Eternit reduces gross debt by 25% to close 4Q16 at R$125.1 million

São Paulo, March 17, 2017 – Eternit S.A. (BM&FBovespa: ETER3), which was founded 77 years ago and is Brazil's leading manufacturer of roofing tiles and a manufacturer of bathroom chinaware, metal fixtures and construction solutions, announces its results for the fourth quarter of 2016 (4Q16). Except where stated otherwise, the operational and financial information of the Company is presented on a consolidated basis in Brazilian real, in accordance with Brazilian Corporation Law and International Financial Reporting Standards (IFRS). All comparisons made in this press release are with the fourth quarter of 2015 (4Q15), except where stated otherwise.

4Q16

Stock Price (02/28/17)
ETER3

R$/share	1.47
US$/share	0.47

Shareholder base (02/28/17)

Total Shares	179,000,000
Free Float	85.30%

Market Capitalization - (02/28/17)

R$263.1 million
US$84.9 million

Shareholder Payments (2016)

R$0.044 per share
Dividend yield: 2.2%

Indicators - (Dec/16)

Book value (R$/share)	2.59
Price/Book Value	0.51
Price/Earnings	N/A

Conference Call/Webcast

March 20, 2017

Time: 10:00 a.m. (Brasília) – 9:00 a.m. (New York) and 1:00 p.m. (London)

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

From other countries: **+1 786 924-6977**
Access code: **Eternit**

Webcast:
www.eternit.com.br/ri

IR Contacts

Contact the IR Team:
ri@eternit.com.br

For more information, visit:
www.eternit.com.br/ri

@Eternit_RI

In light of the economic scenario in 2016, the construction materials sector ended the fourth quarter of 2016 contracting 11.5% when compared to 2015, according to the Brazilian Construction Materials Industry Association (ABRAMAT). During the period, the Company adjusted its operations to the reduced inventory levels to meet market demand in the mining, fiber-cement and concrete roofing tiles segments.

Chrysotile sales volume in 4Q16 reached 38,400 tons, down 25.4% from 4Q15, due to the role of chrysotile in the industrial process and the contraction of the domestic construction materials sector. In the same period, fiber-cement sales reached 192,600 tons, down 5.2% from 4Q15, whereas concrete roofing tile sales decreased 33.6%, mainly due to the industry slowdown, increasing unemployment, lower household income and credit restrictions, all of which inhibited consumption of construction materials for both renovations and new constructions.

Consolidated net revenue totaled R$190.4 million in 4Q16, down 20.9% from 4Q15, mainly due to lower sales volume of its operating segments on account of the industry slowdown and higher sales of a cheaper sales mix, while the export market was impacted by the reduction in US dollar prices to face strong competition and the 14.3% depreciation of the US dollar against the Brazilian real.

Adjusted EBITDA reached R$13.7 million in 4Q16, down 14.0% from 4Q15, due to lower sales volume, low industrial capacity utilization, decline in operating margins due to the sale of a mix with lower value. Seeking to mitigate the negative effects of adjusted EBITDA, the Company has focused its efforts on reducing recurring operating expenses. As a result of the aspects related to adjusted EBITDA, Eternit posted net loss of R$29.6 million.

In February 2017, the Board of Directors approved the restructuring of Tégula's production units to prepare the company to operate in markets with high operating profitability. As a result, production of concrete roofing tiles is now concentrated at the Atibaia/SP unit.

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

Main Indicators

Consolidated - R$ `000	4th Quarter			Accum. 12 Months		
	2016	2015	% Chg.	2016	2015	% Chg.
Gross revenues	**243,151**	**297,762**	**(18.3)**	**1,048,748**	**1,221,417**	**(14.1)**
Net revenues	**190,336**	**240,745**	**(20.9)**	**827,275**	**974,872**	**(15.1)**
Gross profit	55,952	89,156	(37.2)	263,202	376,757	(30.1)
Gross margin	*29%*	*37%*	*- 8 p.p.*	*32%*	*39%*	*- 7 p.p.*
Operating loss/income (EBIT) [1]	**(24,022)**	**219**	**-**	**(7,234)**	**92,143**	**-**
Net income (loss) for the year	**(29,623)**	**(12,257)**	**141.7**	**(37,682)**	**29,421**	**-**
Net margin	*-16%*	*-5%*	*- 11 p.p.*	*-5%*	*3%*	*- 8 p.p.*
Earnings (loss) per share, basic and diluted - R$	(0.1655)	(0.0685)		(0.2106)	0.1644	
CAPEX	4,168	9,478	(56.0)	15,700	37,944	(58.6)
EBITDA [2]	**(14,747)**	**10,271**	**-**	**31,338**	**131,544**	**(76.2)**
EBITDA Margin	*-8%*	*4%*	*- 12 p.p.*	*4%*	*13%*	*- 9 p.p.*
Adjusted EBITDA	**13,650**	**15,864**	**(14.0)**	**78,784**	**159,205**	**(50.5)**
Adjusted EBITDA Margin	*7%*	*7%*	*-*	*10%*	*16%*	*- 6 p.p.*

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

Economy and Market

With regard to the domestic scenario in 2016, the Monetary Policy Committee[1] of the Central Bank of Brazil (Copom) is considering a scenario of economic activity performing below expectations in the short term, indicating a slower and more gradual recovery than previously expected. In this context, the economy continues to operate with high a level of idleness across the factors of production, which is evident from the increase in unemployment and low capacity utilization by industry.

Inflation measured by IPCA[2] for 2016 ended at 6.3% when compared to 2015, lower than the ceiling determined by the inflation targets regime. Inflation estimates in the FOCUS market readout dated March 10, 2017, at the end of the current year are at around 4.2%.

Based on this scenario, projections about the performance of the economy were periodically revised during the course of 2016. In 2016, GDP stood at -3.6%[3], and construction GDP should close at -4.5%[4] compared to 2015. GDP for 2017 is projected at 0.5%[5], and construction GDP is expected to drop 0.5%[4] compared to 2016.

Revenues deflated from sales of construction materials in 2016, reported by ABRAMAT[6], decreased 11.5% from 2015, due to high unemployment rate, the fear of losing jobs, the difficulty in obtaining credit and the reduction in public and private investments, all of which discouraged the consumption of materials for renovations and new constructions. Considering the results at the end of 2016 and the start of 2017, ABRAMAT points to stability in 2017 while projecting zero growth.

In comparison, Eternit[7] posted a decrease of 10.9% in consolidated gross revenue in 2016, which was higher than that of the industry (-11.5%). Note than in 2016, the Company has been adjusting its operations to the lower inventory levels to meet market demand, both in chrysotile mining and its finished products, which includes the production of fiber-cement and concrete roofing tiles.

