financial income (expenses), net	**1,040**	(1,805)	**2,288**	(1,018)

26. Segment reporting

Operational segments defined by senior management are as follows:

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

Information presented in line “Other” refers to expenses not directly attributable to Fiber Cement, Chrysotile and Concrete Roof Tiles segments, such as ware resale, synthetic marble, solar heater, among others.

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

26. Segment reporting (Continued)

Significant consolidated segment reporting for the years ended December 31, 2014 and 2013 is as follows:

		12/31/2014							
		Total assets	Liabilitie s	Net revenue	Gross Profit	Income (loss) before taxes	Depreciation and amortization	Financial income (expenses)	IRPJ/ CSLL
Fiber cement and synthetic fiber cement									
	Southeast	236,354	41,232	95,102	25,428	5,890	2,768	258	(812)
	South	42,586	50,117	144,017	38,869	9,283	4,832	392	(1,229)
	Midwest	70,437	59,972	219,122	62,391	17,227	3,124	596	(1,870)
	North and Northeast	24,519	33,852	95,878	25,793	6,097	1,891	261	(818)
		373,896	185,173	554,119	152,481	38,497	12,615	1,507	(4,729)
Chrysotile Mineral									
	Domestic market	280,938	92,180	141,996	123,866	82,555	19,245	888	(16,859)
	Foreign market	-	-	174,750	76,828	25,987	-	1,093	(20,748)
		280,938	92,180	316,746	200,694	108,542	19,245	1,981	(37,607)
Concrete roof tiles	Domestic market	92,153	25,008	67,184	23,250	(2,817)	4,996	(2,016)	(1,638)
Other (*)	Domestic market	150,877	80,695	40,105	7,850	(14,138)	848	816	(950)
Total		897,864	383,056	978,154	384,275	130,084	37,704	2,288	(44,924)

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

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

26. Segment reporting (Continued)

		12/31/2013							
		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	96,077	25,322	5,971	2,438	(247)	(188)
	South	59,274	47,950	127,387	33,987	8,329	4,020	(328)	(249)
	Midwest	74,053	61,234	185,361	54,729	17,395	2,284	(477)	(363)
	North and Northeast	28,377	31,706	85,367	22,707	5,512	1,673	(219)	(167)
		408,198	181,159	494,192	136,745	37,207	10,415	(1,271)	(967)
Chrysotile									
	Domestic market	252,140	89,294	157,479	129,395	82,484	17,913	905	(19,079)
	Foreign market	-	-	146,972	68,525	24,745	-	844	(17,806)
		252,140	89,294	304,451	197,920	107,229	17,913	1,749	(36,885)
Concrete roof tiles	Domestic market	96,713	25,124	73,130	26,515	993	4,594	(1,830)	(1,445)
Other (*)	Domestic market	76,581	31,926	85,528	20,244	(3,200)	1,867	334	(676)
Total		833,632	327,503	957,301	381,424	142,229	34,789	(1,018)	(39,973)

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

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

27. Insurance coverage

As of December 31, 2014, the insurance taken out by the Group, under the guidance from its insurance advisors, against any risks is as follows:

Type	Insured items	Insured amounts
Engineering and operational risks, general civil liability and loss of profits	Buildings, facilities, equipment and other	R$358,100

28. Financial instruments

28.1. Identification and assessment of financial instruments

a) Financial instrument analysis

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

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

	Company		Consolidated	
Fair value measurement	**12/31/2014**	**12/31/2013**	**12/31/2014**	**12/31/2013**
Financial assets				
Cash and cash equivalents	**5,711**	9,516	**13,367**	13,295
Short-term investments	**15,726**	9,897	**35,023**	35,661
Accounts receivable - foreign market	**-**	-	**73,753**	55,521
	21,437	19,413	**122,143**	104,477

	Company		Consolidated	
Measured at amortized cost	**12/31/2014**	**12/31/2013**	**12/31/2014**	**12/31/2013**
Financial liabilities				
Trade accounts payable	**22,858**	22,444	**42,151**	39,293
Loans and financing	**8,195**	23,312	**127,924**	82,680
	31,053	45,756	**170,075**	121,973

28. Financial instruments (Continued)

28.1. Identification and assessment of financial instruments (Continued)

b) Fair value hierarchy

The Company adopted the assumption that cash and cash equivalents, short-term investments and accounts receivable have no difference between carrying amount and fair value ("market value"). Measurement of these financial assets is considered to be "Level 1", on which measurement is performed through calculation based on assets/liabilities with market quotation, without any adjustment.

