Individual and Consolidated Financial Statements

Eternit S.A.

December 31, 2013
with Independent Auditor's Report

ETERNIT S. A.

Management Report 2013

Dear Shareholders,

We hereby submit for your scrutiny, the Management Report and the corresponding financial statements of ETERNIT S.A. (“Eternit” or the “Company”) for the financial year ended December 31, 2013. 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 corporate law and the International Financial Reporting Standards (IFRS).

The Company

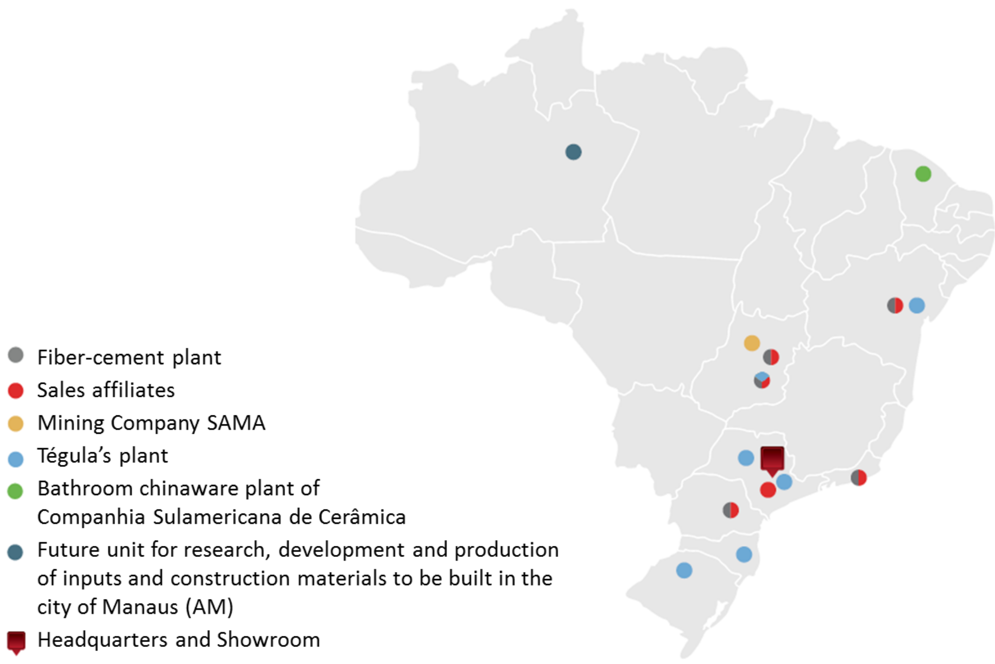
Founded in 1940 and listed on the stock exchange since 1948, Eternit is the largest and most diversified company in Brazil’s roofing industry, with operations in the bathroom chinaware, metal fittings and construction solutions segments.

The Company has operations all over Brazil - it is headquartered in São Paulo and has four manufacturing units strategically located in the Northeast, Southeast, South and Midwest regions. It also has its 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 roofing tiles at its unit in Midwest Brazil; and Tégula Soluções para Telhados Ltda., the leader manufacturer of concrete tiles, with six plants strategically located in the Northeast, Southeast, South and Midwest regions.

The Group has a showroom in São Paulo (at Avenida Rebouças, n° 2175) to showcase its portfolio.

Companhia Sulamericana de Cerâmica S.A. (CSC), a joint venture between Eternit and Colceramica, a company belonging to Organizações Corona S.A., a Colombian multinational in operations for over 130 years, is getting ready to manufacture bathroom chinaware in Ceará state in 2014.

On April 15, 2013, the Board of Directors approved the plan to set up a unit for the research, development and production of inputs and construction materials in Manaus, Amazonas, in line with the Structured Expansion and Diversification Plan for the operations of the Eternit Group.



Operating segments

The roofing segment is one of the biggest markets in Brazil's construction industry, with annual demand of over 600 million square meters. Fiber-cement roofing tiles and concrete tiles account for nearly 50% of this market, in which the Company is the leader with respective market shares of 31% and 30%.

SAMA, the chrysotile mining company, supplies 15% of the annual global demand of 1.9 million tons. Chrysotile fiber is the main raw material in fiber-cement products, and the Company's strategy is to prioritize domestic market as it more profitable and export only the surplus production.

Bathroom chinaware has been playing an important role in the Company's portfolio and a new production unit of the joint venture (CSC) will be inaugurated in Ceará in 2014. In only five years in the bathroom chinaware segment, Eternit has achieved a prominent position, even outperforming traditional players. The first bathroom chinaware unit will have annual production capacity of 1.5 million pieces, with nearly 330 direct employees.

Growth strategy

Eternit believes that to maintain its growth pace, it must diversify and innovate in its business. For the Company, in an industry dominated by single product companies, as is the case in Brazil, becoming the first major company with diversified products and solutions from floor to ceiling is the strategy to maintain its perpetuity and expand its business.

In this regard, Eternit registered its first major success in 2010 by expanding the production capacity of its plants and entering new operating segments, such as bathroom chinaware and concrete tiles, it could attain its objective of increasing gross revenue from R$ 500 million to R$ 1 billion in just three years.

With the objective attained, the Company launched the second phase of its plan, to consolidate its position as the most diversified company in Brazil's construction materials industry using the strength of its brand and its extensive network of more than 16,000 points of sale.

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

Following are a few achievements of the Structured Expansion and Diversification Program:

Organic Growth:

- ✓ Increase in fiber-cement capacity from 650,000 tons to 1 million tons.
- ✓ Increase in mining capacity from 270,000 tons to 300,000 tons.
- ✓ Increase in concrete tile capacity from 7.2 million m^2 to 10 million m^2.

Diversified Organic Growth:

- ✓ Entry in the metal roofing tiles segment.
- ✓ Entry in the bathroom chinaware and toilet seats segment.
- ✓ Entry in the metal bathroom fittings segment.
- ✓ Development of fiber-cement using alternative fibers.

Inorganic/Greenfield growth:

- ✓ Acquisition of Tégula Soluções para Telhados.
- ✓ Construction of the first bathroom chinaware unit - Companhia Sulamericana de Cerâmica – a joint venture between the Eternit Group and Colceramica, at the multiproduct unit in Ceará.
- ✓ Construction of a unit for the research, development and production of construction material inputs in Manaus.

Competitive Advantages

The Company has built a solid image in the market and a highly competitive structure, notably due to the following:

- **Brand strength:** in Brazil since 1940, Eternit is the synonym of with its flagship product.
- **Product portfolio:** the most diversified product mix in the segment, ranging from standard to premium ranges.
- **Cost-benefit ratio of product:** fiber-cement based on chrysotile asbestos provides excellent value for money.
- **Strategic location of the production units:** 11 units located in four regions, many of them serve as distribution centers, enabling an average delivery time of 72 hours to any place across the country.
- **Extensive distribution channel:** Eternit's products are available at more than 16,000 points of sale across Brazil, from dealers and home centers to small stores.
- **Investment capacity:** strong cash generation that enables the use of own funds and third-party capital for investments.

The year 2013

General and Industry Scenario

The risks to the financial stability of the world economy remain high, despite the low probability of extreme events occurring in international financial markets. The Monetary Policy Committee (Copom) of the Central Bank of Brazil believes that the external environment remains complex with the global economy currently marked by uncertainty, and has maintained unchanged its forecast for world GDP growth, despite the signs of slow growth in mature economies at levels below potential.

In Brazil, after a period of strong growth and expansion, the economy contracted in the last two quarters of 2013, with growth in household spending and deceleration in investment. The central bank believes that spending will continue to grow, though at a more moderate rate, with overall economic growth in 2014 relatively unchanged in relation to 2013. In this scenario, Brazil GDP is forecast to grow by 2.3%, while the country's Construction GDP is expected to grow by 1.9%.

According to the Brazilian Construction Materials Industry Association (ABRAMAT), sales of construction material in 2013 grew by 3.0% from the prior year, below the forecast of 4.0% for the period, mainly due to the lower-than-expected result in December.

For 2014, ABRAMAT forecasts growth of 4.5% in relation to 2013. However, achieving this forecast will depend on expanding government incentives for the construction industry, stability in the levels of employment, income and credit availability, acceleration in infrastructure projects and a more robust recovery in the housing industry.

The continuation of federal government programs (e.g., My Home, My Life housing program and the PAC economic stimulus package) and the ongoing investments in the mega-sporting events and complementary projects bode well for the coming years and should benefit the construction industry in which Eternit operates. These projects and the incentives provided by both state-owned and private-sector banks for the acquisition of construction materials should encourage new job growth and greater income distribution, with positive repercussions on demand for the products in our portfolio.

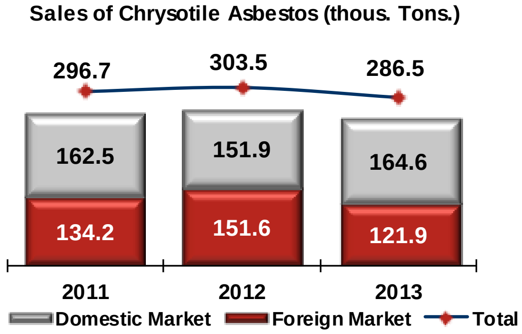
Operating Performance

Demand for chrysotile asbestos remained stable during 2013, which led the Company to maintain its strategy of operating at full capacity in its mining operations. In its line of finished products, production accompanied demand, with capacity utilization rates of approximately 80% in the fiber-cement operation and 60% in the concrete roofing tile operation.

Chrysotile Asbestos

In 2013, sales of the mineral amounted to 286,500 tons, decreasing 5.6% from 2012. In same comparison period, domestic sales volume grew by 8.4%, which is explained by the higher competitiveness of locally produced chrysotile compared to imports, which offset the contraction of 19.6% in the export market, due to the shipments not made for part of exports in the month of December to due logistics difficulties.

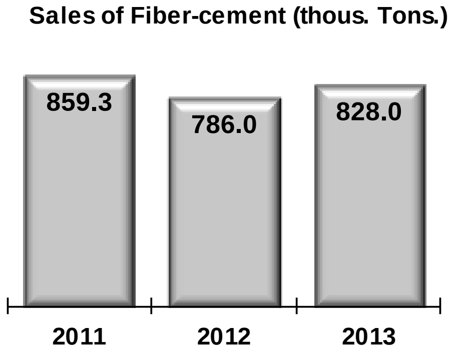
The Company accounted for 100% of sales in the Brazilian market in 2013, due to its strategy of prioritizing the domestic market and exporting its surplus. With annual production capacity of 300,000 tons, the subsidiary SAMA maintained its share in the world chrysotile market of 15%.



Fiber-cement

In 2013, sales of fiber-cement, including construction solutions, totaled 828,000 tons, 5.4% more than in 2012, mainly due to the competitive advantages of these products in the roofing segment.

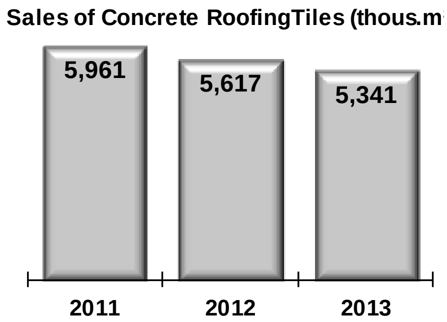
With annual production capacity of 1 million tons, Eternit maintained its leadership in Brazil's fiber-cement market in 2013, with market share of 31%.



Concrete Roofing Tiles

In 2013, sales volume reached 5,341 thousand square meters, down 4.9% from 2012, due to lower demand from the high-end roofing segment. Tégula has a portfolio of more than 33 product lines, with concrete roofing tiles accounting for the greatest number.

With annual production capacity of 10 million square meters, Tégula maintained its leadership in Brazil's concrete roofing tile market in 2013, with market share of 30%.



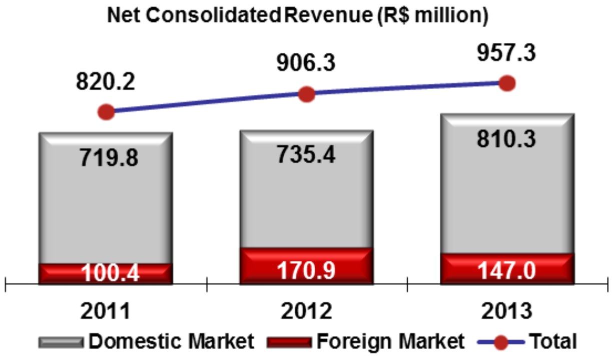
Other Products

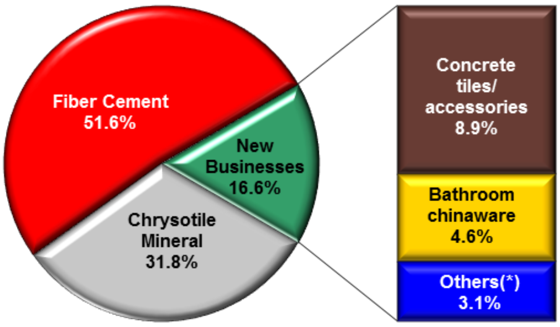
Bathroom chinaware products have increasingly been playing an important role of the Company's portfolio. Its joint subsidiary, Companhia Sulamericana de Cerâmica (CSC) is getting ready to start production in Ceará. Eternit already enjoys a prominent position in this market, surpassing even traditional players. Other products sold, although on a smaller scale, include metal bathroom and kitchen fittings, toilet seats and metal roofing tiles, etc.

Economic and Financial Performance

Consolidated Net Revenue

In 2013, consolidated net revenue amounted to R$ 957.3 million, increasing 5.6% from 2012. This good performance was driven by sales in the domestic market of R$ 810.3 million, or 10.2% higher than in 2012, reflecting the stronger demand for construction materials and the effective sales policy. Export sales amounted to R$ 147.0 million, decreasing 14.0% from 2012, which is explained by the lower sales volume, especially the chrysotile volume not shipped in the period, which was offset by the 10.3% appreciation in the U.S. dollar against the Brazilian real (based on the average PTAX rate in the periods).

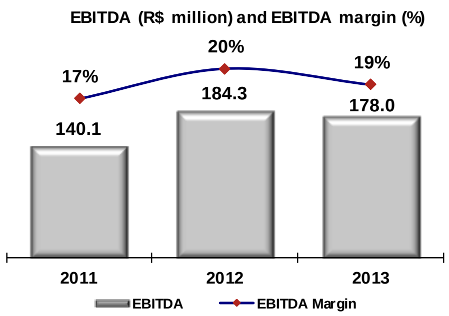




(*) Other: metal roofing tiles, polythene water tanks, lavatory seats and metal bathroom fittings, water pipe filters and construction solutions.

EBITDA

Consolidated EBITDA (earnings before interest, taxes, depreciation and amortization) in 2013 came to R$178.0 million, down 3.4%, with EBITDA margin of 19%, down one percentage point from 2012, mainly due to the lower sales volume of chrysotile asbestos and concrete tiles, coupled with the increase in the cost of goods sold, which was higher than consolidated net revenue growth.

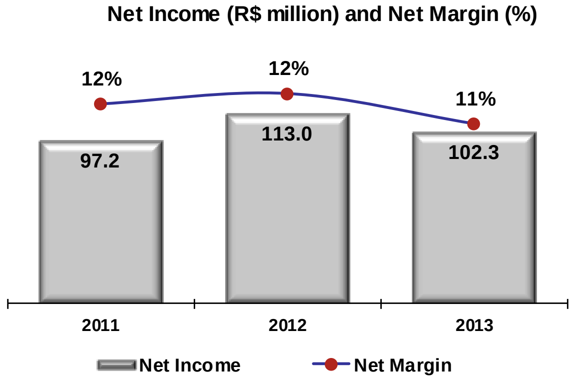


Reconciliation of consolidated EBITDA - (R$'000)	2011	2012	2013
Net income	**97,193**	**113,004**	**102,256**
Income tax and social contributions	33,947	44,798	39,973
Net financial Income	(13,839)	(2,249)	1,018
Depreciation and amortization	22,806	28,773	34,789
EBITDA	**140,107**	**184,326**	**178,036**

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

Net Income

Eternit reported net income of R$ 102.3 million in 2013, down 9.5% from 2012, due to the same factors explained in the EBITDA section. As a result, net margin decreased one percentage point to end 2013 at 11%.