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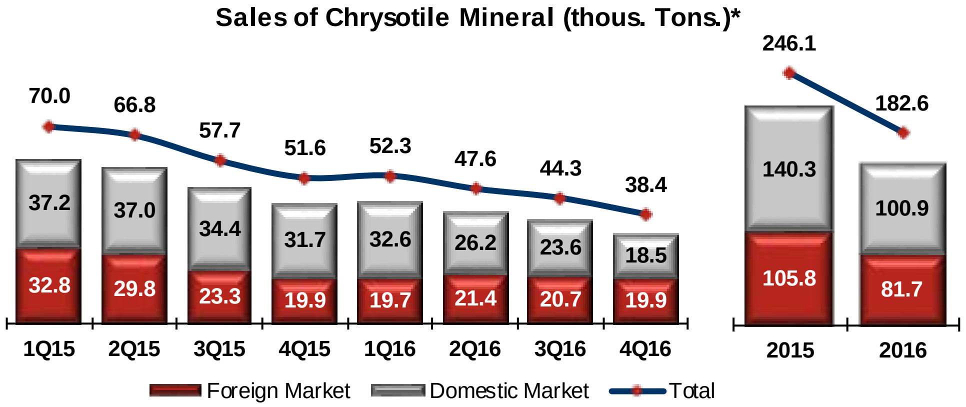
[1] Copom: Monetary Policy Committee of the Central Bank of Brazil
[2] IPCA: National Extended Consumer Price Index
[3] BACEN: Economic indicators of the Central Bank of Brazil on March 7, 2017
[4] BACEN: December 2016 Inflation Report issued by the Central Bank of Brazil
[5] BACEN: Focus market readout of March 10, 2017 issued by the Central Bank of Brazil
[6] ABRAMAT: Brazilian Construction Materials Industry Association
[7] Growth in Eternit's consolidated gross revenue compares fiscal year 2016 with fiscal year 2015, deflated by the IGP-M index.

Operational and Financial Aspects

Sales

Chrysotile mineral

In 4Q16, chrysotile mineral sales reached 38,400 tons, down 25.4% from 4Q15. In the same period, domestic sales volume dropped 41.5%, due to the lower share of chrysotile in the industrial process and the downturn in the construction materials sector, as explained in the section "Economy and Market." The export market remained practically stable (increase of 0.1%).



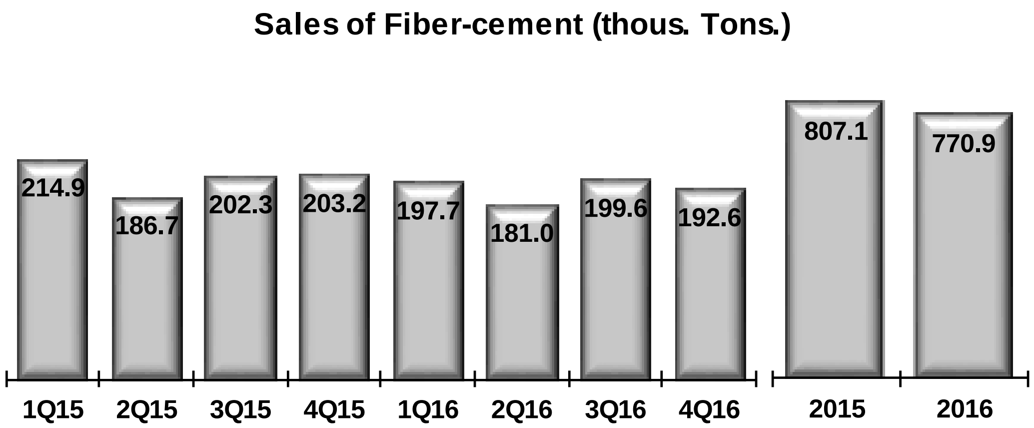
(*) Chrysotile mineral sales volume includes intercompany sales, which accounted for 56.5% of domestic sales volume in 4Q16.

Sales totaled 182,600 tons in 2016, down 25.8% from 2015, due to the aforementioned aspects of the domestic market, in addition to an aggressive pricing policy followed by mining companies in Russia and Kazakhstan, and the higher competitiveness of metal roofing panels in major Asian markets.

SAMA remained one of the three largest producers of chrysotile in the world in 2016.

Fiber-cement

Fiber-cement sales totaled 192,600 tons in 4Q16, down 5.2% from 4Q15, due to the downturn in the construction materials market caused by factors such as unemployment, lower income distribution, high interest rates and stricter credit concession, all of which inhibited the consumption of materials for both renovations and new constructions.



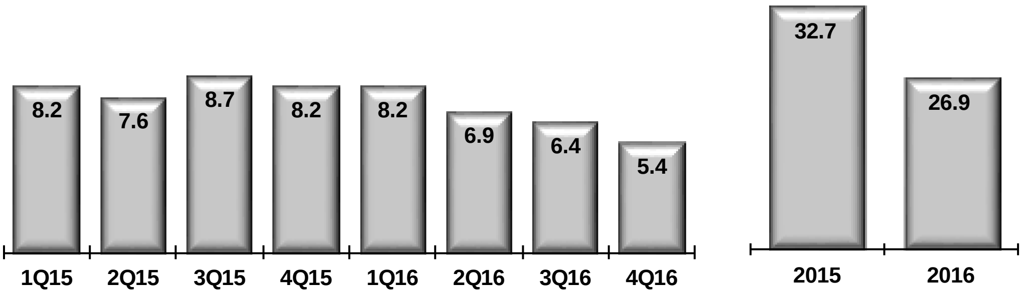
In 2016, sales reached 770,900 tons, down 4.5% from 2015 due to the aforementioned aspects.

Eternit maintained its leadership of Brazil's fiber-cement market in 2016, with market share of approximately 30%.

Concrete Roofing Tiles

In 4Q16, 5.4 million concrete roofing tiles were sold, 33.6% down from 4Q15, mainly due to the postponement of construction work by medium and high-income consumers due to the lack of confidence among consumers and the uncertainties surrounding the economy.

Sales of Concrete RoofingTiles (million pieces)



In 2016, sales volume stood at 26.9 million tiles, down 17.4% from 2015, due to the factors mentioned earlier.

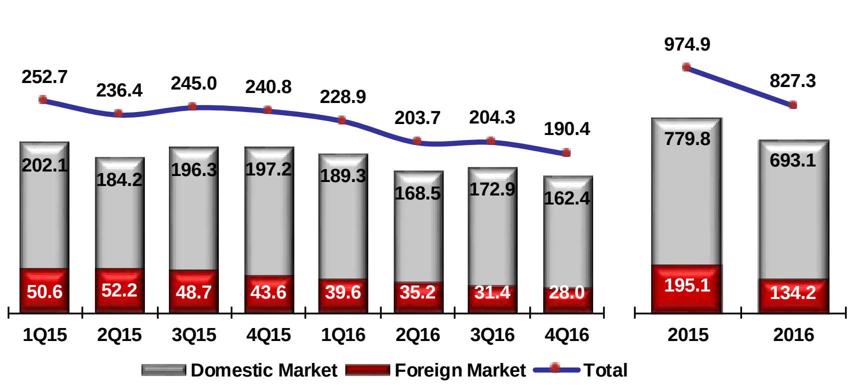
Tégula maintained its leadership of Brazil's concrete roofing tiles market in 2016, with market share of about 22%. On February 15, 2017, the Board of Directors approved the restructuring of the production units of Tégula Soluções para Telhados Ltda., which operates in this segment. For more information, see "Restructuring of Tégula Soluções para Telhados Ltda.".