Over the year ended December 31, 2014, there was no fair value measurement transfer between Level I and Level II, or fair value measurement transfer between Level III and Level II.

28.2. Financial risk management

The Group's main financial liabilities 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.

I. Market risk

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 four types of risks for the Group: a) currency risk; b) interest rate risk; c) risk of loss in production due to scarcity in the supply of raw material and inputs; and d) growth-related risks.

a) *Currency risk*

Currency risk is the risk that 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 the Group's functional currency).

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

28. Financial instruments (Continued)

28.2 Financial risk management (Continued)

I. Market risk (Continued)

a) *Currency risk* (Continued)

As of December 31, 2014, the Group was exposed to a currency other than its functional currency, as follows:

	Consolidated		Quote as of 12/31/2014
	12/31/2014	**12/31/2013**	**(US$ / € 1.00 = R$1.00)**
Foreign market customers	**73,753**	55,521	2.66
Foreign market suppliers	**(2,743)**	(7,570)	2.66
ACE	**(58,342)**	(39,955)	2.66
Financing taken (USD)	**(42,808)**	(24,020)	2.66
Financing (EUR)	**(938)**	(1,067)	3.23
Total exchange exposure	**(31,078)**	(17,091)	

a1) *Sensitivity analysis*

In order to measure the economic impact of exchange variations on the Group's financial instruments, four scenarios were considered in relation to the exchange rate prevailing as of December 31, 2014, as follows:

				Rate depreciation		Rate appreciation	
Balances (foreign currency) - consolidated	**Risk**	**Rate (*)**	**Position as of 12/31/2014**	**Scenario I (-50%)**	**Scenario II (-25%)**	**Scenario III (+25%)**	**Scenario IV (+50%)**
USD				1.33	1.99	3.33	3.99
Foreign market customers	USD	2.66	**73,753**	36,877	55,176	92,330	110,630
Foreign market suppliers	USD	2.66	**(2,743)**	(1,372)	(2,052)	(3,434)	(4,115)
ACE	USD	2.66	**(58,342)**	(29,171)	(43,647)	(73,037)	(87,513)
Financing	USD	2.66	**(42,808)**	(21,404)	(32,026)	(53,590)	(64,212)
EUR				1.62	2.42	4.04	4.85
Financing	EUR	3.23	**(938)**	(470)	(703)	(1,173)	(1,408)
Total exposure			**(31,078)**	**(15,540)**	**(23,252)**	**(38,904)**	**(46,618)**

(*)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)

28. Financial instruments (Continued)

28.2 Financial risk management (Continued)

I. Market risk (Continued)

b) *Interest rate risks*

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 reference to the CDI.

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

	Company		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Short-term investments (cash equivalents)	**-**	-	**1,677**	2,195
Short-term investments	**15,726**	9,897	**35,023**	35,661
Total exposure to interest rate	**15,726**	9,897	**36,700**	37,856

The Group's management understands that there is low risk of significant fluctuations in the 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:

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

28. Financial instruments (Continued)

28.2 Financial risk management (Continued)

I. Market risk (Continued)

b) *Interest rate risk* (Continued)

			Projection of financial income – one year				
				Reduction risk		Increase risk	
Short-term investments--Consolidated	**Index**	**Position as of 12/31/2014**	**Probable scenario**	**Scenario I (-50%)**	**Scenario II (-25%)**	**Scenario III (+25%)**	**Scenario IV (+50%)**
CDI			**11.65%**	**5.83%**	**8.74%**	**14.56%**	**17.48%**
Short-term investments (cash equivalents)	CDI	1,677	1,872	1,775	1,824	1,921	1,970
Short-term investments	CDI	35,023	39,103	37,065	38,084	40,122	41,145