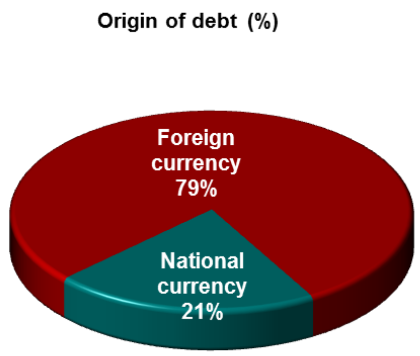


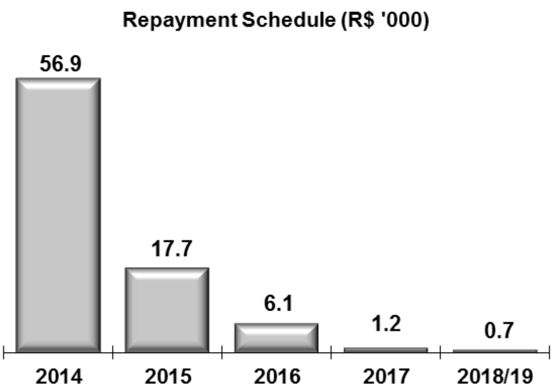
Debt

The Company ended 2013 with positive net debt of R$ 33.7 million. In 2013, the gross debt of Eternit and its subsidiaries amounted to R$ 82.7 million, which is basically explained by: (i) the Advances on Export Contracts (ACE) for working capital; and (ii) the financing lines contracted for the acquisition of trucks, machinery and equipment for its operations under the programs FINIMP (import financing) and FINAME (long-term financing for the acquisition and production of new machinery and equipment).

Cash, cash equivalents and short-term financial applications amounted to R$ 49.0 million, with financial investments remunerated at an average rate corresponding to 103% of the variation in the interbank overnight rate (CDI).

DEBT	2011	2012	2013
Short- term gross debt	40,553	55,839	56,881
Long-term gross debt	7,891	24,107	25,799
Cash and cash equivalents	(42,333)	(16,656)	(13,295)
Short-term investments (same cash equivalents)	(26,588)	(78,930)	(35,661)
Net Debt	**(20,477)**	**(15,640)**	**33,724**
EBITDA	140,107	184,326	178,036
Net Debt / EBITDA x	**(0.15)**	**(0.08)**	**0.19**
Net debt / Equity	**-**	**-**	**6.7%**



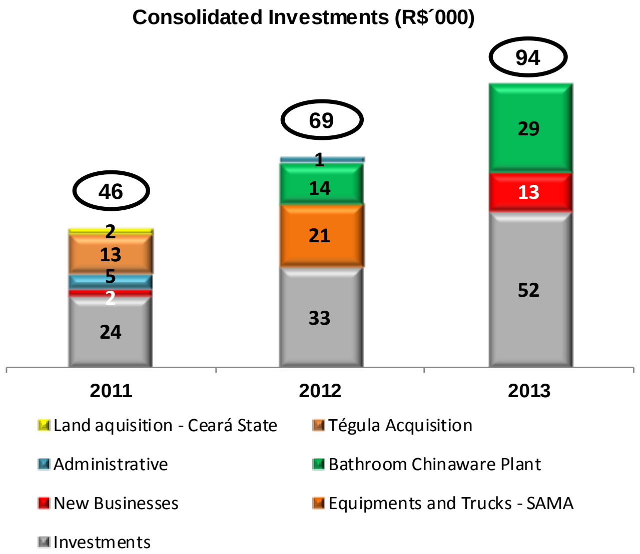


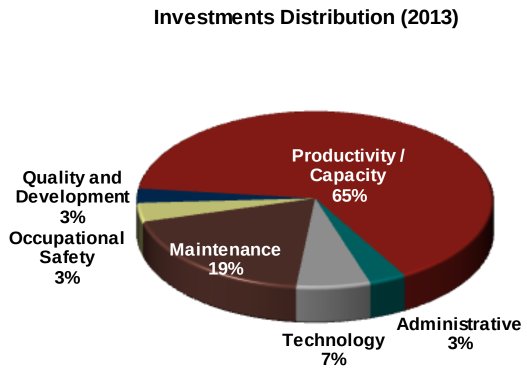
Note that the Company does not contract leveraged operations involving derivative instruments of any type that could be interpreted as speculative positions.

Investments

In line with its Structured Expansion and Diversification Plan, the Company's investment in 2013 continued to focus on productivity, on installing its first bathroom chinaware plant at the multiproduct unit at the Port of Pecém in the state of Ceará and on building the unit for the research, development and production of inputs for construction materials in Manaus, Amazonas.

In 2013, investments amounted to R$ 93.6 million, increasing 34.9% from the prior-year period, and were allocated as follows: (i) R$ 29.2 million to the construction of the bathroom chinaware plant; (ii) R$ 12.7 million to the construction of the research, development and production unity for construction material inputs; and (iii) R$ 51.7 million to maintain and modernize the industrial facilities.





For 2014, investment is expected to amount to approximately R$109.9 million, with R$57.5 million allocated to maintaining and modernizing the industrial facilities, R$40.0 million to building the research, development and production unit for construction material inputs in Manaus, Amazonas, and R$12.4 million for the bathroom chinaware plant at the Port of Pecém in the state of Ceará.

Value Added

Value added in the year totaled R$ 531.7 million, virtually stable in relation to 2012. Of this amount, 34.7% were distributed to employees, and 32.6% to the federal, state and municipal governments as taxes and contributions. Shareholders received 19.2% of the value added, while 13.5% went towards remuneration for loan capital.

	2011	2012	2013
VALUE ADDED TO BE DISTRIBUTED	**462,136**	**528,619**	**531,730**
Personal	158,710	175,636	184,431
Taxes and contributions	170,303	172,130	173,547
Remuneration of third-party capital	35,930	67,849	71,498
Remuneration of own capital	97,193	113,004	102,254
DISTRIBUTION OF VALUE ADDED	**462,136**	**528,619**	**531,730**

Capital Markets

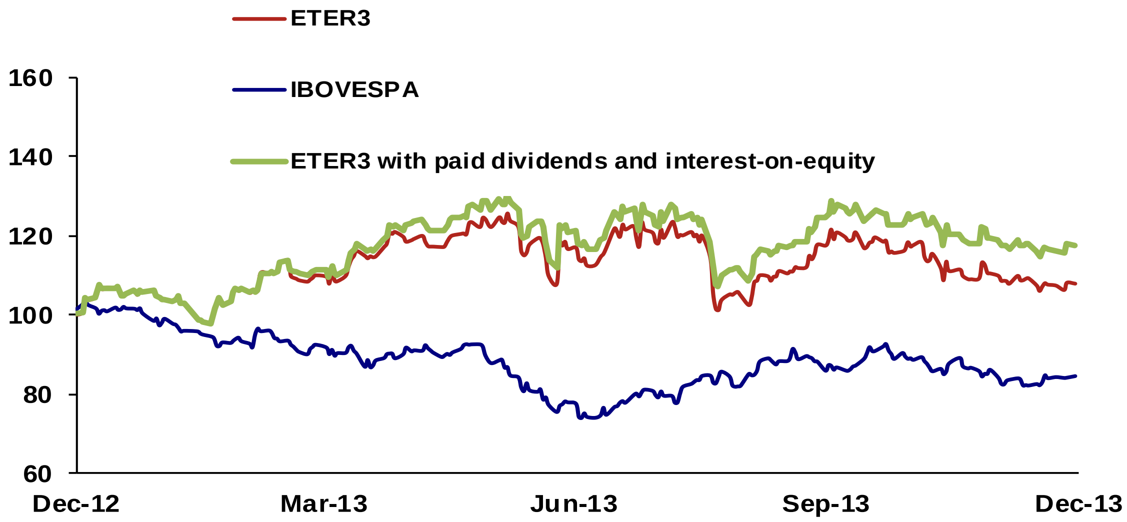
Eternit has been registered on the stock exchange since 1948, and since 2006 its stock has traded on the Novo Mercado, the listing segment of the BM&FBovespa - Securities, Commodities and Futures Exchange with the highest level of corporate governance, under the stock ticker ETER3. The

Company also has 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.

Eternit's stock (ETER3) ended 2013 quoted at R$ 8.74, which represents a gain of 7.9% from the end of 2012. In the same period, the benchmark Bovespa Index closed at 51,507 points, representing a loss of 15.5%. On December 31, 2013, Eternit's market capitalization stood at R$ 782.2 million.

Capital Markets					
ETERNIT (ETER3)	4Q12	1Q13	2Q13	3Q13	4Q13
Closing Price (R$/Share) - Without dividends	8.10	8.91	9.45	9.52	8.74
Average Volume Traded (Shares)	146,497	95,939	139,741	85,218	64,923
Average Volume Traded (R$)	1,273,847	818,932	1,326,183	774,671	598,194
ETER3 - Quarterly Profitability (%)	-	10.0	6.1	0.7	-8.2
ETER3 - 12 Months Profitability (%)	-	-3.6	-14.0	-2.9	7.9
IBOVESPA - Quarterly Profitability (%)	-	-7.5	-15.8	10.3	-1.6
IBOVESPA - 12 Months Profitability (%)	-	-12.6	-12.7	-11.6	-15.5
Market Capitalization (R$ Million)	725.0	797.4	845.8	852.0	782.2

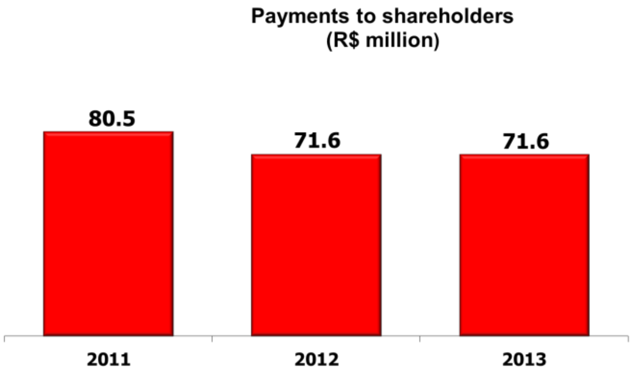
Performance of ETER3 Share vs. Ibovespa Index (Basis: 100) - R$/ShareCapital

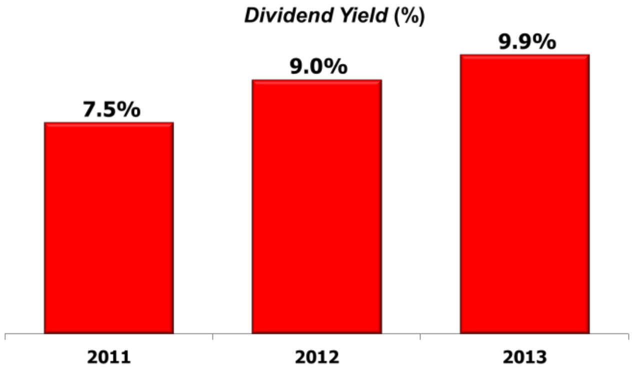


Source: Economática

Shareholder Remuneration

Eternit remains one of Brazil's corporations with the highest returns for its shareholders and one of the few companies that reconcile growth and dividend payments. In 2013, Eternit's dividend yield was 9.9%, with payments to shareholders amounting to R$ 71.6 million.





Corporate Governance

One of the main concerns of the Company, with its fragmented capital, is regarding corporate governance based on market best practices, with emphasis on transparency and fairness in its relations with stakeholders. The key objective of this model is to enable the Company to act in a responsible and sustainable manner in all the communities where it operates in order to generate value for shareholders, capital markets and other stakeholders.

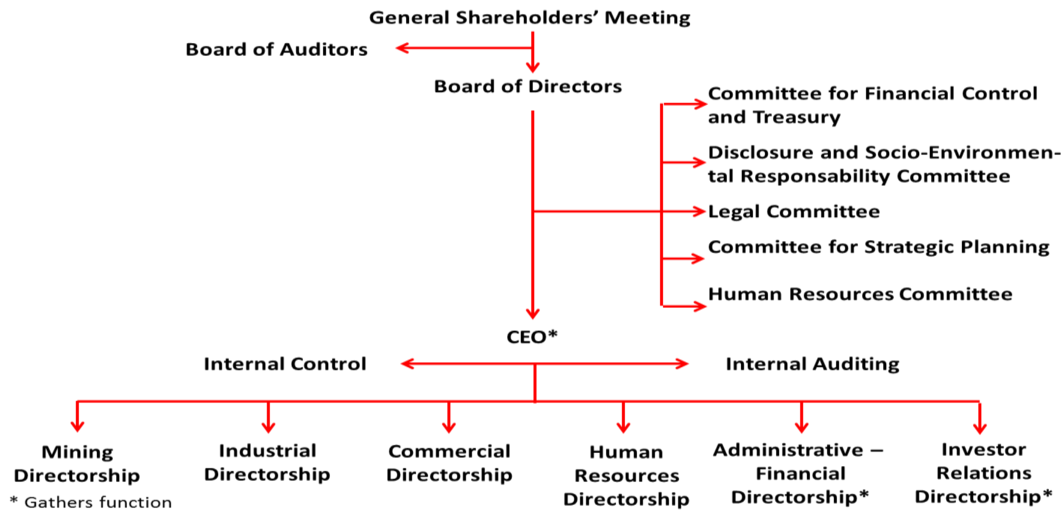
The adoption of best practices goes beyond legal requirements and has enabled Eternit to join, in 2006, the Novo Mercado special corporate governance segment of the São Paulo Stock Exchange (BM&FBOVESPA). The quality of Eternit's products is also a part of its corporate governance strategy, earning recognition in the form of Best Annual Report Award from the Brazilian Association of Publicly Traded Companies (ABRASCA), and the best corporate governance in Latin America, from IRGR in recent years, among other honors.

In with these communication and transparency practices, Eternit informs that, at December 31, 2013, its Executive Officers held 1.11% of the Company's shares.

Eternit's corporate governance differentials:

- ✓ Free float above 80.0% of the capital, compared to 25% required by the Novo Mercado.
- ✓ Practice of paying dividends quarterly.
- ✓ Board of Directors composed 66% of independent members, whereas the Novo Mercado rules require a minimum of 20%.
- ✓ *Fale com o Conselho* (Talk to the Board) channel for direct, anonymous contact with the Board of Directors.
- ✓ Six public meetings held in 2013, compared to the Novo Mercado requirement of only one meeting per year.
- ✓ Adoption of the International Financial Reporting Standards since 2007 - one of the first publicly held companies in Brazil to do so.

Eternit's governance structure consists of the Board of Directors, the Audit Board, five advisory committees, the Executive Board, as well as the Internal Controls and Internal Audit areas. Below is the management structure of the Company on December 31, 2013.



According to the Code of Best Corporate Governance Practices issued by the Brazilian Corporate Governance Institute (IBGC), publicly held corporations should facilitate shareholder participation in general meetings, including through the use of proxy, and may employ technologies such as electronic signature and digital certificate. In this regard, Eternit implemented in 2010 the *Assembleia na Web (*Meeting on the Web) electronic platform to facilitate shareholder participation in Eternit's general meetings through proxy.

Eternit's shareholders are located in all Brazilian states - more than half outside the state of São Paulo - who may not always be able to participate in general meetings. For this reason, we provide shareholders with this alternative so they may, through electronic proxy, vote on the matters to be discussed at the Company's general meetings. The next Annual Shareholders' Meeting (AGO) will take place on April 23, 2014. To register and participate in the meeting, please access www.eternit.com.br/ri or www.assembleianaweb.com.br.

Audit Board

The Audit Board was installed at the Annual Shareholders' Meeting (ASM) held on April 17, 2013. Audit Board members hold office for one year until the next ASM. The Board is not permanent. It is an advisory body to the Board of Directors with the key responsibility of supervising the financial situation of Eternit.

Advisory Board

The Management's nominees to the Advisory Board, after becoming aware of the request from a shareholder to install the Audit Board, were of the opinion that the Company was well managed and, to avoid causing burden on Eternit, decided against accepting their nomination to the Advisory Board. As a result, as approved in the ASM, the Advisory Board remained vacant for fiscal year 2013. The Advisory Board is an advisory body to the Board of Directors with the key responsibility of giving its opinion on important problems facing Eternit.

Appointment of CEO and Investor Relations Officer

Pursuant to the Bylaws of the Company, on October 21, 2013, Mr. Nelson Pazikas took over as CEO in view of the death of Mr. Élio A. Martins. The nomination was ratified at the Meeting of the Board of Directors held on October 23, 2013. On the same date, he also took charge as Investor Relations Officer.

Mr. Pazikas has also been the Chief Financial and Administrative Officer of Eternit since 2004, as well as Chairman of the Board of Directors and Managing Director of Companhia Sulamericana de Cerâmica (CSC).

Investor Relations

Created in 2004, the Investor Relations (IR) department of Eternit aims to provide a transparent account of the company's operations and establish a channel of communication with shareholders and investors.