Consolidated Net Revenue

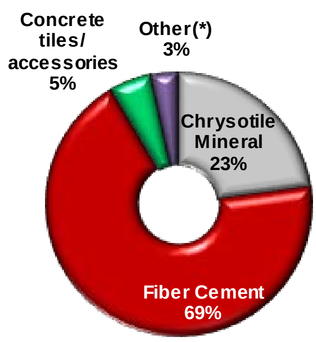
Consolidated net revenue in 4Q16 reached R$190.4 million, down 20.9% from 4Q15. Revenue from the domestic market stood at R$162.4 million, down 17.7%, mainly due to lower sales volume in its operating segments reflecting the downturn in the construction materials sector and the higher sale of a cheaper sales mix, which was partially offset by price repositioning in the chrysotile and concrete roofing tiles segments. Net revenue from chrysotile exports decreased 35.8% from 4Q15, reaching R$28.0 million, caused by the reduction in US dollar price to face the stiff competition, and the depreciation of 14.3% in the US dollar against the Brazilian real (comparison of average PTAX in the period).

A comparison of the performance of the main segments in 4Q16 and 4Q15 shows a decrease of 40.5% in chrysotile, 10.1% in fiber-cement and 36.8% in concrete roofing tiles and roofing accessories, with revenues of R$43.4 million, R$130.8 million and R$9.7 million, respectively.

Consolidated Net Revenue (R$ million)



Breakdown of Consolidated Net Revenue (4Q16)



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

In 2016, consolidated net revenue reached R$827.3 million, down 15.1% from 2015. Exports totaled R$134.2 million, down 31.2% from 2015, explained by lower sales volume and the reduction in US dollar prices to face the stiff competition, which was partially offset by the 4.7% appreciation of the dollar against the real (comparison of average PTAX in the period). Domestic sales totaled R$693.1 million, a decrease of 11.1%, mainly due to lower sales volumes in its operating segments and the higher sale of a cheaper sales mix, which was offset by the increase in chrysotile prices.

Cost of goods sold

Consolidated cost of goods sold totaled R$134.4 million in 4Q16, down 11.3% from 4Q15, mainly due to the lower volume sold, which was partially offset by costs pressures resulting from inflation and lower installed capacity utilization. As a result, apart from the impacts of lower net revenue caused by the decrease in volumes and the exchange effect on exports, gross margin stood at 29% in the quarter, down 8 percentage points between the periods.

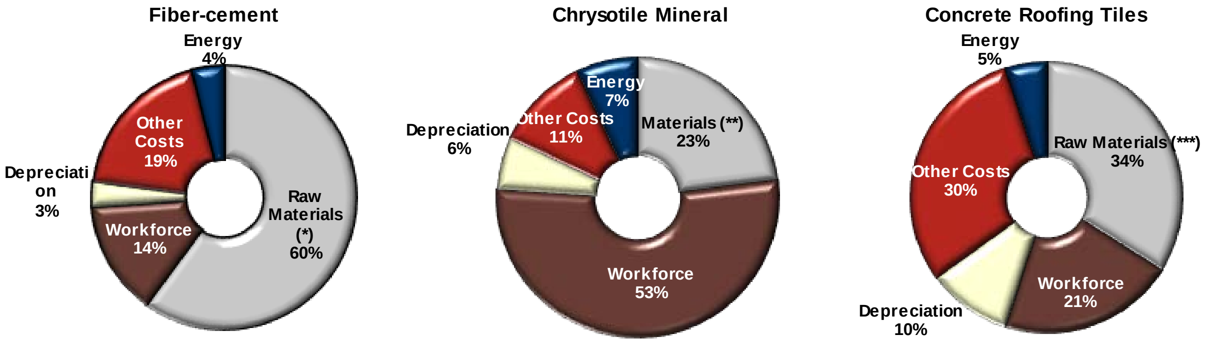
The main variations in the operating segments, in addition to those caused by lower sales volume, were:

Chrysotile mineral: decrease of 30.8%, mainly due to the adjustment in capacity utilization to balance inventory levels.

Fiber-cement: virtually stable (increase of 0.6%), mainly due to the increase in labor costs, offset by a decrease in electricity tariffs due to the start-up of some plants in the free energy market.

Concrete roofing tiles: decrease of 30.6%, mainly due to the lower installed capacity utilization.

Breakdown of Cost (4Q16)



*Raw materials: cement (36%), chrysotile mineral (39%) and others (25%).
**Materials: fuel, explosives, packaging and others.
*** Raw materials: cement (51%), sand (31%) and others (18%).

In 2016, consolidated cost of goods sold totaled R$564.1 million, down 5.7% from 2015, mainly due to lower sales volume of its operating segments, which was partially offset by costs pressures resulting from inflation (mainly labor costs) and lower installed capacity utilization. Consequently, gross margin declined 7 percentage points from 2015 to end the year at 32%.

Operating Expenses

Total operating expenses in 4Q16 decreased 38.1% from 4Q15, due to the following main variations:

Selling expenses: decrease of 15.2% due to lower sales volume of chrysotile in the domestic market and concrete roofing tiles, as well as adjustment to the commercial structure..

General and administrative expenses: decrease of 17.1% due to the structured cost cutting program and lower expenses with the Company's provision for profit sharing in view of the results of fiscal year 2016.

Other operating (expenses) income: these refer to non-recurring expenses during the year relating to payment of legal fees for filing ordinary appeals on Public Civil Actions filed in São Paulo and Expenses with extraordinary downtime (idleness of plants); which were partially offset by non-recurring PIS/Cofins credits of previous years.

In R$ '000	4th Quarter			Accum. 12 Months		
	2016	2015	Chg. %	2016	2015	Chg. %
Selling expenses	(24,872)	(29,331)	(15.2)	(106,593)	(114,704)	(7.1)
General and administrative expenses	(25,586)	(30,882)	(17.1)	(100,661)	(118,405)	(15.0)
Other operating revenues (expenses), net	(1,119)	(23,131)	(95.2)	(15,736)	(23,844)	(34.0)
Total operating expenses	**(51,577)**	**(83,344)**	**(38.1)**	**(222,990)**	**(256,953)**	**(13.2)**

Total operating expenses in 2016 amounted to R$223.0 million, down 13.2% from 2015, in line with the aforementioned aspects and non-recurring expenses during the year relating to additional contribution to the closure of them mine´s private pension plan in other operating (expenses) income.