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

This growth strand is based on the diversification of portfolio, through development, launching of new products and entry in new business segments, using the Group's own structure or the ability of third parties . Within this concept there are the constructive solutions (cement slabs and the Wall Panel), metallic roof tiles, ware, sanitary seats and metal fittings. Except for constructive solutions and ware items, third parties' skills are used in other segments. In this same growth strand, the Company started two "greenfield" projects to install:

- A multiproduct plant in the Industrial District of Porto de Pecém, in Ceará state, a joint venture with the Colombian multinational "Colceramica", a company of Organizações Corona. Eternit holds 60% interest and brings together the know-how of the Brazilian market and efficient logistics, whereas Colceramica holds 40% interest with the know-how of manufacturing at competitive production costs.
- Installation of a research and development unit, development and production of inputs and raw materials for construction - 13th unit of Eternit Group - in the city of Manaus, Amazonas state.

28. Financial instruments (Continued)

28.2 Financial risk management (Continued)

I. Market risk (Continued)

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

In the joint venture's case, the risks would be related to Colceramica breaking up the partnership, in which case Eternit may find difficulties to produce sanitary ware, since it still does not have the production know-how.

The risks associated with the implementation of the projects mentioned above relate to the obtainment of environmental and operational licenses for installation and operation, and obtainment of additional funding to implement its expansion strategy for the project. If new funds are not raised in the expected timing, delays may occur and results may not be satisfactory.

d) *Growth-related risk*

The Group has no control over certain raw materials as well as over cement, limestone, sand, recycled pulp and steel coils, thus a significant increase in prices or reduction in payment terms may substantially impact the production cost.

To produce fiber cement with alternative fiber, the Company may encounter difficulties in obtaining synthetic fiber on a large scale, since the availability of global fibers is lesser than Brazilian market needs.In addition, increases in the price of these and other raw materials, including increases due to scarcity, taxes, restrictions or exchange rate fluctuations may increase the production cost and adversely affect the Company's business.

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

28. Financial instruments (Continued)

28.2 Financial risk management (Continued)

II. Credit risk

Accounts receivable

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 December 31, 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. Group management considers that there is low risk of non-settlement of transactions in financial institutions in Brazil.

III. 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 to the Group.

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

28. Financial instruments (Continued)

28.2 Financial risk management (Continued)

IV. Capital management

For the year ended December 31, 2014, there were no changes in capital structure objectives, policies or processes as compared with 2013. The Group includes in its net debt structure: loans, financing less cash and cash equivalents.

	Company		Consolidated	
	Leverage		Leverage	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Loans and financing	**8,195**	23,312	**127,924**	82,680
(-) Cash and cash equivalents	**(5,711)**	(9,516)	**(13,367)**	(13,295)
Net debt	**2,484**	13,796	**114,557**	69,385
Equity	**514,791**	506,113	**514,808**	506,129
Net debt and equity	**512,307**	492,317	**400,251**	436,744

29. Commitments and guarantees

As of December 31, 2014, the Group had the following guarantees:

(i) Guarantee of the electric energy purchase and sale agreement entered into by subsidiary SAMA and the supply company Tractebel, amounting to R$3,989, with Banco Safra, maturing in March 2016;
(ii) Guarantee of tax enforcement payment - DNPM (National Department of Mineral Production) amounting to R$1,440, with Banco Bradesco, with indefinite maturity;
(iii) Financing guarantee to the Goiás State Development Agency, amounting to R$4,371, with Banco Bradesco, maturing in February 2015;
(iv) Guarantee amounting to R$40,909 (60%) 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;
(v) Guarantee amounting to €593 (R$1,915 as of December 31 2014) of the financing agreement entered into with Bradesco S.A. for import of equipment.
(vi) On December 23, 2014, Eternit in Amazônia entered into an agreement amounting to R$37,000, referring to a Bank Credit Bill (CCB) with Banco da Amazônia for implementing its research and development plant in Manaus. The Group offered as guarantee a property and its respective improvements located in the city and state of Rio de Janeiro, the market value of which is R$62,500.