The Company holds quarterly conference calls with webcasts, and public meetings, publishes press releases and fact sheets, organizes domestic and international road shows, and holds one-on-one meetings. In line with corporate governance best practices, Eternit increased the frequency of public meetings and started holding one-on-one meetings with individual shareholders. In 2013, the department made more than 1,340 contacts with investors, shareholders and other stakeholders, and held over 110 meetings, including with individual investors.

It also started holding public meetings in all the regional offices of the Brazilian Association of Capital Markets Analysts and Investment Professionals (APIMEC), thus expanding its communication reach to over 8,000 shareholders in all the Brazilian states and those abroad. In 2013, six public meetings were held in Porto Alegre (Rio Grande do Sul), São Paulo (São Paulo), Rio de Janeiro (Rio de Janeiro), Belo Horizonte (Minas Gerais), Brasília (Federal District) and Fortaleza (Ceará). All these efforts won recognition in the form of the award - for the third time in a row - for the Best IR Program for individual investors in the "small & mid cap" category from the IR Magazine Awards Brazil 2013.

Human Capital

The Eternit Group ended the year 2013 with around 2,500 direct employees. Human capital is essential for implementing strategies and for a successful business, which is why Eternit seeks to invest in and recognize its employees. The Company is renowned for several people management initiatives, which have won market recognition: Eternit and its subsidiaries were listed in the leading people management rankings of 2013.

The training programs range from leadership grooming to technical refresher courses, with choices that always combine the needs of employees with those of their areas and the functions they perform. In addition to in-house training, which is fully funded by the Company, Eternit also offers scholarships to its employees for vocational, undergraduate and graduate programs.

All the group companies also participate in Work Climate surveys, which evaluate employee satisfaction on several aspects, such as human resources policy, work environment and engagement. Responses to surveys are confidential and enable the Company to identify points for improvement and monitor them through structured action plans.

Occupational health and safety are also vital to the Company, mainly due to the nature of its businesses, which involve chrysotile asbestos. Hence, Eternit heavily invests in measures that exceed the standards and guidelines required by law as well as by public authorities and industry entities. Special committees and groups are entrusted with inspecting and ensuring compliance with all health and safety standards. The fiber-cement and mining units have a tripartite agreement for the safe use of chrysotile, signed by representatives from the fiber-cement industry, workers and industry associations and filed with the Ministry of Labor and Employment.

Environmental Responsibility

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 due respect for 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, observing 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 at the Company's website (www.eternit.com.br/ri).

Furthermore, in 2006 the Company launched the Management Excellence Program (PEG), reformulated in 2012 as the Integrated System Program (PSI), which is based on guidelines that ensure the integration of Eternit's management tools and guide its activities in the continuous pursuit of improvements in the health, safety and environment spheres.

The operations of Eternit, Precon and SAMA are certified ISO 14001 (Environmental Management) and OHSAS 18001 (Occupational Health and Safety Management). SAMA, in fact, was the world's first chrysotile mining company to comply with these standards. The environmental management system adopted by these units identifies and controls environmental aspects in accordance with federal, state and municipal laws, and is based on the Failure Mode and Effects Analysis (FMEA) methodology.

Tégula, which is currently adapting its processes to comply with the ISO 14001 standard, has been, since 2011, a member of the Green Building Council Brazil, a non-governmental organization that disseminates social and environmental practices, and has obtained the Leadership in Energy Environmental Design (LEED) certification in the construction sector.

The Company is a signatory to the Global Compact to fight corruption, and supports the Millennium Goals, both of them UN (United Nations) initiatives. For Eternit, ensuring business sustainability signifies grounding its activities on the economic, social and environmental pillars. Following are the main environmental projects implemented by Eternit and its subsidiaries:

Biodiversity

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.

Zero Waste

Consumption of inputs at Eternit is optimized through various initiatives aligned with the concept of the 3Rs (Reduce, Reuse and Recycle). At the fiber-cement production units, all the materials resulting from breakage or are not compliant with standards are crushed and reused. Even office stationery and packaging are used to manufacture roofing tiles, instead of being disposed of. Initiatives such as these are part of our zero waste policy.

Any waste, including oil sludge, felts, pipes, tires and scrap metal are properly disposed of by specialist companies. Since 2006, other recyclable materials have been collected by the RECICLANIT program and sent to recycling cooperatives and companies. At SAMA, the overburden is deposited in banks for later retrieval and replanting of the vegetation. Only a small fraction of the material is used by the Sambaíba project to produce handicrafts from the overburden.

Reuse of Water

The water resulting from the production process is stored in decantation tanks and later used in a closed recycling circuit. This way, the only water loss is by way of evaporation and no water is disposed of at the fiber-cement units. The water used in administrative buildings goes through the unit's Sewage Treatment Station (ETE) and reused in the irrigation of the green areas. A few units have also implemented rainwater harvesting initiatives.

Quelônios Project

In 1995, SAMA implemented the Quelônios Project in partnership with the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA) for the conservation of native chelonian species, such as Amazon turtles, *tracajás* (river turtles), *cágado* (*chelidae* family of turtles), black-bellied sliders and tortoises. The objective is to raise the community's awareness on environment protection measures. Today, 869 chelonian turtles are under the protection of the program, which includes two complementary activities: management of turtle reproduction in the Amazon forest and environmental education. Situated on an area of 36,000 m², this is the only Conservationist Vivarium for Chelonians inside a company in Brazil, and is considered a benchmark for initiatives of this kind. In addition to chelonians, the Project also receives from environmental protection agencies, such as the State Environment Police and IBAMA itself, other species of wild animals such as macaws, parrots and monkeys, which are treated and delivered back to nature.

Social Responsibility

Eternit supports grassroots social initiatives that contribute to the social, economic and cultural development of the communities surrounding its units. Apart from organizing campaigns for donation of products, food items, toys and hiring local labor, the Company also donates funds in certain cases. In 2013, the Company invested R$ 3.4 million in the communities, which was virtually the same as in the previous year due to the lower net income. Some of the social projects fully sponsored by Eternit and its subsidiaries are:

Sambaíba Project

Implemented by SAMA in Minaçu (Goiás) since 2004, the project helps underprivileged youth, some of the hearing-impaired, find employment. It offers courses on handicraft that use the rock overburden removed from the mine, as well as recycled paper and banana tree fibers. Handicrafts and selective waste collection are the main activities performed by the citizens of Minaçu participating in the program.

Open Doors Program

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 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 - considered one of the largest in the market - has received over 62,000 visitors.

To schedule a visit, please check the location of the unit closest to you and send a message to the e-mail addresses on the Eternit website (www.eternit.com.br/portasabertas).

Support to other Social Projects

Eternit and its subsidiaries, through partnerships with other organizations, support various social initiatives. Learn more about a few of these:

- **Dorina Nowill Foundation for the Blind:** Project involving the publishing and distribution of books in Braille and audio books of the Foundation, for libraries and schools in several cities across Brazil.

- **The São Paulo Museum of Art Assis Chateaubriand (MASP):** Project for the conservation of the museum’s 7,800 artworks and 60,000 rare books on the history of art.

- **Cultural Inclusion Project – Olga Kos Institute:** Project that provides opportunities for cultural inclusion through art for children and youth with Down syndrome. At the end of the project, the artist will select the works and produce a book, which will be marketed and a part of the proceeds will go to the institution.

- **Bienal São Paulo**: Contemporary art exhibition in which around 100 Brazilian and foreign artists showcase their work.

Chrysotile Asbestos

Legal Issues

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

State Law 10,813/2001 in the state of São Paulo and State Law 2210/2001 in the state of Mato Grosso do Sul, which prohibited the importation, extraction, processing, sale and installation of products or materials containing any sort of asbestos, in any form, were both, through Direct Actions of Unconstitutionality (ADI) No. 2656 and No. 2396, adjudicated and declared unconstitutional by the

Federal Supreme Court (STF), based on the fact that they violated the jurisdiction of the federal government.

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

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

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

Public Interest Civil Actions

1) On Aug. 9, 2013, the Labor Prosecution Office (MPT) of the State of São Paulo filed a New Public Interest Civil Action (case no. 0002106-72.2013.5.02.0009) against the Company involving the same facts and subject-matters of the Public Interest Civil Action filed in 2004 (see action below, item 2). The action was distributed to the 9th Labor Court of São Paulo. Although the facts and purpose of the former and current actions are identical, this current action includes certain distinct claims, which includes the payment by the company of R$ 1 billion for collective personal injury to be deposited in the Workers' Support Fund (FAT).

   In parallel, on Oct. 4, 2013, the Brazilian Association of People Exposed to Asbestos (ABREA) also filed a Public Interest Civil Action (case no. 0002715-55.2013.5.02.0009) that was distributed to the Labor Court of São Paulo, given that it deals with the same facts claimed in the actions cited above.

   The Company filed at the STF a complaint under no. 16637 to discuss the jurisdiction for adjudicating the actions. **On December 13, 2013, the judge-rapporteur of the Federal Supreme Court (STF) suspended, as provisional remedy, the two public interest civil actions against Eternit cited above and that are pending before the Labor Court of São Paulo, and also ordered the suspension of the effects of the decisions already entered into the records up to the final ruling on Complaint No. 16637 by the STF.**

2) It is important to clarify that, in 2004, a Public Interest Civil Action had already been filed by the Prosecution Office of the State of São Paulo (case no. 000.04.043.728-0) that addressed the same facts as in the action cited above regarding the Osasco unit, which was closed in 1993.

   The Court of Appeals of the State of São Paulo, through its judges, ruled against the action, given their opinion that Eternit had rigorously complied with all legislation regarding workplace safety and health determined by Federal Law 9055/95, Decree No. 2,350/97 and the Regulatory Rules of the Ministry of Labor and Employment. **In September 2013, a final ruling was made in favor of the Company.**

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

Homage to Élio A. Martins

With deep regret, the Eternit Group announced the death, on October 20, 2013, of its CEO, Investor Relations officer and Member of the Board of Directors, Mr. Élio A. Martins. The Company thanks him for his 38 years of dedicated service. During this period, his efforts were fundamental in turning Eternit into one of Brazil’s most important construction material companies.

His vision of the future, ethical conduct and commitment to the sustainable development of the country and the company were values that accompanied him throughout his business career and personal life, and have become important examples of honors and awards for his activities as the CEO of the Eternit Group since January 2000, in the capital markets and commercial areas, as well as at various entities, including as Vice-President of SINAPROCIM – National Union of the Cement Products Industry and SINPROCIM – Union of Cement Products Industry of the State of São Paulo; Director of the IBC - Brazilian Chrysotile Institute; Member of COSEMA – Higher Environmental Council of FIESP/, the Industrial Federation of the state of São Paulo; Member of the Consultative Board of ADIAL – the Brazilian Association for Regional Sustainable Development, and Member of LIDE – The Business Leaders Club.

His loss will be deeply felt by all employees, shareholders, clients, suppliers and all those who have contributed to the Company's performance. In addition to being an important leader, his courage and spirit of fairness always motivated everyone during both successful and challenging moments. The Eternit Group lost its great leader but his inspiration, teaching and values remain, which will undoubtedly lead us all in perpetuating his legacy.

Awards and 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 2013, the Eternit Group companies won several important awards in the fields of corporate governance, investor relations, human resources, marketing and products. To learn more about these awards, visit www.eternit.com.br, www.sama.com.br, and www.precongoias.com.br.

These honors serve as credentials for the Company to pursue its Expansion and Diversification project.

Outlook

The forecast for Brazil's GDP growth in 2014 of 2.3% incorporates the expectation that the pace of economic growth will remain stable in relation to 2013, and that additional progress will be made in strengthening consumer and business confidence. The construction industry is one of the drivers of the country's economic development, which involves the actual industry, the construction materials industry and its suppliers, as well as services along the chain, which generates jobs and income for the company. The federal government has substantially expanded its investments in housing, basic sanitation and infrastructure, since investing in construction acts as an incentive in an industry that makes an important contribution to Brazil's economic development. This scenario is likely to repeat over the next few years, and in 2014, the construction industry should register GDP growth of 2.6%, as forecast by the Central Bank of Brazil.

For the construction materials industry, in 2014, the Brazilian Construction Materials Industry Association (ABRAMAT) expects growth of 4.5% in relation to 2013, with this forecast incorporating a continuation of the government incentives for the construction industry and stability in income and employment levels and in credit availability.

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

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

Supported by its Structured Expansion and Diversification Program, Eternit is preparing to become the most diversified construction materials manufacturer in Brazil. The first phase of this program consolidated Eternit as the country's largest and most diversified roofing products manufacturer in 2010, and its capacity to innovate and develop competitive advantages has enabled it to double its revenue. Now the Company embarks on a new cycle to become Brazil's most diversified construction materials manufacturer by capitalizing on the strength of its brand and on its broad network of over 16,000 points of sale.

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

2014 will be marked by the inauguration of the first bathroom chinaware unit at the multiproduct unit in Ceará, which is a joint venture between the Eternit group and Colceramica, a company of the Colombian multinational Organizações Corona. The plant will have initial annual production capacity of 1.5 million units.

Management believes that it is important to take into account the current scenario in the Brazilian economy, with factors such as: weak GDP growth; the competitiveness of the country's manufacturing sector, which faces infrastructure bottlenecks and a weak local currency; the new challenges that will emerge in 2014 that could impact the country's investment projects, new job creation and income distribution, which include (i) a new wave of protests on the streets of major cities, (ii) the World Cup, and (iii) the presidential and gubernatorial elections. Regardless of the challenges that lie ahead, Eternit believes in the continued growth of the Brazilian economy, especially in its industry.

With an adequate capital structure, low debt and regular investments in its Expansion and Diversification Plan, the Company will concentrate its efforts in 2014 on consolidating its investments in Fortaleza and on the construction of the unit to research, develop and produce construction material inputs located in Manaus, Amazonas. Depending on the evolution of the economic scenario, the Company could also focus on organic growth to increase the production capacity of its fiber-cement line and on seeking opportunities to acquire construction materials manufacturers, in line with its inorganic growth strategy.

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

In compliance with CVM Instruction 381/2003, the Company informs that it has a policy of not hiring its independent auditors for consulting services that could generate conflicts of interest. The consulting and support services contracted from our independent auditors in fiscal year 2013 do not pose any risk to their autonomy.

Management Statement

In compliance with Article 25, Paragraph 1, items V and VI of CVM Instruction 480/2009, the Executive Board declares that it reviewed, discussed and agrees with these financial statements and the opinions contained in the audit report issued by the independent auditors on the financial statements.

Additional Information

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

Acknowledgments

We thank our shareholders, clients, suppliers, employees and all those who contributed to Eternit's performance in 2013; remaining confident in the unceasing commitment and dedication that are the foundation of our work, always in line with the sustainable development of our country.

São Paulo, March 17, 2014.

The Management

A free translation from Portuguese into English of individual financial statements in accordance with accounting practices adopted in Brazil and of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB) and also with accounting practices adopted in Brazil

Eternit S.A.