Estimated loss due to impairment of assets and provision for restructuring

In light of the restructuring of Tégula Soluções para Telhados Ltda., approved on February 15, 2017, the Company registered an estimated loss from its assets, with no cash effect, in the amount of R$ 11.7 million, relating to the shutdown of production at the Frederico Westphalen/RS, Içara/SC, Anápolis/GO, São José do Rio Preto/SP and Camaçari/BA plants. In addition, the following were registered: (i) estimated loss on the impairment of assets in this segment, with no cash effect, in the amount of R$ 3.8 million, relating to the impairment test of goodwill and other non-current assets; and (ii) the provision for restructuring and decommissioning of these assets in the amount of R$ 2.6 million.

Equity pickup

Equity pickup refers to the gain or loss from the bathroom chinaware plant in the state of Ceará, the joint venture Companhia Sulamericana de Cerâmica (CSC). In 2016, equity pickup was a negative R$29.3 million, as against a negative R$27.7 million in 2015, due to the preference for selling products with lower value added, in light of the current economic situation in Brazil, such as high levels of unemployment and lower household income, as mentioned in the section “Economy and Market”.

Despite the industrial progress of the site, with continuous improvement in productivity indicators and the availability of a more diversified portfolio in order to improve the business profitability, its results still reflect the economic scenario faced by clients, who mostly consume low value items.

Net Financial Result

Net financial result was an expense of R$4.9 million in 4Q16, up 3.3% from 4Q15, mainly due to the greater effects of exchange variation on Company’s receivables and payables in foreign currency.

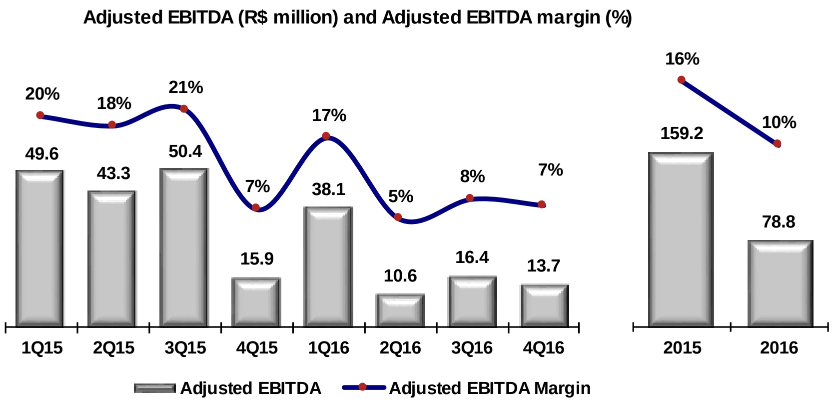
In R$ '000	4th Quarter			Accum. 12 Months		
	2016	2015	Chg. %	2016	2015	Chg. %
Financial expenses	(13,577)	19,776	-	(71,235)	(108,735)	(34.5)
Financial income	8,639	(24,554)	-	50,742	85,209	(40.4)
Net financial result	**(4,938)**	**(4,778)**	**3.3**	**(20,493)**	**(23,526)**	**(12.9)**

In 2016, net financial result decreased 12.9% from 2015 due to the lower effects of exchange variation resulting from the Company’s non-exposure policy in foreign currency receivables and payables and the reduction in financial investments due to lower cash availability, which was partially offset by higher interest on debt.

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

Adjusted EBITDA

Adjusted EBITDA reached R$13.7 million in 4Q16, down 14.0%, with margin of 7%, stable in comparison to 4Q15, due to lower sales volume, low industrial capacity utilization, decline in operating margins due to the sale of a mix with lower value. Seeking to mitigate the negative effects of adjusted EBITDA, the Company has focused its efforts on reducing recurring operating expenses, as mentioned above.



In 2016, adjusted EBITDA totaled R$78.8 million, down 50.5%, with adjusted EBITDA margin of 10%, down 6 percentage points from 2015, as a result of the aspects mentioned earlier.

Reconciliation of consolidated EBITDA - (R$'000)	4th Quarter			Accum. 12 Months		
	2016	2015	% Chg.	2016	2015	% Chg.
Net (loss) income	**(29,623)**	**(12,257)**	**141.7**	**(37,682)**	**29,421**	**-**
Income tax and social contributions	663	7,698	(91.4)	9,955	39,196	(74.6)
Net financial Income	4,938	4,778	3.3	20,493	23,526	(12.9)
Depreciation and amortization	9,275	10,052	(7.7)	38,572	39,401	(2.1)
EBITDA¹	**(14,747)**	**10,271**	**-**	**31,338**	**131,544**	**(76.2)**
Impairment of assets and provision for restructuring²	18,109	-	-	18,109	-	-
Equity pickup	10,288	5,593	83.9	29,337	27,661	6.1
Adjusted EBITDA³	**13,650**	**15,864**	**(14.0)**	**78,784**	**159,205**	**(50.5)**

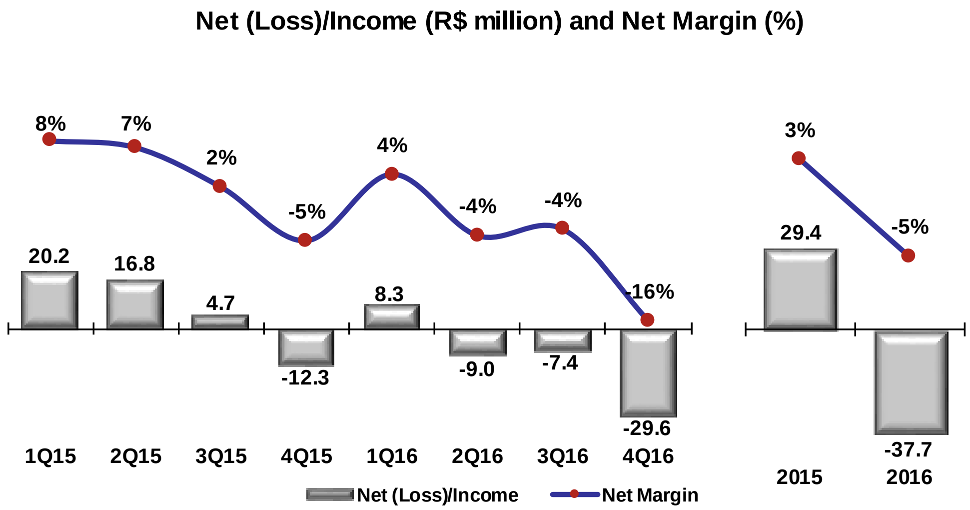
[1] With the operational startup of Companhia Sulamericana de Cerâmica (CSC), its results are included in consolidated EBITDA in accordance with the equity pickup method and non-recurring events, in compliance with Instruction 527 of October 4, 2012, issued by the Securities and Exchange Commission of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

[2] Restructuring of Tégula Soluções para Telhados Ltda.

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

Net (Loss)/Income

In 4Q16, Eternit posted net loss of R$29.6 million, due to the aspects mentioned in adjusted EBITDA. Net margin contracted by 11 percentage points to end the period at -16%.