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

30. Provision for restoration of degraded mining area

Subsidiary SAMA records a provision for possible environmental liabilities based on its best estimates of cleaning and repair costs, and for such, it employs a specialist environmental teams to manage all the phases of the environmental programs, including assistance of external specialists, when required, in accordance with the Recovery of Degraded Area Program (PRAD), and assessing expenses based on market quotes.

Environment

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

	2014 and 2013
Discount rate	**10% p.a.**
Long-term inflation rate	**5% p.a.**

Present value of expected cash outlays	**12/31/2014**	**12/31/2013**
2032	**4,028**	3,655
2033	**3,457**	3,137
2034	**1,791**	1,625
2035 to 2039	**1,442**	1,309
Total	**10,718**	9,726

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 year ended December 31, 2014 was R$992 (R$1,525 as of December 31, 2013), calculated based on the current production of Chrysotile.

Audit Board Report

The Audit Board of Eternit S.A., in compliance with the law and its Bylaws, examined the Management Report and individual and consolidated financial statements and the related notes to the statements for the fiscal year ended December 31, 2014.

Based on its examination, and considering the unqualified Auditor's Report dated March 10, 2015 issued by the independent auditors EY, it is of the opinion that said documents and the proposal for allocation of the net income from the period, including the distribution of dividends, are in adequate conditions to be deliberated by the Board of Directors and at the Annual Shareholders' Meeting.

São Paulo, March 10, 2015.

Audit Board

André Eduardo Dantas
Coordinator

Edson Carvalho de Oliveira Filho

Paulo Henrique Zukanovich Funchal

Board of Directors

Luis Terepins*
Chairman of the Board of Directors

Benedito Carlos Dias da Silva*

Leonardo Deeke Boguszewski*

Lírio Albino Parisotto*

Marcelo Gasparino da Silva*

Marcelo Munhoz Auricchio*

*Independent directors in accordance with BM&FBOVESPA *Novo Mercado* Regulations

Board of Executive Officers

Nelson Pazikas
Chief Executive Officer and Investor Relations Officer

Flavio Grisi

Marcelo Ferreira Vinhola

Rodrigo Lopes da Luz

Rubens Rela Filho

Welney de Souza Paiva

Accountant

Ricardo Benatti

CRC 1SP186493/O-4

A free translation from Portuguese into English of Independent Auditor's Report on individual and consolidated financial statements prepared in accordance with accounting practices adopted in Brazil and with IFRS.

Independent Auditor’s Report

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

We have audited the accompanying individual and consolidated financial statements of Eternit S.A. (“Company”), identified as Company and Consolidated, respectively, which comprise the balance sheet as at December 31, 2014, and the related income statements, statements of comprehensive income, of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting practices and other explanatory information.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil, and in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the Company’s financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Eternit S.A. as at December 31, 2014, its individual and consolidated operating performance and respective cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Emphasis of matters

We draw attention to Note 1 to the individual and consolidated financial statements, 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 opinion is not qualified in respect of this matter.

We draw also attention to Note 21iii e) to the individual and consolidated financial statements, which describes Civil Class Actions filed by the São Paulo and Rio de Janeiro Labor Prosecution Offices and by ABREA-São Paulo and ABREA-Rio de Janeiro against the Company, wherein matters related to the working environment and occupational diseases are challenged. 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 opinion is not qualified in respect of this matter.

Other matters

Statements of value added

We have also audited the individual and consolidated statements of value added (SVA) for the year ended December 31, 2014, prepared under the responsibility of the Company’s management, the presentation of which is required by Brazilian Corporation Law for publicly held companies, and as supplementary information under IFRS, whereby no SVA presentation is required. These statements have been subject to the same auditing procedures described above and, in our opinion these are presented fairly, in all material respects, in relation to the overall financial statements.

São Paulo, March 10, 2015.

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

Clinton L. Fernandes Accountant CRC-1SP205541/O-2	Gustavo de S. Lima Accountant CRC-1SP303352/O-0