Balance sheets
December 31, 2013 and 2012
(In thousands of reais)

		Company		Consolidated	
	Note	**12/31/2013**	**12/31/2012**	**12/31/2013**	**12/31/2012**
Assets					
Current assets					
Cash and cash equivalents	4	**9,516**	3,852	**13,295**	16,656
Short-term investments	5	**9,897**	48,612	**35,661**	78,930
Accounts receivable	6	**69,774**	79,158	**160,389**	177,982
Inventories	7	**85,833**	81,925	**141,944**	127,560
Taxes recoverable	8	**16,542**	11,167	**19,648**	13,881
Related parties	10	**31,615**	21,648	**9,780**	-
Other current assets		**4,734**	4,439	**9,226**	11,022
Total current assets		**227,911**	250,801	**389,943**	426,031
Noncurrent assets					
Judicial deposits		**8,819**	6,640	**15,536**	13,047
Taxes recoverable	8	**22,219**	21,114	**25,022**	24,534
Deferred income and social contribution taxes	20.b	**24,037**	19,994	**55,112**	51,820
Related parties	10	**9,723**	7,214	**2,018**	-
Investments	9	**247,729**	221,916	**36,032**	13,029
Property, plant and equipment	11	**149,425**	123,060	**279,064**	252,457
Intangible	12	**4,584**	2,514	**28,676**	26,040
Other noncurrent assets		**490**	440	**2,229**	3,162
Total noncurrent assets		**467,026**	402,892	**443,689**	384,089
Total assets		**694,937**	653,693	**833,632**	810,120

	Note	Company		Consolidated	
		12/31/2013	12/31/2012	12/31/2013	12/31/2012
Liabilities and equity					
Current liabilities					
Trade accounts payable	13	**22,444**	30,417	**39,293**	48,968
Related parties	10	**7,243**	8,281	**-**	-
Loans and financing	14	**8,944**	1,519	**56,881**	55,839
Provisions and social charges	15	**12,980**	17,310	**28,009**	34,938
Dividend and interest on equity payable	18.e	**17,881**	18,133	**17,881**	18,133
Provision for future benefits to former employees	17.b	**2,174**	1,645	**3,861**	2,926
Taxes, charges and contributions payable	16	**12,226**	11,801	**34,015**	36,932
Other current liabilities		**4,934**	2,344	**13,142**	10,358
Total current liabilities		**88,826**	91,450	**193,082**	208,094
Noncurrent liabilities					
Provision for future benefits to former employees	17.b	**23,710**	18,263	**34,527**	30,019
Loans and financing	14	**14,368**	7,266	**25,799**	24,107
Related parties	10	**29,108**	27,252	**-**	-
Provision for tax, civil and labor claims	21	**25,115**	22,657	**54,659**	51,116
Taxes, charges and contributions payable	16	**7,697**	7,285	**9,432**	8,139
Environmental restoration of degraded mining areas	31	**-**	-	**9,726**	8,201
Other noncurrent liabilities		**-**	-	**278**	910
Total noncurrent liabilities		**99,998**	82,723	**134,421**	122,492
Equity					
Capital	18.a	**334,251**	334,251	**334,251**	334,251
Capital reserve		**19,672**	19,388	**19,672**	19,388
Treasury stock		**(174)**	(174)	**(174)**	(174)
Income reserves		**155,807**	126,055	**155,807**	126,055
Other comprehensive income		**(3,443)**	-	**(3,443)**	-
Equity attributable to non-minority shareholders		**506,113**	479,520	**506,113**	479,520
Minority interests		**-**	-	**16**	14
Total equity		**506,113**	479,520	**506,129**	479,534
Total liabilities and equity		**694,937**	653,693	**833,632**	810,120

See accompanying notes.

Eternit S.A.
Income statements
Years ended December 31, 2013 and 2012
(In thousands of reais – R$, except for earnings per share)

		Company		Consolidated	
	Note	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Net operating revenue	23	**508,525**	469,922	**957,301**	906,317
Cost of sales	24	**(372,752)**	(331,498)	**(575,877)**	(509,603)
Gross profit		**135,773**	138,424	**381,424**	396,714
Operating income (expenses)					
Selling expenses	24	**(59,097)**	(54,546)	**(116,734)**	(113,263)
General and administrative expenses	24	**(41,895)**	(45,019)	**(97,804)**	(105,066)
Management compensation	24	**(12,802)**	(11,383)	**(15,545)**	(14,078)
Other operating income (expenses), net	25	**3,293**	(2,842)	**(1,871)**	(8,223)
Equity pickup	9	**76,267**	89,392	**(6,223)**	(531)
Total operating income (expenses)		**(34,234)**	(24,398)	**(238,177)**	(241,161)
Financial expenses	26	**(18,692)**	(8,748)	**(48,553)**	(36,757)
Financial income	26	**16,887**	9,496	**47,535**	39,006
Financial income (expenses), net		**(1,805)**	748	**(1,018)**	2,249
Income before income and social contribution taxes		**99,734**	114,774	**142,229**	157,802
Income and social contribution taxes					
Current	20	**472**	1,174	**(41,489)**	(44,261)
Deferred	20	**2,048**	(2,944)	**1,516**	(537)
Net income for the year		**102,254**	113,004	**102,256**	113,004
Attributable to:					
Non-minority shareholders		**102,254**	113,004	**102,254**	113,004
Minority shareholders		**-**	-	**2**	(1)
Net income for the year		**102,254**	113,004	**102,256**	113,003
Earnings per share, basic and diluted – R$	18.c	**1.14**	1.26	**1.14**	1.26

See accompanying notes.

Eternit S.A.

Statements of comprehensive income
Years ended December 31, 2013 and 2012
(In thousands of reais)

	Company		Consolidated	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Net income for the year	**102,254**	113,004	**102,256**	113,004
Other comprehensive income				
Net gain / (loss) on restatement of the defined contribution plan	**(5,866)**	-	**(5,219)**	-
Effect of income and social contribution taxes	**1,995**	-	**1,776**	-
Equity pickup - comprehensive income	**428**	-	**-**	-
Other comprehensive income, net of taxes	**(3,443)**	-	**(3,443)**	-
Total other comprehensive income for the year, net of taxes	**98,811**	113,004	**98,813**	113,004
Attributable to:				
Non-minority shareholders	**98,811**	113,004	**98,811**	113,004
Minority shareholders	**-**	-	**2**	(1)

See accompanying notes.

Eternit S.A.

Statements of changes in equity
Years ended December 31, 2013 and 2012
(In thousands of reais)

			Capital reserve			Income reserves							
	Note	Capital	Subsidies for investment	Goodwill on share acquisition	Treasury stock	Statutory	Legal	Retained profit	Retained earnings	Other comprehensive income	Total Company	Minority interest	Total equity
Balances at January 1, 2012		334,251	18,513	23	(174)	16,223	19,863	49,394	-	-	438,093	13	438,106
Net income for the year		-	-	-	-	-	-	-	113,004	-	113,004	1	113,005
Set-up of reserves		-	852	-	-	5,650	5,650	29,275	(41,427)	-	-	-	-
Allocation of net income:													
Interest on equity - R$0,269 per outstanding share	18	-	-	-	-	-	-	-	(24,068)	-	(24,068)	-	(24,068)
Dividend - R$0.531 per outstanding share	18	-	-	-	-	-	-	-	(47,509)	-	(47,509)	-	(47,509)
Balances at December 31, 2012		**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	18	**-**	**754**	**-**	**-**	**5,113**	**5,113**	**19,697**	**(30,677)**	**-**	**-**	**-**	**-**
Gain / (loss) on restatement of the defined contribution plan		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,443)**	**(3,443)**	**-**	**(3,443)**
Allocation of net income:													
Reversal of subsidies for investment		**-**	**(470)**	**-**	**-**	**4**	**4**	**(179)**	**-**	**-**	**(641)**	**-**	**(641)**
Interest on equity - R$0.254 per outstanding share	18	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(22,726)**	**-**	**(22,726)**	**-**	**(22,726)**
Dividend - R$0.546 per outstanding share	18	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(48,851)**	**-**	**(48,851)**		**(48,851)**
Balances at December 31, 2013		**334,251**	**19,649**	**23**	**(174)**	**26,990**	**30,630**	**98,187**	**-**	**(3,443)**	**506,113**	**16**	**506,129**

See accompanying notes.

Eternit S.A.

Cash flow statements
Years ended December 31, 2013 and 2012
(In thousands of reais)

	Note	Company 12/31/2013	Company 12/31/2012	Consolidated 12/31/2013	Consolidated 12/31/2012
Cash flows from operating activities					
Income before income and social contribution taxes		**99,734**	114,774	**142,229**	157,802
Adjustments to reconcile pre-tax income to net cash generated by operating activities:					
Equity pickup	9	**(76,267)**	(89,392)	**6,223**	531
Depreciation and amortization	11/12	**11,075**	11,184	**34,789**	28,773
Gain (loss) on disposal of permanent assets	25	**(65)**	(42)	**(145)**	181
Provision for impairment losses on accounts receivable	6	**402**	410	**985**	48
Provision for tax, civil and labor claims	21	**2,458**	2,572	**3,711**	4,271
Reversal of (provision for) sundry losses		**6,387**	(2,942)	**7,660**	4,429
Financial charges, monetary and exchange variation		**2,397**	1,650	**1,069**	(1,628)
Short-term investment yield		**(2,220)**	(3,897)	**(4,495)**	(6,445)
Net changes in prepaid expenses		**1,609**	859	**2,248**	1,435
		45,510	35,176	**194,274**	189,397
(Increase) decrease in operating assets:					
Accounts receivable	6	**8,878**	(5,227)	**16,215**	(17,210)
Related-party receivables		**(9,800)**	137	**(11,798)**	-
Inventories	7	**(4,325)**	(9,012)	**(14,801)**	(17,273)
Taxes recoverable	8	**(7,764)**	(2,597)	**(7,539)**	(5,623)
Judicial deposits		**(2,179)**	(697)	**(2,489)**	(2,349)
Dividend and interest on equity received		**79,343**	81,522	**-**	-
Other assets		**(1,735)**	(3,033)	**559**	(4,256)
Increase (decrease) in operating liabilities					
Trade accounts payable	13	**(7,864)**	10,210	**(9,560)**	10,187
Related-party payables	10	**(1,038)**	148	**-**	-
Taxes, charges and contributions payable	16	**(1,996)**	(42)	**(1,563)**	(1,026)
Provisions and social charges	15	**(4,330)**	2,476	**(6,930)**	7,077
Other liabilities		**2,412**	1,561	**1,807**	1,037
Interest paid		**(452)**	(135)	**(621)**	(271)
Income and social contribution taxes paid		**(3,342)**	(1,779)	**(48,218)**	(33,545)
Net cash generated by operating activities		**91,318**	**108,708**	**109,336**	**126,145**
Cash flows from investing activities					
Loan from related-party receivable	10	**(2,509)**	1,963	**-**	-
Cash receipt from the sale of property, plant and equipment	25	**354**	124	**470**	188
Additions to property, plant and equipment and intangible assets	11/12	**(39,802)**	(14,114)	**(64,348)**	(55,794)
Capital contribution in subsidiaries	9	**(29,426)**	(30,560)	**(29,226)**	(13,560)
Short-term investments		**(115,783)**	(210,303)	**(292,141)**	(378,191)
Redemption of short-term investments		**156,718**	192,176	**339,905**	332,294
Net cash used in investing activities		**(30,448)**	(60,714)	**(45,340)**	(115,063)
Cash flows from financing activities					
Loans and financing raised	14	**15,972**	7,059	**182,624**	199,479
Amortization of loans and financing	14	**(1,608)**	(2,828)	**(180,738)**	(166,830)
Loan with related party	10	**(327)**	(317)	**-**	-
Payment of dividend and interest on equity		**(69,243)**	(69,408)	**(69,243)**	(69,408)
Net cash used in financing activities		**(55,206)**	(65,494)	**(67,357)**	(36,759)
(Decrease) increase in cash and cash equivalents		**5,664**	(17,500)	**(3,361)**	(25,677)
(Decrease) increase in cash and cash equivalents					
At beginning of year	4	**3,852**	21,352	**16,656**	42,333
At end of year	4	**9,516**	3,852	**13,295**	16,656
(Decrease) increase in cash and cash equivalents		**5,664**	(17,500)	**(3,361)**	**(25,677)**

See accompanying notes.

Eternit S.A.

Statements of value added
Years ended December 31, 2013 and 2012
(In thousands of reais)

		Company		Consolidated	
	Note	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Revenues					
Sales of goods, products and services	23	684,554	631,126	1,219,671	1,159,627
Other income		316	127	47,128	48,955
Allowance for doubtful accounts on accounts receivable		(402)	(566)	(945)	(965)
Total		684,468	630,687	1,265,854	1,207,617
Inputs acquired from third parties					
Cost of sales		(341,573)	(336,167)	(545,593)	(523,053)
Materials, electric energy, outsourced services and other		(114,669)	(90,900)	(194,915)	(161,998)
Loss/recovery of asset values		(7,541)	(7,271)	(7,541)	(7,271)
Other discounts, rebates and donations		(3,632)	(931)	(4,762)	(3,926)
		(467,415)	(435,269)	(752,811)	(696,248)
Gross value added		217,053	195,418	513,043	511,369
Depreciation, amortization and depletion	11/12	(11,075)	(11,184)	(34,789)	(28,773)
Net value added generated by the Company		205,978	184,234	478,254	482,596
Value added received in transfer					
Equity pickup	9	76,267	89,392	(6,223)	(531)
Financial income	26	16,887	9,496	47,535	39,006
Other		8,868	8,864	12,164	7,548
		102,022	107,752	53,476	46,023
Total value added to be distributed		308,000	291,986	531,730	528,619
Distribution of value added		308,000	291,986	531,730	528,619
Personnel:					
Direct compensation		55,689	54,806	115,990	112,991
Benefits		31,376	27,695	57,793	53,571
Unemployment Compensation Fund (FGTS)		6,689	5,349	10,648	9,074
		93,754	87,850	184,431	175,636
Taxes, charges and contributions:					
Federal		60,318	56,129	125,006	123,215
State		23,532	18,947	46,460	47,603
Local		1,468	1,030	2,081	1,312
		85,318	76,106	173,547	172,130
Debt remuneration:					
Interest		18,692	8,748	51,314	36,016
Rental		7,982	6,278	20,184	31,833
		26,674	15,026	71,498	67,849
Equity remuneration:					
Dividend	18	48,851	47,509	48,851	47,509
Interest on equity	18	22,726	24,068	22,726	24,068
Retained profit	18	30,677	41,427	30,677	41,427
		102,254	113,004	102,254	113,004

See accompanying notes.

1. Operations

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

The business purpose of the Company and its subsidiaries ("Group") is the production and sale of fiber cement, cement, concrete, plaster and plastic products, as well as other construction materials and related accessories.

The Group is structured as follows:

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

1. **Operations** (Continued)

- Jointly controlled entity Companhia Sulamericana de Cerâmica S.A., located in the city of Caucaia, in Ceará state, and its main business purposes are the import, production, sale, export and distribution of sanitary wares and related accessories in general.

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

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

Legal issues involving asbestos

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

State Law 10,813/2001 in the state of São Paulo and State Law 2210/2001 in the state of Mato Grosso do Sul, which prohibited the importation, extraction, processing, sale and installation of products or materials containing any sort of asbestos, in any form, were both, through Direct Actions of Unconstitutionality (ADI) No. 2656 and No. 2396, adjudicated and declared unconstitutional by the Federal Supreme Court (STF), based on the fact that they violated the jurisdiction of the federal government.

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

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

On October 31, 2012, the STF started the judgment of the merits of ADI No. 3357 in relation to State Law No. 11643/2001, of the state of Rio Grande do Sul, and ADI No. 3937 in relation to State Law No. 12684/2007, of the state of São Paulo. The session was suspended after reporting Judge Ayres Britto voted for the constitutionality of the laws and Judge Marco Aurelio voted for the unconstitutionality of the laws. The matter is pending a decision, with no specific date to enter the STF agenda for a final judgment.

1. **Operations** (Continued)

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

2. Summary of significant accounting practices

2.1 Statement of compliance and basis of preparation

The presentation of the financial statements was approved and authorized by the Company's Supervisory Board and Board of Directors on March 12, 2014, to be published on March 17, 2014.

The Company's financial statements comprise:

- The consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and accounting practices adopted in Brazil, identified as Consolidated – IFRS and BR GAAP; and

- The Company's individual financial statements prepared in accordance with the Brazilian Corporation Law, which include pronouncements, guidelines and interpretations issued by the Brazilian Financial Accounting Standards Board (CPC) and approved by the Brazilian Securities and Exchange Commission (CVM).

The individual financial statements include measurement of investments in subsidiaries and joint ventures under the equity method, in accordance with the Brazilian legislation in force. Therefore, the Company's individual financial statements are not considered to be in accordance with the IFRS, which require the evaluation of these investments in separate financial statements from the parent company at fair value or cost of acquisition.

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 usually based on the fair value of consideration paid in exchange for the assets.

2. **Summary of significant accounting practices** (Continued)

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

The significant accounting practices adopted in the preparation of the consolidated financial statements are described below. These practices were consistently applied for the year presented.

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 considered based on the parameters described in the prior paragraph as a joint venture and not consolidated given that its income is considered in the consolidated financial statements based on the equity method as provided in CPC 19R2 (IFRS 11).

Minority interest of fully consolidated companies is identified in the consolidated income statement and in the statement of changes in equity.

In the Company's individual financial statements, subsidiaries' financial information is recognized under the equity method.

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

- Assets and liabilities account balances, as well as revenues and expenses between Company and subsidiaries, so that the consolidated financial statements represent balances receivable from and payable to third parties only.

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

2. Summary of significant accounting practices (Continued)

2.2 Basis of consolidation and investments in subsidiaries (Continued)

The financial year of consolidated subsidiaries coincides with that of the Company. Accounting practices were uniformly applied by consolidated companies, and are consistent with those used in the prior year. All intercompany balances and transactions of subsidiaries are fully eliminated in the consolidated financial 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.

Whenever necessary, the subsidiaries' financial statements are adjusted to align their accounting practices to those set by the Group.