In 2016, net loss totaled R$37.7 million, with net margin of -5%, compared to net income of R$29.4 million and net margin of 3% in 2015.

Debt

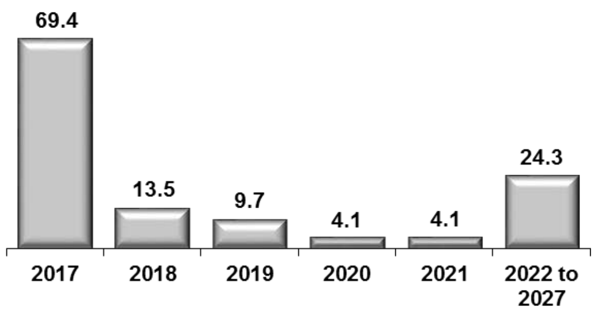
In line with the policy to reduce debt, the Company ended 4Q16 with net debt of R$117.2 million, a 19.1% decline from the net debt on December 31, 2015, due to amortizations of FINIMP[8] and FINAME[9] loans and the settlement of NCE[10] and ACE[11] working capital agreements. In the period, gross debt of Eternit and its subsidiaries totaled R$125.1 million, mainly due to: (i) the Bank Credit Notes (CCB)[12], Export Credit Notes (NCE) and Advances on Foreign Exchange Contracts (ACE); and (ii) the financing facilities to acquire machinery and equipment.

Cash, cash equivalents and short-term investments totaled R$7.9 million, with investments remunerated at an average weighted rate of 106.2% of the variation in the CDI rate[13].

DEBT - R$ ´000	Parent Company		Consolidated	
	12/31/16	12/31/15	12/31/16	12/31/15
Short- term gross debt	10,711	6,327	69,428	90,307
Long-term gross debt	4,362	16,294	55,626	76,954
Total gross debt	**15,073**	**22,621**	**125,054**	**167,261**
Cash and cash equivalents	(3,365)	(2,850)	(5,143)	(5,578)
Short-term investments (same cash equivalents)	(32)	(3,114)	(2,708)	(16,734)
Net debt	**11,676**	**16,657**	**117,203**	**144,949**
Adjusted EBITDA (last 12 months)	24,072	74,113	78,784	159,205
Net debt / Adjusted EBITDA x	**0.49**	**0.22**	**1.49**	**0.91**
Net debt / Equity	**2.5%**	**3.3%**	**25.5%**	**29.0%**

Origin of Debt (%)

Repayment Schedule (R$ '000)



In 4Q16, 100% of foreign currency debt was naturally hedged by accounts receivable in foreign currency on chrysotile exports.

Of the amortization flow expected in 2017, 66.4% is linked to export accounts receivable.

Capex

Capex of Eternit and its subsidiaries in 4Q16 amounted to R$4.2 million, down 56.0% from 4Q15, and was allocated to the maintenance and modernization of the Group's industrial facilities.

In 2016, Capex totaled R$15.7 million, decreasing 58.6% from the previous year, as shown in the chart below.

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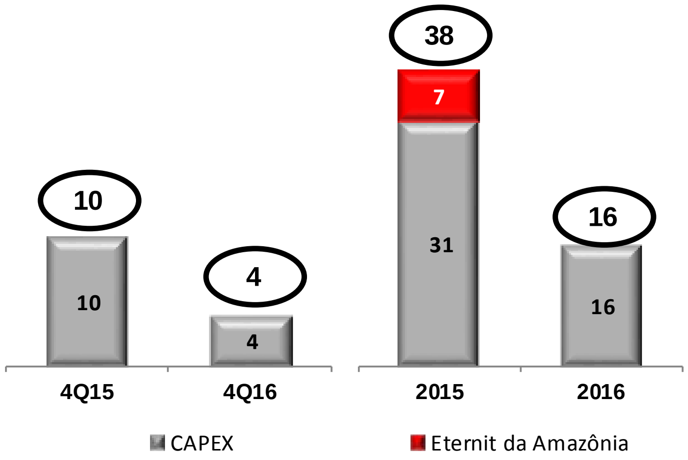
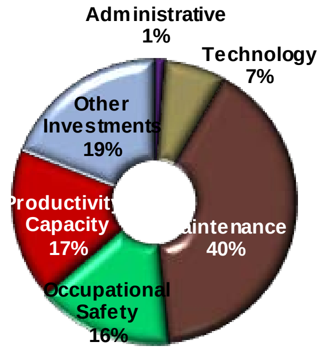
[8] FINIMP: Financing to Imports
[9] FINAME: Special Agency for Industrial Financing
[10] NCE: Export Credit Notes
[11] ACE: Advances on Foreign Exchange Contracts
[12] CCB: Bank Credit Notes
[13] CDI: Interbank Deposit Certificates

Consolidated CAPEX (R$'000)



CAPEX Distribution (4Q16)



Capex for 2017 is projected at approximately R$18.3 million, which will go towards the maintenance and modernization of industrial facilities. It, however, does not include capital injections in subsidiaries.

Capital Markets

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

With highly fragmented ownership and no shareholders agreement or controlling group, the Company's shareholder base has a high concentration of individual investors, who accounted for 77.5% of the shareholder base on December 31, 2016, while foreign investors accounted for 7.3% and legal entities, clubs, investment funds and foundations accounted for 15.2%. In December 2016, only three shareholders held more than 5% interest in the capital stock, with an aggregate interest of 33.4%, while the Executive Board held 0.7% interest in capital stock.

On December 31, 2016, Eternit stock was quoted at R$1.32 while the Company's market capitalization was R$236.3 million.

Dividends and Interest on Equity

In 2016, the amount paid as interest on equity amounted to R$7.9 million, relating to the results of the fourth quarter of 2015. In view of the results obtained in 2016, there was no distribution of earnings.

The Bylaws of Eternit establish a minimum mandatory dividend of 25% on the year's net income after deductions required by law and the Bylaws. Note that the Company's dividend policy, as determined in the Bylaws, remains unchanged, but fresh distributions will be made once positive results are recorded.

Dividends Distribution (2015 to 2016)				
Approval Date	**Type**	**Payment Start Date**	**Total Value R$ 000**	**Value per Share (R$)**
2015				
12/19/14 (*)	BDM	31/03/15	5,905	0.0330
03/11/15 (*)	BDM	31/03/15	11,989	0.0670
13/05/15	BDM	03/06/15	6,621	0.0370
13/05/15	BDM	03/06/15	11,273	0.0630
05/08/15	BDM	18/08/15	7,336	0.0410
08/05/15 (**)	BDM	18/08/15	1,610	0.0090
04/11/15	BDM	17/11/15	7,873	0.0440
Total			**52,608**	**0.2940**
Closing Price			-	**3.25**
Dividend Yield			-	**9.0%**
2016				
12/16/15(*)	BDM	13/04/16	7,873	0.0440
Total			**7,873**	**0.0440**
Closing Price			-	**1.97**
Dividend Yield			-	**2.2%**

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

Legal issues involving chrysotile mineral

Public-interest Civil Action filled in São Paulo

Eternit was officially notified on February 10, 2017 of the full contents of the appellate decision of the Regional Labor Court of the 2nd Region, which amended the judgment of the 9th Labor Court of São Paulo that had ruled partially in favor of the Labor Prosecution Office and the Brazilian Association of Persons Exposed to Asbestos (ABREA) in the public-interest civil actions related to the plant in Osasco, São Paulo, which was shut down in 1993.