2.3 Reclassification for comparison purposes

In order to improve the information presented in the financial statements and to ensure better comparability between balances, the Company reclassified Related Parties from noncurrent liabilities to current liabilities, amounting to R$ 8,281 as of December 31, 2012.

2.4 Determination of profit or loss

Revenue is measured at fair value of the consideration received or receivable, less any estimated returns, trade discounts and/or bonuses granted to the buyer, and other similar deductions.

2.4.1 Sale of products

The sale of products is recognized when all the following conditions have been met:

- The Group transferred to the buyer all significant risks and benefits related to ownership of the goods;

- The Group does not maintain continued involvement in the management of goods sold to a degree normally associated with ownership or effective control over the goods;

2. Summary of significant accounting practices (Continued)

2.4 **Determination of profit or loss** (Continued)

2.4.1 Sale of products (Continued)

- The value of revenue can be reliably measured;

- The costs incurred and to be incurred related to the transactions can be measured with sufficient certainty.

More specifically revenue from sale of goods is recognized when the goods are delivered and legal ownership is transferred.

2.4.2 Dividend and interest income

Revenue from investment dividends is recognized when the right of shareholders to receive such dividends has been established (assuming it is probable that the future economic benefits shall flow to the Group and the revenue can be measured with sufficient certainty).

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 account amount of the assets.

2.5 Goodwill

Goodwill resulting 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 would benefit from business combination synergy.

2. Summary of significant accounting practices (Continued)

2.5 Goodwill (Continued)

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 impairment loss of a cash generating unit is lower than book value, that impairment loss is firstly allocated to reduce the book value of 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 goodwill is directly recognized in the income statements. Impairment losses in subsequent periods are not reversed.

2.6 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.

2.7 Borrowing costs

The borrowing costs directly attributed to the acquisition, construction or production of a qualifying asset, which necessarily take substantial time to be ready for use or intended sale, are included in the cost of that asset until they are ready to be used or sold. In 2013, the Group performed the effective capitalization of borrowing costs related to construction in progress, which totaled R$2,737. In 2012, borrowing costs were not significant.

All other borrowing costs are recognized in profit and loss for the year, as incurred.

2. Summary of significant accounting practices (Continued)

2.8 Government subsidies

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 the income statements during the periods in which the Group recognizes the corresponding costs that the subsidies are intended to offset as expenses.

2.9 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.

2.10 Taxation

2.10.1 Taxes on sales

Taxes levied over 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 net taxes on sales, either recoverable or payable, are included as components in amounts receivable or payable in the balance sheet.

2.10.2 Current income and social contribution taxes

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 (see Note 20).

2. **Summary of significant accounting practices** (Continued)

2.10 Taxation (Continued)

2.10.3 Deferred taxes

Deferred income and social contribution taxes ("deferred tax") are recognized on temporary differences, at period end, between assets and liabilities recognized in the financial statements and corresponding tax bases used in computing taxable profit, including 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 (see Note 20). Deferred tax assets and liabilities are measured at the tax rates that are expected to be applicable for the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted at the reporting 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 on the income statements for the year except when these are related to items recorded under other comprehensive income, when applicable.

2.11 Property, plant and equipment

These items are stated at cost, less depreciation and impairment losses when applicable. Professional fees directly attributable to place an asset at the location and condition for use and the cost of borrowing are recorded as part of the cost of construction in progress, until those assets are completed. Expenses with maintenance and repair are only recorded as assets if economic benefits related thereto are likely to be generated and their amounts can be reliably measured. All other repair and maintenance costs are recognized in the statement of operations, when incurred.

2. Summary of significant accounting practices (Continued)

2.11 Property, plant and equipment (Continued)

The depreciation of these assets begins when these are ready for their intended use and on the same basis as other property, plant and equipment items.

Depreciation of property, plant and equipment items is calculated under the straight-line method, at rates considering the estimated economic useful life of each item. Such economic useful life is periodically reviewed and its effects are adjusted prospectively, as applicable.

A property, plant and equipment item is written off when it is sold or when no future economic benefit is expected from its use or sale. Any gains or losses from the sale or write-off of a property, plant and equipment item is determined by the difference between the amounts received from the sale and the book value of the asset and recognized in the income statement for the year the asset is written off.

2.12 Intangible assets

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

Spending with research activities is recognized as expense for the period in which it was incurred.

The Group does not have internally generated intangible assets.

2. Summary of significant accounting practices (Continued)

2.13 Impairment of tangible and intangible assets, except for goodwill

At the end of each year, the Group reviews the carrying amount of its tangible and intangible assets to determine if there is any indication of impairment loss. If there is any indication that 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 less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized immediately in the statement of operations.

2.14 Inventories

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.

2.15 Provisions

General

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that economic benefits will be required to settle the obligation, and such obligation can be reliably estimated. When the Group is expected to fully or partially reimburse a provision – in virtue of an insurance agreement, for example –, such reimbursement is recognized as a separate asset item, but only when the amount is more likely than not to be reimbursed.

Expenses related to any provision are stated in the income statement, net of any reimbursements.

2.15.1 Provision for future benefits to former employees

The provision for future benefits to former employees is recorded based on actuarial estimates as stated in Note 17.

2. Summary of significant accounting practices (Continued)

2.15) Provisions (Continued)

2.15.2 Environmental restoration of degraded mining areas

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

2.15.3 Provision for tax, civil and labor claims

The Group is party to several legal and administrative proceedings. Provisions are set up for all legal proceeding-related contingencies, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the contingency/obligation, and the amount of the obligation can be reliably measured. Assessment of the likelihood of loss includes an evaluation of available evidence, the hierarchy of laws, available case law, recent court decisions and their relevance in the legal system, as well as the opinion of outside legal advisers. Provisions are reviewed and adjusted so as to consider changes in circumstances, such as applicable prescription period, tax inspection conclusions or additional exposures identified based on new matters or court decisions.

2.16 Present value adjustment

Accounts receivable and payable balances are adjusted to present value considering the SELIC accumulated rate until December 31, 2013 as the discount rate. These adjustments are recorded reducing the original accounts and realization is recorded under “financial income” and “financial expenses” in the income statements.

2. Summary of significant accounting practices (Continued)

2.17 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 and loans.

Amounts recorded as current assets and liabilities are highly liquid or mature within three months. Considering the term and characteristics of these instruments, which are systematically renegotiated, carrying amounts approximate 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 recorded in the income statement. This group includes cash and cash equivalents, short-term investments and trade accounts receivable from customers abroad.

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 recorded in the income statement for the year upon realization.

2. Summary of significant accounting practices (Continued)

2.17 Financial instruments (Continued)

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 liabilities are classified as:

i) *Financial liabilities measured at fair value through the income statement*
When applicable, this classification includes non-derivative financial liabilities measured at fair value through profit or loss.

ii) *Other financial liabilities*
They are measured at amortized cost, under the effective interest rate method. At December 31, 2013 financial liabilities comprised: loans and financing (Note 14) and trade accounts payable to foreign and local parties (Note 13).

2.18 Loans and financing

These are initially recognized at fair value upon receipt of funds, net of transaction costs. They are subsequently measured at amortized cost under the effective interest rate method, i.e., plus charges, interest and monetary and exchange variation, as contractually agreed, incurred to the balance sheet dates, as stated in Note 14. The effective interest rate method is used to calculate the amortized cost of a financial liability and allocate its interest expenses for the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including fees paid or received that are part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or, when appropriate, a shorter period to the net carrying amount thereof.

2. Summary of significant accounting practices (Continued)

2.19 Dividend 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 contingencies and capital budget. After such allocations, the remaining balance, if any, shall be fully allocated to dividend payment to shareholders (see Note 18).

For corporate and accounting purposes, interest on equity is posted as allocation of net income directly to equity.

2.20 Statement of Added Value ("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 and on the provisions of accounting pronouncement CPC 09 - Statement of Value Added.

2.21 New standards, amendments and standard interpretations

2.21.1. Existing standards, amendments and standard interpretations with initial adoption as of January 1, 2013.

- IFRS 10 – Consolidated Financial Statements

The Company adopted IFRS 10, which establishes principles for presentation and preparation of the consolidated financial statements when an entity controls one or more entities. IFRS 10 replaces the requirements for consolidation of SIC-12 Consolidation of Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. The adoption of this IFRS had no material effect on the amounts reported in the Group's financial statements.

2. Summary of significant accounting practices (Continued)

2.21 Standards, amendments and standard interpretations (Continued)

2.21.1. Existing standards, amendments and standard interpretations with initial adoption as of January 1, 2013 (Continued)

- IFRS 11 – Joint Arrangements

IFRS 11 provides for a more realistic picture of joint arrangements, focusing on the rights and obligations of the arrangement rather than on its legal form. The standard addresses inconsistencies in the treatment of a joint arrangement, requiring one single method to treat jointly controlled entities by the equity method. IFRS 11 supersedes IAS 31 Joint Ventures and SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Shareholders. The main effect arising from adoption of IFRS 11 is the end of proportional consolidation, which does not affect the Company's consolidated financial statements. The adoption of this IFRS had no material effect on the amounts reported in the Group's financial statements.

- IFRS 12 - Disclosure of Interests in Other Entities

IFRS 12 is a new and comprehensive standard on the disclosure requirements of all forms of interests in other entities, including subsidiaries, joint ventures, affiliates and non-consolidated structured entities. The adoption of this IFRS had no material effect on the amounts reported in the Group's financial statements.

2. Summary of significant accounting practices (Continued)

2.21 Standards, amendments and standard interpretations (Continued)

2.21.1. Existing standards, amendments and standard interpretations with initial adoption as of January 1, 2013 (Continued)

- IFRS 13 - Fair Value Measurements

Replaces and consolidates all guidance and requirements related to fair value measurement contained in other IFRS pronouncements in one single pronouncement. IFRS 13 defines fair value and provides guidance on how to determine the fair value, in addition to the disclosure requirements for fair value measurement. However, it does not introduce any new requirements or amendments in respect to the items that should be measured at fair value, which remain in the original pronouncement. The adoption of this IFRS had no material effect on the amounts reported in the Group's financial statements.

- Amendments to IAS 1 – Presentation of Financial Statements

Introduces the requirement that items recorded in other comprehensive income be segregated and aggregated between items that are and are not subsequently reclassified to the P&L. The adoption of this IFRS had no material effect on the amounts reported in the Group's financial statements.

- Amendments to IAS 16 – Property, plant and equipment

This enhanced standard clarifies that the main replacement parts and equipment used in service provision qualifying for PP&E are not part of the inventories. The adoption of this IAS had no material effect on the amounts reported in the Group's financial statements.

2. Summary of significant accounting practices (Continued)

2.21 Standards, amendments and standard interpretations (Continued)

2.21.1. Existing standards, amendments and standard interpretations with initial adoption as of January 1, 2013 (Continued)

- Amendments to IAS 19 – Employee benefits

Elimination of the corridor approach, with actuarial gains or losses recognized as other comprehensive income for pension plans and as profit and loss for other long-term benefits, as incurred, among other changes. Applying the referred to standard had no material effect on amounts previously reported in the Group's financial statements.

- IAS 27 – Individual and Consolidated Financial Statements (Revised in 2011)

As a result of recent IFRS 10 and IFRS 12, the remaining guidelines of IAS 27 are limited to recording of subsidiaries, jointly-owned entities, and related to the separate financial statements. The adoption of this IFRS had no material effect on the amounts reported in the Group’s financial statements.

- IAS 28 - (Revised in 2011) - Investments in Associates and Joint Ventures.

As a result of recent IFRS 10 and IFRS 12, the remaining guidelines of IAS 28 are limited to recording of subsidiaries, jointly-owned entities, and related to the separate financial statements. The adoption of this IFRS had no material effect on the amounts reported in the Group’s financial statements.

2. Summary of significant accounting practices (Continued)

2.21 Standards, amendments and standard interpretations (Continued)

2.21.2. Existing standards, amendments and standard interpretations with initial adoption as of January 1, 2014.

- IAS 32 Offsetting Financial Assets and Financial Liabilities – IAS 32 (R).

These amendments explain the meaning of “currently has a legally enforceable right to set off amounts recognized.” Revisions also provide clarification on the adoption of IAS 32 offsetting criteria for clearance systems (such as the clearing houses) which apply gross settlement mechanisms that are not simultaneous. These amendments are expected to have no material impact on the financial position, performance and disclosures in the Group’s financial statements.

- Investment entities (IFRS 10, IFRS 12 and IAS 27 revised)

These amendments provide an exception to the consolidation requirements for entities qualifying as an investment entity under IFRS 10. This exception requires that investment entities carry their investments in subsidiaries at fair value in income statement. The Group expects that these amendments will not be material for its financial statements, as none of the entities qualifies as an investment entity.

- IFRIC 21 – Taxes

IFRIC 21 clarifies that an entity shall recognize a liability for a tax when the triggering event takes place. For a tax whose payment requirement arises from the entity's meeting a certain metric, IFRIC 21 clarifies that no liability shall be recognized until such metric is met. The Group expects that IFRIC 21 will have no material impact on its financial statements.

2. Summary of significant accounting practices (Continued)

2.21 Standards, amendments and standard interpretations (Continued)

2.21.2. Existing standards, amendments and standard interpretations with initial adoption as of January 1, 2014 (Continued)

- IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting – IAS 39 (revised)

This amendment provides an exception to the requirement to discontinue hedge accounting upon novation of a derivative designated as hedge meets certain criteria. The Group expects that this amendment will have no material impact on its financial statements.

2.21.3. Existing standards, amendments and standard interpretations with initial adoption as of January 1, 2015.

- IFRS 9 – Financial Instruments

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

The Group intends to adopt the standards described in Notes 2.23 and 2.24 above when they become effective, and to disclose and recognize possible impacts on the financial statements upon adoption.

Considering the current operations carried out by the Group and its subsidiaries, management expects that these new standards, interpretations and amendments will have no significant effect on the financial statements upon their adoption.

2. Summary of significant accounting practices (Continued)

2.21 Standards, amendments and standard interpretations (Continued)

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

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

3. Significant accounting judgments and sources of uncertainties in estimates

In applying the significant accounting practices of the Group, management must make judgments and prepare estimates regarding the carrying amounts of assets and liabilities that are not easily obtained from other sources. The estimates and related assumptions are based on historical experience and other factors deemed relevant. Actual results could differ from those estimates.

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

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

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

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.

	Consolidated	
Subsidiary:	**12/31/2013**	**12/31/2012**
SAMA	**16,559**	16,559
Tégula	**3,436**	3,436
	19,995	19,995

3.2. Useful lives of property, plant and equipment

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

3.3. Income, social contribution and other taxes

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

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

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

3.4 Provision for tax, civil and labor claims

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

3.5 Provision for future benefits to former employees

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

3.6 Environmental restoration of degraded mining areas

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

4. Cash and cash equivalents

	Company		Consolidated	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Cash and banks	**9,516**	1,801	**11,100**	3,585
Investments in bank deposit certificates	**-**	2,051	**2,195**	13,071
	9,516	3,852	**13,295**	16,656

In 2013, investments were remunerated at average rates of 103% of the Interbank Deposit Certificate (CDI) variation (103% in 2012), with the portfolio basically comprising investments remunerated based on a percentage of CDI and fixed income investments. Balances are highly liquid and readily redeemable, in order to meet short-term cash commitments, and subject to insignificant risk of change in value.

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

5. Short-term investments

	Company		Consolidated	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Investment funds (i)	**9,897**	31,873	**35,661**	62,191
Temporary investment funds (ii)	**-**	16,739	**-**	16,739
	9,897	48,612	**35,661**	78,930

Most investment funds are investments remunerated based on a percentage of CDI and fixed income investments, remunerated at average rates of 103% of CDI variation (103% as of December 31, 2012).

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

(ii) The investments are intended to finance investment in PP&E or for future Company investment. The amount is defined in accordance with the Company investment plan.

6. Accounts receivable

	Company		Consolidated	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Domestic market	**73,487**	82,728	**112,241**	124,241
Foreign market	**-**	-	**55,521**	61,228
(-) Present value adjustment	**(432)**	(328)	**(1,362)**	(969)
	73,055	82,400	**166,400**	184,500
Provision for impairment losses on accounts receivable	**(3,281)**	(3,242)	**(6,011)**	(6,518)
	69,774	79,158	**160,389**	177,982

Expenses with the provision for impairment losses on accounts receivable are recorded as "Selling Expenses."

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

	Company		Consolidated	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Falling due	**65,939**	75,208	**146,010**	162,284
Overdue:				
Up to 30 days	**2,362**	3,569	**10,538**	13,094
From 30 to 60 days	**1,283**	225	**2,654**	1,480
Over 60 days	**190**	156	**1,187**	1,124
	69,774	79,158	**160,389**	177,982

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

6. Accounts receivable (Continued)

Changes in the provision for impairment losses on accounts receivable

	Company		Consolidated	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Opening balance	**(3,242)**	(2,832)	**(6,518)**	(6,470)
Addition	**(782)**	(572)	**(1,482)**	(1,546)
Reversal	**380**	6	**497**	581
Write-off	**363**	156	**1,492**	917
Closing balance	**(3,281)**	(3,242)	**(6,011)**	(6,518)

7. Inventories

	Company		Consolidated	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Finished products	**41,554**	35,082	**72,551**	59,957
Semi-finished products	**-**	-	**2,116**	2,757
Resale	**9,751**	20,862	**14,698**	26,005
Raw materials	**29,854**	22,117	**31,142**	21,110
Support materials	**5,091**	3,864	**22,789**	18,666
(-) Allowance for losses (*)	**(417)**	-	**(1,352)**	(935)
	85,833	81,925	**141,944**	127,560

(*) 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, 2013 and 2012 are as follows:

	Company	Consolidated
Balance at January 1, 2012	**-**	**(739)**
(+) Provision	**-**	(852)
(-) Reversal	**-**	656
Balance at December 31, 2012	**-**	**(935)**
(+) Provision	**(443)**	**(443)**
(-) Reversal	**26**	**26**
Balance at December 31, 2013	**(417)**	**(1,352)**

For the year ended December 31, 2013, raw material equivalent to R$ 259,318 (R$ 232,084 in 2012) was used, recorded as cost in the Company, and R$ 394,780 (R$ 357,100 in 2012) in the Consolidated.

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

8. Taxes recoverable

	Company		Consolidated	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Current:				
State value-added tax (ICMS)	**1,005**	1,067	**2,131**	1,946
Withholding income tax (IRRF)	**191**	284	**413**	518
Corporate Income Tax (IRPJ)	**8,285**	4,862	**8,690**	5,650
Social Contribution Tax on Net Profit (CSLL)	**2,243**	1,415	**2,311**	1,602
Withholding income tax, interest on equity (15%)	**3,400**	2,169	**3,400**	2,169
FOMENTAR fund – ICMS (*)	**1,197**	729	**1,197**	729
Other	**221**	641	**1,506**	1,267
	16,542	11,167	**19,648**	13,881
Noncurrent:				
State value-added tax (ICMS)	**1,218**	840	**4,021**	4,260
Withholding income tax (IRRF)	**13,363**	13,004	**13,363**	13,004
Corporate Income Tax (IRPJ)	**7,638**	7,206	**7,638**	7,206
Other	**-**	64	**-**	64
	22,219	21,114	**25,022**	24,534

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

9. Investments

The Company's subsidiaries and jointly controlled entities are as follows:

Subsidiaries	Company – Interest and voting capital held - % 12/31/2013	12/31/2012
Precon	**99.99**	**99.99**
Prel	**99.99**	**99.99**
SAMA	**99.99**	**99.99**
Tégula	**99.99**	**99.99**
Wagner	**99.85**	**99.85**
Wagner da Amazônia Ltda (ii)	**99.99**	**99.99**
Companhia Sulamericana de Cerâmica S.A. ("CSC") (i)	**60.00**	**60.00**
Engedis (ii)	**99.94**	**99.94**
Eternit da Amazônia (iii)	**99.99**	**-**

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

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

9. Investments (Continued)

Summary of significant information on subsidiaries and joint ventures:

Subsidiary	Location	Main activity
SAMA	Minaçu/GO	Mining and processing of chrysotile asbestos ore.
Engedis	Minaçu/GO	No economic activity.
Precon	Anápolis/GO	Production and sale of fiber cement products and devices.
Prel	São Paulo/SP	Holding interest in industrial and commercial companies, among others.
Wagner	São Paulo/SP	No economic activity.
Wagner da Amazônia	São Paulo/SP	No economic activity.
Tégula	Atibaia/SP	Production and sale of concrete roof tiles and accessories.
Companhia Sulamericana de Cerâmica - CSC	Caucaia/CE	Import, manufacture, sale, export, distribution of sanitary wares and related accessories in general.
Eternit da Amazônia	Manaus/AM	Research and development and inputs for construction materials. It has not started up its operations to the closing of the financial statements for the year ended December 31, 2013.

Breakdown of investments:

	Company							
	Eternit da Amazônia	**Precon**	**Prel**	**SAMA**	**CSC**	**Tégula**	**Wagner**	**Total**
Investments	(738)	20,221	8,058	91,752	36,032	71,787	4,058	231,170
Surplus value of net assets	-	-	-	16,559	-	-	-	16,559
Balance at December 31, 2013	**(738)**	**20,221**	**8,058**	**108,311**	**36,032**	**71,787**	**4,058**	**247,729**

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

9. **Investments** (Continued)

	Eternit da Amazônia	Precon	Prel	SAMA	CSC	Tégula	Wagner	Total
At January 1, 2012	-	15,694	7,866	102,116	-	53,752	4,059	183,487
Dividend	-	(7,927)	(1,896)	(62,958)	-	-	(104)	(72,885)
Interest on equity	-	(640)	-	(5,158)	-	(2,839)	-	(8,637)
Equity pickup	-	10,451	1,851	73,183	(531)	4,333	104	89,391
Organization of jointly controlled entity	-	-	-	-	13,560	-	-	13,560
Capital contribution	-	-	-	-	-	17,000	-	17,000
At December 31, 2012	-	17,578	7,821	107,183	13,029	72,246	4,059	221,916
Dividend	**-**	**(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**
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**

The balance of investment in the consolidated financial statements as of December 31, 2013 amounting to R$ 36,032 (R$ 13,029 as of December 31, 2012) refers to investment in the jointly controlled entity with CSC.

The balance of subsidiaries as of December 31, 2013 is as follows:

	Eternit da Amazônia	Precon	Prel	SAMA	Tégula	Wagner
Current assets	199	26,068	5,539	130,856	32,394	3,825
Noncurrent assets	125	13,004	5,307	121,505	64,526	1,802
Current liabilities	1,062	15,292	2,787	252,140	96,723	8
Noncurrent liabilities	-	3,557	-	55,395	10,731	1,554
Equity	(738)	20,223	8,059	96,312	71,793	4,065
Proportional interest	99.99%	99.99%	99.99%	99.99%	99.99%	99.85%
Investment carrying amount	(738)	20,221	8,058	96,310	71,787	4,058
Net operating revenue	-	68,236	-	385,347	85,355	-
Cost of sales	-	(47,022)	-	(188,242)	(58,837)	-
Unrealized income in inventories	-	-	-	(538)	-	-
Net income (loss) for continuing operations	(938)	10,694	2,889	70,304	(459)	(1)
Attributable to:						
Company interest	(938)	10,694	2,889	70,302	(459)	(1)

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

9. **Investments** (Continued)

Interest in joint ventures:

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

The balance of this jointly controlled entity as of December 31, 2013 is as follows:

	12/31/2013
Current assets	**58,388**
Noncurrent assets	**62,652**
Current liabilities	**16,421**
Noncurrent liabilities	**44,567**
Equity	**60,053**
Proportional interest	**60%**
Investment carrying amount	**36,032**
Net operating revenue	**8,820**
Cost of sales	**(7,098)**
General and administrative expenses	**(11,626)**
Financial expenses	**(1,015)**
Financial income	**548**
Loss on continuing operations	**(10,371)**
Attributable to:	
Company interest	**(6,223)**

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

10. Related parties

a) Company's related-party transactions and balances

	Company	
	12/31/2013	**12/31/2012**
Balances:		
Current assets		
Eternit da Amazônia (ii)	**1,062**	-
Precon (i) and (ii)	**488**	1,376
SAMA (ii)	**169**	132
Tégula (i) and (ii)	**96**	269
Companhia Sulamericana de Cerâmica (i)	**9,780**	-
Wagner (ii)	**-**	18
	11,595	1,795
Dividend and interest on equity receivable / payable:		
SAMA	**8,735**	15,396
Prel	**2,653**	702
Precon	**7,926**	3,038
Tégula	**706**	706
Wagner	**-**	11
	20,020	19,853
	31,615	21,648
Noncurrent assets		
Companhia Sulamericana de Cerâmica (iii)	**2,018**	-
Tégula (iii)	**7,705**	7,214
	9,723	7,214
Total assets	**41,338**	28,862
Current liabilities		
Trade accounts payable (i)		
SAMA	**7,128**	8,174
Other accounts payable		
Prel	**88**	83
SAMA	**26**	23
Tégula	**1**	1
	7,243	8,281
Noncurrent liabilities		
Intercompany loan (iii)		
SAMA	**29,108**	27,252
Total liabilities	**36,351**	35,533

(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 consolidated quarterly information of the Company according to CPC 26.

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

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

10. Related parties (Continued)

a) Company's related-party transactions and balances (Continued)

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

	Company	
	12/31/2013	**12/31/2012**
Transactions:		
Sales:		
Precon	**8,880**	10,519
Tégula	**385**	-
	9,265	10,519
Purchases:		
SAMA	**70,264**	74,823
Discounts obtained – SAMA	**-**	122
Administrative expenses – Prel	**1,004**	936
	71,268	75,881
Interest on intercompany loan:		
Expense – SAMA	**2,183**	2,129
	2,183	2,129
Income:		
Interest on intercompany loan – Tégula	**578**	917
Interest on equity:		
SAMA	**4,492**	5,157
Precon	**828**	640
Tégula	**-**	2,839
	5,898	9,553

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

As of December 31, 2013 and 2012, there were no outstanding guarantees with related parties, and there were no provision for impairment losses for related-party accounts receivable.

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

10. Related parties (Continued)

b) Key management personnel compensation

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

	Company		Consolidated	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Salaries, fees and benefits	**5,082**	4,127	**6,014**	5,297
Social charges	**1,430**	1,810	**1,735**	2,221
Profit sharing (PLRE)	**3,642**	4,255	**4,316**	5,084
Supplementary bonus	**2,419**	885	**3,093**	1,037
Post-employment benefits	**229**	305	**387**	439
	12,802	11,382	**15,545**	14,078

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

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

As of December 31, 2013, Officers' shareholding position was 995,283 shares – ETER3 (1,369,755 shares – ETER3 for the year ended December 31, 2012).

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

11. Property, plant and equipment

	Company									
	Land	Buildings and improvements	Machinery and equipment	Tooling and molds	Facilities	Vehicles	Furniture and fixtures	IT equipment	Construction in progress	Total
Cost										
Balances at January 1, 2012	701	31,805	89,797	12,772	76,780	3,498	3,950	3,223	6,726	229,252
Additions	-	-	437	-	-	-	-	-	13,241	13,678
Write-offs	-	-	(14)	-	(35)	(270)	(14)	(30)	-	(363)
Transfers	-	360	4,719	105	364	350	1,173	179	(7,250)	-
Balances at December 31, 2012	701	32,165	94,939	12,877	77,109	3,578	5,109	3,372	12,717	242,567
Additions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**36,913**	**36,913**
Write-offs	**-**	**-**	**(381)**	**-**	**(272)**	**(791)**	**(36)**	**(103)**	**-**	**(1,583)**
Transfers	**-**	**639**	**7,093**	**78**	**2,251**	**-**	**670**	**735**	**(11,466)**	**-**
Balances at December 31, 2013	**701**	**32,804**	**101,651**	**12,955**	**79,088**	**2,787**	**5,743**	**4,004**	**38,164**	**277,897**
Average depreciation rates	-	4%	8.6%	15%	10%	20%	10%	20%	-	-
Accumulated depreciation										
Balances at January 1, 2012	-	(17,928)	(42,380)	(7,574)	(34,815)	(2,391)	(1,985)	(2,306)	-	(109,379)
Additions	-	(703)	(1,786)	(1,077)	(5,863)	(341)	(336)	(304)	-	(10,410)
Write-offs	-	-	14	-	35	201	11	21	-	282
Balances at December 31, 2012	-	(18,631)	(44,152)	(8,651)	(40,643)	(2,531)	(2,310)	(2,589)	-	(119,507)
Additions	**-**	**(722)**	**(1,852)**	**(1,087)**	**(5,542)**	**(259)**	**(452)**	**(342)**	**-**	**(10,256)**
Write-offs	**-**	**-**	**358**	**-**	**72**	**734**	**26**	**101**	**-**	**1,291**
Balances at December 31, 2013	**-**	**(19,353)**	**(45,646)**	**(9,738)**	**(46,113)**	**(2,056)**	**(2,736)**	**(2,830)**	**-**	**(128,472)**
Net book value										
At January 1, 2012	701	13,877	47,417	5,198	41,965	1,107	1,965	917	6,726	119,873
At December 31, 2012	701	13,534	50,787	4,226	36,466	1,047	2,799	783	12,717	123,060
At December 31, 2013	**701**	**13,451**	**56,005**	**3,217**	**32,975**	**731**	**3,007**	**1,174**	**38,164**	**149,425**

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Notes to financial statements (Continued)
Year ended December 31, 2013
(In thousands of reais - R$, unless otherwise indicated)

11. Property, plant and equipment (Continued)

	Consolidated													
	Land	Buildings and improvements	Machinery and equipment	Excavator equipment	Tooling and molds	Facilities	Vehicles	Off-road vehicles	Furniture and fixtures	IT equipment	Renovation mining areas	Mineral resources	Construction in progress	Total
Cost														
Balances at January 1, 2012	4,084	78,077	171,193	16,360	25,597	203,317	13,086	4,105	12,554	7,045	1,847	13,387	9,406	560,058
Additions	-	860	3,282	-	565	551	479	-	757	165	-	-	47,708	54,367
Write-offs	-	(9)	(512)	-	(32)	(109)	(363)	(47)	(147)	(112)	-	-	-	(1,331)
Transfers	-	1,657	7,529	8,250	349	4,639	11,849	222	2,202	416	3,931	-	(41,044)	-
Balances at December 31, 2012	4,084	80,585	181,492	24,610	26,479	208,398	25,051	4,280	15,366	7,514	5,778	13,387	16,070	613,094
Additions	**-**	**283**	**3,472**	**-**	**64**	**133**	**161**	**-**	**844**	**129**	**-**	**-**	**55,041**	**60,127**
Write-offs	**-**	**-**	**(786)**	**-**	**(215)**	**(324)**	**(968)**	**-**	**(553)**	**(317)**	**-**	**-**	**-**	**(3,163)**
Transfers	**-**	**672**	**11,595**	**2,960**	**395**	**8,187**	**461**	**259**	**1,671**	**1,127**	**-**	**-**	**(27,327)**	**-**
Balances at December 31, 2013	**4,084**	**81,540**	**195,773**	**27,570**	**26,723**	**216,394**	**24,705**	**4,539**	**17,328**	**8,453**	**5,778**	**13,387**	**43,784**	**670,058**
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, 2012	-	(44,466)	(97,460)	(13,276)	(15,120)	(137,155)	(8,809)	(3,820)	(6,343)	(5,326)	(211)	(2,183)	-	(334,169)
Additions	-	(1,629)	(4,343)	(1,758)	(2,585)	(10,445)	(3,346)	(83)	(1,316)	(615)	(614)	(696)	-	(27,430)
Write-offs	-	9	265	-	30	107	294	47	109	101	-	-	-	962
Transfers	-	(140)	-	-	140	-	-	-	-	-	-	-	-	-
Balances at December 31, 2012	-	(46,226)	(101,538)	(15,034)	(17,535)	(147,493)	(11,861)	(3,856)	(7,550)	(5,840)	(825)	(2,879)	-	(360,637)
Additions	**-**	**(1,755)**	**(4,424)**	**(4,028)**	**(2,645)**	**(11,046)**	**(5,731)**	**(185)**	**(1,515)**	**(685)**	**(494)**	**(696)**	**-**	**(33,204)**
Write-offs	**-**	**-**	**762**	**-**	**207**	**124**	**912**	**-**	**535**	**307**	**-**	**-**	**-**	**2,847**
Transfers	**-**	**-**	**29**	**-**	**-**	**-**	**-**	**-**	**(29)**	**-**	**-**	**-**	**-**	**-**
Balances at December 31, 2013	**-**	**(47,981)**	**(105,171)**	**(19,062)**	**(19,973)**	**(158,415)**	**(16,680)**	**(4,041)**	**(8,559)**	**(6,218)**	**(1,319)**	**(3,575)**	**-**	**(390,994)**
Net book value														
At January 1, 2012	4,084	33,611	73,733	3,084	10,477	66,162	4,277	285	6,211	1,719	1,636	11,204	9,406	225,889
At December 31, 2012	4,084	34,359	79,954	9,576	8,944	60,905	13,190	424	7,816	1,674	4,953	10,508	16,070	252,457
At December 31, 2013	**4,084**	**33,559**	**90,602**	**8,508**	**6,750**	**57,979**	**8,025**	**498**	**8,769**	**2,235**	**4,459**	**9,812**	**43,784**	**279,064**