As a result of the understanding of the Court, the trial court judgment was amended. The most significant terms were:

The following convictions were excluded:
- Indemnity for collective pain and suffering in the amount of R$100 million;
- Indemnity for pain and suffering in the amount of R$50,000 to each former employee not diagnosed with asbestos-related diseases;
- All and any claims made by the family members of former employees;

The following convictions were reduced:
- Pain and suffering and existential damages for each former employee already diagnosed with asbestos-related diseases fixed at R$100,000 and to R$50,000, respectively.
- Pain and suffering for the estate of each former employee deceased after the filing of the claims for R$100,000;

The following conviction was maintained:
- Full medical assistance for former employees diagnosed with asbestos-related diseases.

Eternit further informs that it will take all applicable legal measures at higher courts.

Public-Interest Civil Action filed in Paraná – Subsequent event

Eternit S.A. was notified on March 10, 2017 of a Public-Interest Civil Action filed by the Labor Prosecution Office against the Company, which is currently in progress at the 1st Labor Court of Colombo in the state of

Paraná. The claim demands indemnity for occupational exposure to asbestos and a plea for the company to be condemned to pay R$85 million as collective damage.

It also informs that some requests for an injunction were denied by the Court of Colombo, such as replacement of asbestos within 90 days.

Note that the work environment at the Colombo unit was already checked for unhealthy conditions on several occasions and none of them identified exposure to asbestos above the levels permitted by law. The Company will submit its defense at an opportune moment.

The Company reiterates that it complies with all safety standards and procedures established by Federal Law 9,055/95 and the Decree that regulated it, as well as the recommendations of the International Labor Organization (ILO) and expects the technical and scientific evidence to be considered while judging the action.

Restructuring of Tégula Soluções para Telhados Ltda.

On February 16, 2017, the Company published a Material Fact notice informing its shareholders and the market that the Board of Directors Meeting held on February 15, 2017, approved the restructuring of the production units of Tégula Soluções para Telhados Ltda.

The restructuring is aimed at preparing Tégula to operate in markets with higher operating profitability. As a result, production of concrete roofing tiles at the Frederico Westphalen (Rio Grande do Sul), Içara (Santa Catarina), Anápolis (Goiás) and Camaçari (Bahia) units were shut down this month. The impairment of these assets, of around R$15 million, was recognized in 2016 and the properties at these units will be made available for sale.

This decision was taken after an extensive analysis of alternatives to maximize the results of these units, which were already operating at low capacity utilization due to weak market demand. The units being shut down currently employ 90 people.

Therefore, production of concrete roofing tiles will now be concentrated at the unit in Atibaia, whose production capacity can meet the demand from the regions served by the units being closed.

Outlook

With an economic scenario of uncertainties and low levels of capacity utilization across the industry, in line with credit, employment and income data, the performance of the economy in terms of GDP in 2017 compared to in 2016 is 0.5%, according to the FOCUS market readout dated March 10, 2017, whereas the outlook for construction GDP is -0.5%, as per the December 2016 Inflation report published by the Central Bank of Brazil (BACEN).

For the construction materials sector, the Brazilian Construction Materials Industry Association (ABRAMAT) points to a scenario of stability in 2017 compared to 2016, since the market will remain sluggish as a result of high unemployment levels and unfavorable credit conditions. Although the confidence level of businessman has improved, mainly due to expectations about the future, according to ABRAMAT only a set of measures to stimulate demand, cut interest rates and reduce unemployment can change the trend seen in the construction materials sector.

The Federal Government has been taking measures to drive growth in the construction and construction materials sectors through a few proposals, including the reduction of interest rates for real estate financing through the Caixa Econômica Federal; launch of the Renovation Card to combat the qualitative housing deficit of low-income families with subsidies of around R$5,000 for home renovation and expansion; relaunch of the Construcard card for renovations, with injection of R$7 billion; and expansion of the My Home, My Life Program to include families with monthly income of up to R$9,000. The Company believes that launching measures such as these that stimulate the economy is fundamental for the construction materials sector to resume growth, which will positively contribute to the Company's business.

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

For fiber-cement, Eternit will optimize the operation of its plants and the mining company in line with market demand, and will use the strength of its brand and network of around 15,000 points of sale, besides increasing the points of sale to mitigate the effects of the economic crisis.

As for concrete roofing tiles, the Company restructured this segment to operate in markets with higher operating profitability. Hence, as from February 2017, production of concrete roofing tiles is concentrated at the Atibaia unit, whose production capacity can meet demand from regions served by the deactivated units. The properties at these units will be made available for sale.

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

In keeping with its strategy of diversified organic growth, the plant in Manaus, Amazonas, produced and sold polypropylene yarns with applications in fiber-cement on an industrial scale over the course of 2016. The bathroom chinaware unit in Ceará continuously improved its productivity indicators and has been offering a more diversified portfolio (products in the medium and medium-luxury segments) in order to improve business profitability.

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

Regardless of the above-mentioned challenges, the Company believes in the recovery of growth of the Brazilian economy and, especially, of its industry. Management remains closely watchful of the developments and impacts of the current macroeconomic scenario, operating with financial discipline, reducing its working capital and focusing its debt reduction policy on business sustainability in order to consolidate Eternit's position as a supplier of raw materials, products and solutions for the construction industry.

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

The Executive Board of **Eternit** invites you to participate in the disclosure of its results for the fourth quarter of 2016.

Presentation: Rodrigo Lopes da Luz – Chief Financial and Investor Relations Officer
Date: Monday, March 20, 2017
Time: 10:00 a.m. - Brasília / 9:00 a.m. - Eastern Standard Time (New York) / 1:00 p.m. GMT (London)

The presentation, given through slides, can be viewed online by registering at **www.ccall.com.br/eternit/4q16.htm** or at Eternit's investor relations website: **www.eternit.com.br/ri**.

To listen to the presentation by phone, dial **+55 (11) 3193-1001 or 2820-4001** in Brazil and **+1 786 924-6977** in other countries - Access code for participants: **Eternit**

Playback: The recording of the call will be available from **March 20, 2017** to **March 26, 2017**
Dial-in: **+55 (11) 3193-1012 or 2820-4012** - Access code for participants: **1303836#**

Investor Relations

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

ETERNIT S.A.

Balance Sheet

Corporate Law (R$ '000)

ASSETS	Parent Company		Consolidated	
	12/31/16	12/31/15	12/31/16	12/31/15
Current	**208,911**	**233,315**	**356,975**	**412,320**
Cash and cash equivalents	3,365	2,850	5,143	5,578
Short-term investments	32	3,114	2,708	16,734
Accounts receivable	84,835	73,337	158,663	172,342
Inventories	93,582	108,428	160,867	184,383
Taxes recoverable	9,289	7,638	17,861	15,083
Related parties	14,819	30,447	718	2,818
Other current assets	2,193	7,501	5,724	15,382
Noncurrent assets held for sale	**796**	**-**	**5,291**	**-**
Noncurrent assets held for sale	796	-	5,291	-
Non-current	**470,282**	**493,500**	**485,473**	**520,874**
Judicial deposits	14,384	11,576	22,264	19,003
Taxes recoverable	24,335	24,081	24,746	24,765
Deferred income and social contribution taxes	42,315	34,264	72,655	63,823
Related parties	27,982	9,711	15,985	-
Other noncurrent assets	1,078	339	2,545	2,807
Investments	203,707	251,659	3,546	24,782
Property, Plant and Equipment (PP&E)	150,412	154,920	317,716	354,047
Intangible assets	6,069	6,950	26,016	31,647
Total assets	**679,193**	**726,815**	**842,448**	**933,194**

LIABILITIES AND EQUITY	Parent Company		Consolidated	
	12/31/16	12/31/15	12/31/16	12/31/15
Current liabilities	**93,337**	**84,283**	**168,489**	**205,820**
Trade accounts payable	20,602	23,922	33,566	41,420
Loans and financing	10,337	6,258	68,750	90,238
Derivative financial instruments	374	69	678	69
Related parties	25,393	12,256	-	-
Personnel expenses	12,413	14,858	23,388	27,722
Dividends and interest on equity	426	7,534	426	7,534
Provision for post-employment benefits	3,184	2,749	5,115	4,890
Taxes, charges and contributions payable	14,030	10,697	22,260	19,867
Other current liabilities	6,578	5,940	14,306	14,080
Non-Current	**126,223**	**142,434**	**214,310**	**227,258**
Loans and financing	4,362	16,294	55,626	76,954
Related parties	36,012	40,728	-	-
Taxes, charges and contributions payable	1,746	6,477	4,699	8,969
Provision for tax, civil and labor risks	46,975	47,096	90,003	84,281
Provision for post-employment benefits	37,128	31,839	50,104	44,437
Provision for decommissioning of mine	-	-	13,878	12,617
Equity	**459,633**	**500,098**	**459,649**	**500,116**
Capital	334,251	334,251	334,251	334,251
Capital reserve	19,460	19,460	19,460	19,460
Treasury shares	(174)	(174)	(174)	(174)
Income reserves	118,221	155,738	118,221	155,738
Other comprehensive income	(12,125)	(9,177)	(12,125)	(9,177)
Equity attributable to controlling interests	**459,633**	**500,098**	**459,633**	**500,098**
Noncontrolling interests	-	-	16	18
Total liablities and equity	**679,193**	**726,815**	**842,448**	**933,194**

Eternit

ETERNIT S.A. (PARENT COMPANY)

Income Statements

Corporate Law

R$ ´000	4th Quarter			Accum. 12 Months		
	2016	2015	% Chg.	2016	2015	% Chg.
Gross revenues	**161,173**	**171,367**	**(5.9)**	**655,962**	**679,553**	**(3.5)**
Gross revenues deductions	(40,346)	(39,905)	1.1	(161,199)	(168,463)	(4.3)
Net operating revenue	**120,827**	**131,462**	**(8.1)**	**494,763**	**511,090**	**(3.2)**
Cost of goods sold	(99,515)	(98,472)	1.1	(394,446)	(384,403)	2.6
Gross profit	**21,312**	**32,990**	**(35.4)**	**100,317**	**126,687**	**(20.8)**
Gross margin	***18%***	***25%***	***- 7 p.p.***	***20%***	***25%***	***- 5 p.p.***
Operating income (expenses)	**(29,965)**	**(52,244)**	**(42.6)**	**(123,237)**	**(138,821)**	**(11.2)**
Selling expenses	(13,741)	(15,774)	(12.9)	(60,616)	(58,313)	3.9
General and administrative expenses	(12,303)	(12,485)	(1.5)	(47,795)	(55,393)	(13.7)
Other operating income (expenses), net	(3,921)	(23,985)	(83.7)	(14,826)	(25,115)	(41.0)
Operating income (expenses) before equity pickup (EBIT)	**(8,653)**	**(19,254)**	**(55.1)**	**(22,920)**	**(12,134)**	**88.9**
EBIT margin	***-7%***	***-15%***	***8 p.p.***	***-5%***	***-2%***	***- 3 p.p.***
Equity pickup	(22,132)	8,145	-	(15,335)	45,116	-
Operating income (expenses) before financial expenses (EBIT*)	***(30,785)***	***(11,109)***	**177.1**	***(38,255)***	***32,982***	**-**
Financial income (expenses), net	**(1,551)**	**(3,366)**	**(53.9)**	**(6,179)**	**(12,042)**	**(48.7)**
Financial expenses	(4,404)	6,790	-	(27,348)	(19,804)	38.1
Financial income	2,853	(10,156)	-	21,169	7,762	172.7
Income (loss) before income and social contribution taxes	**(32,336)**	**(14,475)**	**123.4**	**(44,434)**	**20,940**	**-**
Deferred (loss) income and social contributions taxes	2,708	2,218	22.1	6,751	8,480	(20.4)
Net income (loss) for the year	**(29,628)**	**(12,257)**	**141.7**	**(37,683)**	**29,420**	**-**
Net margin	***-25%***	***-9%***	***- 16 p.p.***	***-8%***	***6%***	***- 14 p.p.***
Earnings (loss) per share, basic and diluted - R$	(0.1656)	(0.0685)		(0.2106)	0.1644	
EBITDA	**(26,962)**	**(7,384)**	**265.1**	**(23,374)**	**46,452**	**-**
EBITDA margin	***-22%***	***-6%***	***- 16 p.p.***	***-5%***	***9%***	***- 14 p.p.***

ETERNIT S.A. (CONSOLIDATED)