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

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

12. Intangible assets

Company	Software	Intangible assets in progress	Other	Total
Cost				
Balance at January 1, 2012	6,770	-	11	6,781
Additions	436	-	-	436
Write-offs	(21)	-	-	(21)
Balance at December 31, 2012	7,185	-	11	7,196
Additions	**45**	**2,844**	**-**	**2,889**
Balance at December 31, 2013	**7,230**	**2,844**	**11**	**10,085**
Useful life in years	5	-	-	-
Amortization				
Balance at January 1, 2012	(3,928)	-	-	(3,928)
Additions	(774)	-	-	(774)
Write-offs	20	-	-	20
Balance at December 31, 2012	(4,682)	-	-	(4,682)
Additions	**(819)**	**-**	**-**	**(819)**
Balance at December 31, 2013	**(5,501)**	**-**	**-**	**(5,501)**
Net book value				
Balance at January 1, 2012	2,842	-	11	2,853
Balance at December 31, 2012	2,503	-	11	2,514
Balance at December 31, 2013	**1,729**	**2,844**	**11**	**4,584**

Consolidated	Software	Goodwill	Trademarks and patents	Intangible assets in progress	Other	Total
Cost						
Balance at January 1, 2012	11,722	19,995	1,156	-	90	32,963
Additions	200	-	-	1,227	-	1,427
Write-offs	(21)	-	-	-	-	(21)
Transfers	1,242	-	-	(1,227)	(15)	-
Balance at December 31, 2012	13,143	19,995	1,156	-	75	34,369
Additions	**325**	**-**	**260**	**3,636**	**-**	**4,221**
Transfers	**792**	**-**	**-**	**(792)**	**-**	**-**
Balance at December 31, 2013	**14,260**	**19,995**	**1,416**	**2,844**	**75**	**38,590**
Useful life in years	5	-	-	-	-	-
Amortization						
Balance at January 1, 2012	(7,006)	-	-	-	(1)	(7,007)
Additions	(1,343)	-	-	-	-	(1,343)
Write-offs	21	-	-	-	-	21
Balance at December 31, 2012	(8,328)	-	-	-	(1)	(8,329)
Additions	**(1,585)**	**-**	**-**	**-**	**-**	**(1,585)**
Balance at December 31, 2013	**(9,913)**	**-**	**-**	**-**	**(1)**	**(9,914)**
Net book value						
Balance at January 1, 2012	4,716	19,995	1,156	-	89	25,956
Balance at December 31, 2012	4,815	19,995	1,156	-	74	26,040
Balance at December 31, 2013	**4,347**	**19,995**	**1,416**	**2,844**	**74**	**28,676**

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

13. Trade accounts payable

	Company		Consolidated	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Domestic market	**15,718**	22,473	**31,977**	40,615
Foreign market	**6,947**	8,056	**7,570**	8,492
(-) Present value adjustment (domestic/foreign market)	**(221)**	(112)	**(254)**	(139)
	22,444	30,417	**39,293**	48,968

14. Loans and financing

	Company		Consolidated	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Current:				
Loans and financing (a) (b) (c) (d) (e)	**8,944**	1,519	**16,926**	9,091
ACE (f)	**-**	-	**39,955**	26,319
ACC (g)	**-**	-	**-**	20,429
	8,944	1,519	**56,881**	55,839
Noncurrent:				
Loans and financing (a) (b) (c) (d) (e)	**14,368**	7,266	**25,799**	24,107
	23,312	8,785	**82,680**	79,946

Noncurrent repayment schedule:				
2014	**-**	7,202	**-**	13,756
2015	**11,328**	37	**17,663**	5,471
2016	**2,336**	22	**6,161**	3,513
2017	**490**	5	**1,210**	1,367
2018	**214**	**-**	**562**	**-**
2019	**-**	-	**203**	-
	14,368	7,266	**25,799**	24,107

(a) In order to purchase machinery and equipment for the operating activity, the parent company started raising FINAME 2 to 9 at the interest rate of 4.5% to 9.2% p.a., maturing from 54 to 60 months. For the year ended December 31, 2013, the parent company raised FINAME 10 to 27 at the interest rates of 2.5% to 3.5% p.a., maturing from 5 to 48 months. FINAMES 2 and 3 were fully settled in 2013.

(b) The parent company started raising Financing for Import (FINIMP). It raised FINIMP 2 and 4 to purchase machinery and equipment for the operating activity, at the interest rate of 2.84% to 4.4% p.a., maturing within 24 months. For the year ended December 31, 2013, the parent company raised FINIMP 5 at the interest rates of 2.944%, FINIMP 6 at the rate of 2.936% p.a., and FINIMP 7 at the interest rate of 3.56% p.a., maturing within 36 months. This financing is raised in US dollars, translated and restated at the PTAX exchange rate. FINIMP 2 was fully settled in December 2013.

(c) Subsidiary Precon raised FINAME 1 and 2 for the acquisition of machinery and equipment intended to operations, at the rates of 5.5% and 8,7% p.a., maturing in 48 months. In 2012, it raised financing for working capital and acquisition of machinery and equipment at the rate of 10% p.a., maturing within 84 months.

(d) Subsidiary Tégula raised FINIMP Itaú and Banco do Brasil for the acquisition of machinery and equipment intended for operations, at the interest rate of 3.65% + libor of 0.2193% to 0.8597% p.a., maturing from 36 to 60 months. This financing is raised in US dollars/Euro, translated and restated at the PTAX exchange rate. For the year ended December 31, 2013, it raised new FINIMP at the interest rates of 3.65% + libor of 0.65% p.a., maturing within 36 months.

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

14. Loans and financing (Continued)

(e) Subsidiary SAMA raised FINAME for the acquisition of vehicles (trucks) at the rate of 2.65% p.a. + long-term interest rate (TJLP) of 7.7% p.a., maturing from 48 to 60 months.

(f) Advance on Export Contracts – ACE – These are funds to increase working capital of subsidiary SAMA, raised in US dollars at average exchange rate of R$2.2836 and restated by the current exchange rate of R$ 2.342 at December 31, 2013. The average PRIME lending rate is of 3.25% p.a. and, given the characteristics of the transaction; such advances mature within 360 days. The Company is guarantor of R$14,521 of ACE operations of subsidiary SAMA the value of which at December 31, 2013 was R$ 39,955 (R$ 20,429 as of December 31, 2012).

(g) Advance on Foreign Exchange Contracts – ACC – These are funds to increase working capital of subsidiary SAMA, and matured within 360 days. These were settled in 2013 with exports for the year. The average PRIME lending rate is of 3.25% p.a. and advances were raised US dollars, translated and restated at the PTAX exchange rate. Funds were raised based on the expected increase in exports. The ACC was fully settled in 2013.

The Group has loan agreements with non-financial covenants with which it was compliant as of December 31, 2013.

15. Provisions and social charges

	Company		Consolidated	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Vacation pay	**6,760**	6,699	**12,980**	12,291
Profit sharing (a)	**3,704**	4,680	**10,145**	14,388
Unemployment Compensation Fund (FGTS)	**593**	537	**1,008**	995
Social security contribution tax (INSS)	**1,848**	1,832	**3,367**	3,227
Salaries	**73**	-	**73**	-
Private pension plan (b)	**-**	3,557	**423**	3,985
Union dues	**2**	5	**13**	52
	12,980	17,310	**28,009**	34,938

(a) Profit sharing

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	
	12/31/2013	**12/31/2012**
Company	**5,785**	8,289
Consolidated	**13,168**	18,195

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

15. Provisions and social charges (Continued)

(b) Private pension plan

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

16. Taxes, charges and contributions payable

	Company		Consolidated	
Current:	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Income taxes				
Corporate Income Tax (IRPJ)	**863**	-	**12,242**	14,101
Social Contribution Tax on Net Profit (CSLL)	**-**	-	**2,432**	3,402
Other taxes				
State value-added tax (ICMS)	**6,304**	6,332	**9,372**	9,105
Federal value-added tax (IPI)	**1,824**	2,138	**2,107**	2,367
Social contribution tax on gross revenue for social security financing (COFINS)	**1,405**	1,970	**3,258**	3,835
Social contribution tax on gross revenue for social integration program (PIS)	**281**	358	**683**	764
Withholding income tax (IRRF)	**1,331**	908	**1,943**	1,722
Mineral resource offsetting financial contribution	**-**	-	**1,515**	1,358
Other	**218**	95	**463**	278
	12,226	11,801	**34,015**	36,932
Noncurrent:				
State value-added tax (ICMS) (*)	**7,697**	7,285	**9,432**	8,139

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

17. Provision for future benefits to former employees

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

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

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

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

	12/31/2013	12/31/2012
Actual actuarial annual interest rate	**6.32%**	3.50%
Actual annual medical cost increase rate	**3.80%**	1.00%
Annual projected inflation rate	**5.80%**	5.20%
Mortality table	**AT-2000**	GAM83

As of December 31, 2013, the mortality table changed due to the increase in the beneficiary population group survival rate.

b) Liabilities for plan of future benefits to former employees:

	Company		Consolidated	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Current	**2,174**	1,645	**3,861**	2,926
Noncurrent	**23,710**	18,263	**34,527**	30,019
	25,884	19,908	**38,388**	32,945

c) Net expenses with the benefit in 2013 (posted to income statement):

	Company		Consolidated	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Current service and interest cost	**1,813**	2,482	**3,049**	3,590
Benefits paid	**(2,209)**	(2,499)	**(4,209)**	(3,933)
Net expense with the benefit	**(396)**	**(17)**	**(1,160)**	**(343)**

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

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

d) Changes in present value of the defined benefit obligation:

	Company	Consolidated
Defined benefit obligations at January 1, 2012	22,380	32,372
Current service and interest cost	2,482	3,590
Benefits paid	(2,499)	(3,933)
Defined benefit obligations at December 31, 2012	**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**

e) Changes in the obligations of the plan defined benefit in 2013:

	Company	Consolidated
January 01, 2013	20,413	34,330
Current service and interest cost	1,813	3,049
Subtotal included in income statement	1,813	3,049
Benefits paid	(2,209)	(4,209)
Experience adjustments	5,866	5,219
Subtotal included in other comprehensive income	5,866	5,219
December 31, 2013	**25,884**	**38,388**

As of December 31, 2012, changes in plan defined benefit obligations and cost of past services amounting to R$ 2,041 in the Company and R$ 3,433 in the Consolidated were not recognized.

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

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

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	25,884	24,021	28,119	25,884	28,138	23,913
Difference		**(7.20%)**	**8.64%**		**8.71%**	**(7.61%)**

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	38,388	35,846	41,420	38,388	41,459	35,712
Difference		**(6.62%)**	**7.90%**		**8.00%**	**(6.97%)**

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

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

	Company		**Consolidated**	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Within 12 months	**2,174**	1,931	**3,861**	3,539
From 2 to 5 years	**2,015**	8,101	**4,215**	13,038
From 5 to 10 years	**1,947**	3,070	**3,374**	6,246
After 10 years	**19,748**	6,806	**26,938**	10,122
	25,884	**19,908**	**38,388**	**32,945**

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

18. Equity

a) Capital

At December 31, 2013, the Company's fully subscribed and paid-in capital amounted to R$334,251 and comprised 89,500,000 common shares, with no par value, with voting rights in General Shareholders' meetings, held as follows:

	12/31/2013		12/31/2012	
Shareholding structure	Shareholders	Shares	Shareholders	Shares
Individuals	**7,866**	**54,545,407**	6,745	54,404,983
Legal entities	**97**	**1,619,554**	91	1,752,168
Persons resident abroad	**146**	**11,422,700**	131	9,732,774
Clubs, funds and foundations	**131**	**21,882,973**	177	23,580,709
	8,240	**89,470,634**	7,144	89,470,634
Treasury stock	**-**	**29,366**	-	29,366
	8,240	**89,500,000**	7,144	89,500,000

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

b) Treasury stock

As of December 31, 2013, market value of treasury stock was R$ 257 (R$ 288 as of December 31, 2012).

c) Earnings (loss) per share

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

Company

	12/31/2013	12/31/2012
Dilutive effect Net income for the year attributable to non-controlling interest	**102,254**	113,004
Weighted average number of outstanding common shares, less the average of treasury common shares	**89,470**	89,470
Basic and diluted earnings per share – R$	**1.14**	1.26

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

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

18. **Equity** (Continued)

d) Dividend

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

Dividend proposed for the year ended December 31, 2013 was as follows:

Event	Payment beginning on	Total value	Amount per share – R$
BDM (*) of April 17, 2013	05/10/13	12,168	0.136
BDM (*) of August 7, 2013	08/28/13	12,168	0.136
BDM (*) of October 23, 2013	11/13/13	12,079	0.135
BDM (*) of March 12, 2014	04/02/14	12,436	0.139
		48,851	

(*) BDM – Board of Directors' Meeting

e) Interest on equity

The Board of Directors may also decide about profit distribution as interest on equity, under the terms of ruling legislation. Interest on equity proposed for the year ended December 31, 2013 was as follows:

Event	Payment beginning on	Total value	Amount per share – R$
BDM (*) of April 17, 2013	05/10/13	5,726	0.064
BDM (*) of August 7, 2013	08/28/13	5,726	0.064
BDM (*) of October 23, 2013	11/13/13	5,816	0.065
BDM (*) of December 11, 2013	04/02/14	5,458	0.061
		22,726	

(*) BDM – Board of Directors' Meeting

Dividend and interest on equity payable

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

18. **Equity** (Continued)

e) Interest on equity (Continued)

Divided and interest on equity outstanding balance as of December 31, 2013 represents:

	Company and Consolidated	
	12/31/2013	**12/31/2012**
Interest on equity	**4,639**	5,206
Dividend	**12,436**	12,162
Proceeds from prior years	**806**	765
	17,881	18,133

f) Allocation of income statement for the year

	Company and Consolidated	
	12/31/2013	**12/31/2012**
Net income for the year	**102,254**	113,004
Set-up of reserves		
Legal	**(5,113)**	(5,650)
Statutory	**(5,113)**	(5,650)
Investment subsidies	**(754)**	(852)
Retained profit	**(19,697)**	(29,275)
Income available	**71,577**	71,577
Dividend proposed and paid	**48,851**	47,509
Interest on equity proposed and paid	**22,726**	24,068
Total	**71,577**	71,577
Mandatory minimum dividend	**23,007**	25,426

In compliance with Revenue Procedure No. 480, published by CVM on December 7, 2009, the Company presents the following capital budget table for 2014.

Market conditions, macro-economic scenarios and other operational factors that involve risk, 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 2013 amounting to R$19,697, totaling at December 31, 2013, R$ 98,187, under the “retained profits reserve.”

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

18. Equity (Continued)

g) Capital budget – use of funds

Projects - 2014	
• Maintenance and update of the plant	R$ 57,500
• Installation of a research and development unit to produce inputs for construction materials	R$ 40,000
• Investment in the sanitary wares	R$ 12,400
	R$ 109,900

h) Legal reserve

In 2013, the Company recorded legal reserve according to article 193 of the Brazilian Corporation Law in the amount of R$5,113 (R$5,650 in 2012).

i) Statutory reserve

In 2013, the Company set up a statutory reserve amounting to R$ 5,113 (R$ 5,650 in 2012). As provided in its Articles of Incorporation, the reserve shall be allocated to the Company's working capital up to the limit of 10% of capital.

19. Government subsidies

- **Tégula**

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

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

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

19. Government subsidies (Continued)

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

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

In 2013, the benefit totaled R$ 898 (R$949 in 2012). The benefit is treated as a subsidy for investment because the Company benefits through reduction, refund or exemption from taxes due, and intends to expand its activities.

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

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

Law 11.916/03, 2000 created Fundo Operação for companies in the state of Rio Grande do Sul - FUNDOPEM/RS to promote economic development in that state. It grants ICMS taxpayer incentives in reducing the value of the ICMS payable.

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

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

19. Government subsidies (Continued)

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

In 2013, the benefit totaled R$ 76 (R$33 in 2012). The benefit is treated as a subsidy for investment because the Company benefits through reduction, refund or exemption from taxes due, and intends to expand its activities. Moreover, FONDOPEM/RS's goal is to attract investment for integration, expansion, modernization and consolidation in the industrial segment of that state.