Income Statements

Corporate Law

R$ ´000	4th Quarter			Accum. 12 Months		
	2016	2015	% Chg.	2016	2015	% Chg.
Gross revenues	**243,151**	**297,762**	**(18.3)**	**1,048,748**	**1,221,417**	**(14.1)**
Gross revenues deductions	(52,815)	(57,017)	(7.4)	(221,473)	(246,545)	(10.2)
Net operating revenue	**190,336**	**240,745**	**(20.9)**	**827,275**	**974,872**	**(15.1)**
Cost of goods sold	(134,384)	(151,589)	(11.3)	(564,073)	(598,115)	(5.7)
Gross profit	**55,952**	**89,156**	**(37.2)**	**263,202**	**376,757**	**(30.1)**
Gross margin	***29%***	***37%***	***- 8 p.p.***	***32%***	***39%***	***- 7 p.p.***
Operating income (expenses)	**(51,577)**	**(83,344)**	**(38.1)**	**(222,990)**	**(256,953)**	**(13.2)**
Selling expenses	(24,872)	(29,331)	(15.2)	(106,593)	(114,704)	(7.1)
General and administrative expenses	(25,586)	(30,882)	(17.1)	(100,661)	(118,405)	(15.0)
Other operating income (expenses), net	(1,119)	(23,131)	(95.2)	(15,736)	(23,844)	(34.0)
Operating income (expenses) before equity pickup (EBIT)	**4,375**	**5,812**	**(24.7)**	**40,212**	**119,804**	**(66.4)**
EBIT margin	***2%***	***2%***	***-***	***5%***	***12%***	***- 7 p.p.***
Equity pickup	(10,288)	(5,593)	83.9	(29,337)	(27,661)	6.1
Impairment of assets and provision for restructuring	(18,109)	-	-	(18,109)	-	-
Operating income (expenses) before financial expenses (EBIT*)	***(24,022)***	***219***	**-**	***(7,234)***	***92,143***	**-**
Financial income (expenses), net	**(4,938)**	**(4,778)**	**3.3**	**(20,493)**	**(23,526)**	**(12.9)**
Financial expenses	(13,577)	19,776	-	(71,235)	(108,735)	(34.5)
Financial income	8,639	(24,554)	-	50,742	85,209	(40.4)
Income (loss) before income and social contribution taxes	**(28,960)**	**(4,559)**	**535.2**	**(27,727)**	**68,617**	**-**
Current (loss) income and social contributions taxes	(4,149)	(7,052)	(41.2)	(17,269)	(48,851)	(64.6)
Deferred (loss) income and social contributions taxes	3,486	(646)	-	7,314	9,655	(24.2)
Net income (loss) for the year	**(29,623)**	**(12,257)**	**141.7**	**(37,682)**	**29,421**	**-**
Net margin	***-16%***	***-5%***	***- 11 p.p.***	***-5%***	***3%***	***- 8 p.p.***
Earnings (loss) per share, basic and diluted - R$	(0.1655)	(0.0685)		(0.2106)	0.1644	
EBITDA	**(14,747)**	**10,271**	**-**	**31,338**	**131,544**	**(76.2)**
EBITDA margin	***-8%***	***4%***	***- 12 p.p.***	***4%***	***13%***	***- 9 p.p.***
Adjusted EBITDA	**13,650**	**15,864**	**(14.0)**	**78,784**	**159,205**	**(50.5)**
Adjusted EBITDA margin	***7%***	***7%***	***-***	***10%***	***16%***	***- 6 p.p.***

(*) Adjusted EBIT due to the result of the joint venture Companhia Sulamerica de Cerâmica and non-recurring events

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ETERNIT S.A.

STATEMENTS OF CASH FLOW

Corporate Law

R$ '000 - Accumulated	Parent Company		Consolidated	
	12/31/16	12/31/15	12/31/16	12/31/15
Cash flows from operating activities				
Income (loss) before income and social contribution taxes	**(44,434)**	**20,940**	**(27,727)**	**68,617**
Adjustments to reconcile pre-tax income (loss) to net cash generated by operating activities:				
Equity pickup	15,335	(45,116)	29,337	27,661
Depreciation and amortization	14,880	13,470	38,572	39,401
Gain (loss) on disposal of property, plant and equipment and intangible assets	(5)	(100)	(3,123)	165
Allowance for doubtful accounts	1,980	1,493	3,420	2,531
Provision for impairment of net realizable value	(527)	(267)	1,025	(267)
Estimated impairment losses	-	-	14,460	-
Impairment of assets and provision for restructuring	-	-	2,586	-
Provision for tax, civil and labor risks	1,344	23,605	7,209	27,467
Provision for post-employment benefits	1,901	1,307	1,426	635
Provision for decommissioning of mine	-	-	1,261	2,570
Financial charges, and monetary and exchange variations	(416)	6,745	(828)	13,011
Short-term investment yield	(74)	(993)	(841)	(3,331)
Net changes in prepaid expenses	6,020	2,886	7,106	5,067
	(3,996)	**23,970**	**73,883**	**183,527**
(Increase) decrease in operating assets:				
Accounts receivable	(14,259)	(3,503)	7,100	(669)
Receivables from related parties	965	(5,150)	2,100	(391)
Inventories	15,373	(38,766)	22,491	(36,023)
Taxes recoverable	1,603	(1,836)	3,380	(4,085)
Dividends and interest on equity received	(4,132)	(4,765)	(4,586)	(5,588)
Received dividends	44,759	98,341	-	-
Other assets	(1,430)	(5,389)	2,842	(12,209)
Noncurrent assets held for sale	(16)	-	(16)	-
Increase (decrease) in operating liabilities				
Trade accounts payable	(3,304)	1,064	(7,828)	(731)
Payables to related parties	13,137	4,584	-	-
Taxes, charges and contributions payable	(3,028)	(5,893)	(11,493)	(6,617)
Provisions and social charges	(2,445)	2,120	(4,334)	(935)
Other liabilities	638	2,807	(2,582)	2,964
Interest paid	(1,021)	(411)	(7,530)	(4,782)
Income and social contribution taxes paid	-	-	(12,604)	(56,829)
Net cash provided by operating activities	**42,844**	**67,173**	**60,823**	**57,632**
Cash flow from investing activities				
Intercompany loan receivable	(16,053)	19,585	(14,953)	726
Amount received on disposal of PP&E items	22	784	3,395	876
Additions to PP&E and intangible assets	(9,508)	(23,161)	(15,700)	(37,944)
Addition to exchange gains (losses) converted into capital	-	(107)	-	(14,524)
Additions to investments	(8,101)	(47,627)	(8,101)	(18,105)
Short-term investments	(41,750)	(93,136)	(149,403)	(277,192)
Redemption of short-term investments	44,905	106,740	164,264	298,812
Net cash used in investing activities	**(30,485)**	**(36,922)**	**(20,498)**	**(47,351)**
Cash flows from financing activities				
Loans and financing raised	1,962	14,915	64,575	246,870
Repayment of loans and financing	(6,929)	(3,633)	(98,458)	(215,838)
Intercompany loan	-	4,708	-	-
Payment of dividends and interest on equity	(6,877)	(49,102)	(6,877)	(49,102)
Net cash used in financing activities	**(11,844)**	**(33,112)**	**(40,760)**	**(18,070)**
Increase (decrease) in cash and cash equivalents	**515**	**(2,861)**	**(435)**	**(7,789)**
Increase (decrease) in cash and cash equivalents				
At beginning of year	2,850	5,711	5,578	13,367
At end of year	3,365	2,850	5,143	5,578
Increase (decrease) in cash and cash equivalents	**515**	**(2,861)**	**(435)**	**(7,789)**