- **Precon**

a) Invest Subsidy - Agência de Fomento Goias S/A company in the state of Goias - FOMENTAR.

On January 26, 1990, Precon Goiás Industrial Ltda. claimed a benefit to reduce ICMS as it had a branch in the State of Goiás. The claim was granted by the Goiás State Department of Finance of Goiás state through Special Tax Regime Agreement No. 227/07 when a 73% reduction in ICMS was recognized for Precon Goiás Industrial Ltda on sales of goods produced by the unit established in Anápolis/GO, limited to R$ 7,417 up to December 31, 2015.

In 2013, the benefit totaled R$ 2,439 (R$1,884 in 2012). The benefit is treated as a subsidy for investment because the Company benefits through reduction, refund or exemption from taxes due, and intends to expand its activities. Moreover, FOMENTAR's goal is to attract investment for integration, expansion, modernization and consolidation in the industrial segment of that state.

19. Government subsidies (Continued)

- **Eternit**

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

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

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

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

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

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

20. Income and social contribution taxes

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

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

	Company		Consolidated	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Income before income and social contribution taxes	**99,734**	114,774	**142,229**	157,802
Statutory rate	**34%**	34%	**34%**	34%
Income and social contribution taxes at nominal rates	**(33,910)**	(39,023)	**(48,357)**	(53,653)
IRPJ and CSLL effect on permanent differences:				
Equity pickup	**25,930**	31,053	**(2,116)**	(531)
Interest on equity	**5,918**	8,183	**7,727**	8,183
Donations and gifts	**(158)**	(235)	**(904)**	(2,919)
Non-deductible taxes and fines	**(28)**	(25)	**(152)**	(197)
Tax incentive	**51**	94	**714**	1,061
Other (additions) exclusions on temporary differences	**4,717**	(1,817)	**3,115**	3,258
Income and social contribution taxes	**2,520**	(1,770)	**(39,973)**	(44,798)
Effective rate	**2.5%**	1.5%	**28.1%**	28.4%

Breakdown of income and social contribution tax expenses presented in consolidated income statements for the years ended December 31, 2013 and 2012 is as follows:

	Company		Consolidated	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Current income and social contribution taxes	**472**	1,174	**(41,489)**	(44,261)
Deferred income and social contribution taxes	**2,048**	(2,944)	**1,516**	(537)
	2,520	(1,770)	**(39,973)**	(44,798)

Brazilian Internal Revenue Service Revenue Procedure No. 1397 (IN 1397) was published on September 17, 2013, and Provisional Executive Order No. 627 (MP 627) on November 12, 2013. They: (i) repeal the Transition Tax Regime (RTT) as from 2015, with the introduction of a new tax regime; (ii) amend Decree-Law No. 1598/77 related to the corporate income tax and social contribution on net profit calculation. The new tax regime set forth in MP 627 is effective beginning 2014, if the entity elects such option. Among MP 627 provisions, point out those governing profit distribution and dividend payment, interest on equity calculation base, and equity pickup criteria while the RTT was in force.

The Company prepared a study on the potential effects of applying MP 627 and IN 1397, and concluded that no material effects are expected on its operations and on its financial statements for the year ended December 31, 2013.

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

20. Income and social contribution taxes (Continued)

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

Based on the analyses conducted, current interpretation of MP 627/13 and internal discussions, the Group converges to the early adoption for fiscal year 2014. Anyhow, it waits for clarifications of some matters and possible amendments to make such decision official.

b) Breakdown of deferred income and social contribution taxes

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

	Company		Consolidated	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Income and social contribution tax losses	**5,483**	4,883	**15,154**	13,848
Future benefits to former employees	**8,800**	5,378	**13,052**	9,534
Provision for tax, civil and labor claims	**7,682**	7,703	**15,485**	17,379
Unrealized income in inventories	**-**	-	**2,348**	2,626
Allowance for doubtful accounts	**-**	-	**610**	856
Provision for profit sharing	**1,259**	1,591	**2,811**	3,819
Provision for losses on PP&E	**1,750**	1,815	**1,750**	1,815
Unshipped products	**-**	-	**2,271**	-
Other provisions	**(937)**	(1,376)	**1,631**	1,943
	24,037	19,994	**55,112**	51,820

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
	12/31/2013	**12/31/2013**
2014	**451**	**1,354**
2015	**744**	**1,310**
2016	**789**	**1,697**
2017	**782**	**1,812**
2018 to 2023	**2,717**	**8,981**
	5,483	**15,154**

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

20. Income and social contribution taxes (Continued)

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

Expected realization of tax credits (Continued)

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

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

At December 31, 2013, subsidiary Tégula had accumulated income tax loss of R$25,750 and social contribution tax loss of R$25,900, for which deferred taxes were recorded. Up to December 31, 2013 there were projections of future taxable profit confirming realization thereof.

ii. *Temporary differences*

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

	Company	Consolidated
	12/31/2013	12/31/2013
2014	3,586	6,452
2015	1,118	5,858
2016	1,611	3,452
2017	1,691	4,939
2018 to 2023	10,548	19,257
	18,554	39,958

Estimated realization of deferred tax balances calculated on temporary differences, at December 31, 2013, may vary, as many of them depend on court orders that are beyond the Group's possible control and it is not possible to predict when a final decision awarded.

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

20. Income and social contribution taxes (Continued)

b) <u>Breakdown of deferred income and social contribution taxes</u> (Continued)

Expected realization of tax credits (Continued)

II. *<u>Temporary differences</u>* (Continued)

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

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

21. Provision for tax, civil and labor risks

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

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

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

	Company		Consolidated	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Labor (i)	**19,780**	17,214	**29,219**	26,321
Civil	**-**	-	**4,397**	4,305
Tax (ii)	**5,335**	5,443	**21,043**	20,490
	25,115	22,657	**54,659**	51,116

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

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

i) Labor claims include:

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

ii) Tax claims include:

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

Changes in provision for tax, civil and labor risks:

	Company		
	Labor provisions	Tax provisions	Total
Balance at January 1, 2012	**13,997**	**6,088**	**20,085**
Additions	3,217	683	3,900
Reversals	-	(1,328)	(1,328)
Balance at December 31, 2012	**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**

	Consolidated			
	Labor provisions	Civil provisions	Tax provisions	Total
Balance at January 1, 2012	**24,933**	**3,586**	**18,326**	**46,845**
Additions	3,384	824	3,176	7,384
Reversals	(1,996)	(64)	(1,053)	(3,113)
Balance at December 31, 2012	**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**

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

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

At December 31, 2013, the following claims, whose likelihood of an unfavorable outcome was rated as possible by legal advisers, had been filed against the Group:

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

b) Consumer public interest suit in the State of Rio de Janeiro and another one in the State of Pernambuco, in order to prohibit the sale of products containing chrysotile mineral in those states. The suit concerning the state of Rio de Janeiro was dismissed, whereas the one concerning Pernambuco was upheld. Both are pending appeal. However, in the public interest suit in Rio de Janeiro, the Court suspended the process for it understands that this matter is constitutional and shall be therefore judged by the STF.

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

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

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

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

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

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

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

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

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

In addition, as of December 31, 2013, there were other labor, civil, tax and administrative proceedings against the Group, whose likelihood of an unfavorable outcome was rated as possible by the legal counsel, in the consolidated amount of R$ 9,714 (R$ 8,102 as of December 31, 2012). Therefore, no provision was recorded for these claims.

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

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

22. Private pension plan

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

For the years ended December 31, 2013 and 2012, the Company and its participants made contributions to fund benefit plans as follows:

	Company		Consolidated	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Contributions for the year ended:	**3,017**	2,829	**3,864**	3,542

23. Net operating revenue

	Company		Consolidated	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Gross sales revenue	**684,554**	631,126	**1,219,671**	1,159,627
Unconditional discounts and rebates	**(3,438)**	(3,515)	**(3,602)**	(3,583)
Sales taxes	**(172,591)**	(157,689)	**(258,768)**	(249,727)
Net operating revenue	**508,525**	469,922	**957,301**	906,317

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

24. Information on the nature of expenses

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

	Company		Consolidated	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Cost of sales	**(372,752)**	(331,498)	**(575,877)**	(509,603)
Selling expenses	**(59,097)**	(54,546)	**(116,734)**	(113,263)
General and administrative expenses and management fees	**(54,698)**	(36,883)	**(113,348)**	(86,923)
	(486,547)	(422,927)	**(805,959)**	(709,789)

	Company		Consolidated	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Raw material used	**(259,318)**	(232,084)	**(394,780)**	(357,100)
(-) Present value adjustment	**2,244**	455	**2,670**	571
Personnel expenses and charges	**(102,467)**	(75,579)	**(152,017)**	(125,697)
Material, electric energy and services	**(40,185)**	(35,824)	**(68,112)**	(48,830)
Variable selling expenses	**(14,036)**	(13,556)	**(40,463)**	(37,830)
Depreciation and amortization	**(11,075)**	(9,906)	**(34,789)**	(17,363)
Third-party services	**(14,416)**	(12,744)	**(28,488)**	(47,884)
Commissions on sales	**(11,094)**	(9,587)	**(19,886)**	(18,939)
Trade union contributions	**(1,772)**	(1,511)	**(6,772)**	(1,601)
Advertising and publicity	**(8,187)**	(7,698)	**(10,238)**	(9,810)
Taxes and charges	**(2,005)**	(2,229)	**(3,305)**	(1,741)
Other	**(24,236)**	(22,664)	**(49,779)**	(43,565)
	(486,547)	(422,927)	**(805,959)**	(709,789)

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

25. Other operating income/expenses, net

	Company		Consolidated	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Other operating income:				
Property, plant and equipment disposal	**354**	123	**470**	237
Incidental income	**2,324**	2,406	**5,179**	4,433
Previously unused tax credit	**6,758**	-	**6,758**	-
Unclaimed dividend and interest on equity	**178**	-	**178**	-
Rental	**-**	-	**3,042**	2,234
FI Fund – Private Pension (i)	**4,153**	-	**4,153**	-
Other	**4**	2	**5**	2
	13,771	2,531	**19,785**	6,906
Other operating expenses:				
Provision for tax, civil and labor risks	**(3.038)**	(782)	**(3,038)**	(782)
Provision for future benefits to former employees	**(2,530)**	(1,270)	**(4,254)**	(7,605)
Taxes on other sales	**(427)**	(148)	**(1,150)**	(777)
Quality guarantee	**(615)**	(546)	**(776)**	(758)
Replacement of defective products	**(434)**	-	**(434)**	-
Expenses with ad-hoc suspension of activities	-	-	**(4,684)**	-
Expenses with labor and civil indemnifications	**(1,173)**	(955)	**(1,518)**	(1,164)
Cost of property, plant and equipment disposal	**(289)**	(94)	**(325)**	(348)
Other	**(1,972)**	(1,578)	**(5,477)**	(3,695)
	(10,478)	(5,373)	**(21,656)**	(15,129)
	3,293	(2,842)	**(1,871)**	(8,223)

(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 indicated)

26. Financial income (expenses)

	Company		Consolidated	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Financial income:				
Short-term investment yield – including bank deposit certificates	**2,241**	3,982	**4,719**	7,375
Discounts obtained	**395**	190	**524**	270
Interest receivable	**6,855**	3,498	**10,355**	4,496
Monetary gains	**726**	736	**759**	761
Exchange gains	**6,670**	834	**31,075**	23,616
Other financial income	**-**	256	**103**	2,488
	16,887	9,496	**47,535**	39,006
Financial expenses:				
Interest on financing	**(288)**	(401)	**(722)**	(1,121)
Interest on intercompany loan	**(2,183)**	(2,129)	**-**	-
Interest payable	**(2,442)**	(782)	**(5,656)**	(2,855)
Banking expenses	**(986)**	(570)	**(1,255)**	(890)
Discounts granted	**(931)**	(781)	**(2,234)**	(1,543)
Tax on financial transactions (IOF)	**(322)**	(268)	**(539)**	(566)
PIS and COFINS - interest on equity	**(491)**	(801)	**(491)**	(801)
Exchange losses	**(8,818)**	(1,155)	**(32,348)**	(23,765)
Monetary variation	**(1,956)**	(1,790)	**(4,674)**	(4,345)
Other	**(275)**	(71)	**(634)**	(871)
	(18,692)	(8,748)	**(48,553)**	(36,757)
Financial income (expenses), net	**(1,805)**	748	**(1,018)**	2,249

27. Segment reporting

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

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

27. Segment reporting (Continued)

Operational segments defined by senior management are as follows:

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

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

- Chrysotile: includes Chrysotile ore mining and sale.

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

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

Financial information on the Company's segments as of December 31, 2013 and 2012 is summarized below. Amounts stated for P&L and total assets are consistent with the balances carried in the financial statements, and the accounting policies applied.

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

27. Segment reporting (Continued)

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

(*) The Company does not manage Chrysotile assets and liabilities in the domestic and foreign markets on a segregate basis.

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

27. Segment reporting (Continued)

		12/31/2012						
		Total assets	Liabilities	Net revenue	Income (loss) before taxes	Depreciation and amortization	Financial income (expenses)	IRPJ / CSLL
Fiber cement and synthetic fiber cement								
	Southeast	**229,543**	**39,849**	**98,187**	**7,216**	**2,319**	**168**	**(1,116)**
	South	**51,727**	**45,911**	**111,831**	**8,272**	**3,840**	**191**	**(1,271)**
	Mid-West	**64,816**	**54,212**	**172,346**	**18,210**	**1,959**	**295**	**(1,959)**
	North and Northeast	**26,058**	**27,243**	**77,731**	**5,712**	**2,104**	**134**	**(883)**
		372,144	**167,215**	**460,095**	**39,410**	**10,222**	**788**	**(5,229)**
Chrysotile								
	Domestic market	**272,495**	**110,676**	**123,526**	**50,638**	**11,361**	**1,423**	**(16,398)**
	Foreign market (*)	**-**	**-**	**170,869**	**61,670**	**-**	**1,968**	**(22,683)**
		272,495	**110,676**	**294,395**	**112,308**	**11,361**	**3,391**	**(39,081)**
Concrete roof tiles	Domestic market	**98,921**	**26,955**	**75,674**	**3,540**	**5,372**	**(2,479)**	**771**
Other	Domestic market	**66,560**	**25,740**	**76,153**	**2,544**	**1,818**	**549**	**(1,259)**
		810,120	**330,586**	**906,317**	**157,802**	**28,773**	**2,249**	**(44,798)**

(*) The Company does not manage Chrysotile assets and liabilities in the domestic and foreign markets on a segregate basis.

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

28. Insurance coverage

The Company has insurance coverage at an amount considered sufficient to cover any losses arising from contingent events, considering the nature of its activities, risks involved in its operations and guidance from its insurance advisers. Insurance taken out by the Group as of December 31, 2013 are as follows:

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

29. Financial instruments

29.1 Identification and assessment of financial instruments

a) Financial instrument analysis

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

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

	Company		Consolidated	
Measured at fair value	**12/31/2013**	**12/31/2012**	**12/31/2013**	**12/31/2012**
Financial assets				
Cash and cash equivalents	**9,516**	3,852	**13,295**	16,656
Short-term investments	**9,897**	48,612	**35,661**	78,930
Accounts receivable from foreign market	**-**	-	**55,521**	61,228
	19,413	52,464	**104,477**	156,814

	Company		Consolidated	
Measured at amortized cost	**12/31/2013**	**12/31/2012**	**12/31/2013**	**12/31/2012**
Financial liabilities				
Trade accounts payable	**22,444**	30,417	**39,293**	48,968
Loans and financing	**23,312**	8,785	**82,680**	79,946
	45,756	39,202	**121,973**	128,914

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

29. Financial instruments (Continued)

29.1 Identification and assessment of financial instruments (Continued)

b) Fair value hierarchy

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

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

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

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

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

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

	Company			
Measured at fair value	**12/31/2013**	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Cash and cash equivalents	**9,516**	**9,516**	-	-
Short-term investments	**9,897**	**9,897**	-	-
	19,413	**19,413**	-	-

	Consolidated			
Measured at fair value	**12/31/2013**	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Cash and cash equivalents	**13,295**	**13,295**	-	-
Short-term investments	**35,661**	**35,661**	-	-
Accounts receivable from foreign market	**55,521**	**55,521**	-	-
	104,477	**104,477**	-	-

29. Financial instruments (Continued)

29.1 Identification and assessment of financial instruments (Continued)

For the year ended December 31, 2013, there was no fair value assessment transfer between Level I and Level II, or fair value assessment transfer between Level III and Level II.

29.2 Financial risk management

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

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

a) Currency risk

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

As of December 31, 2013 and 2012, the Group was exposed to a currency other than its functional currency, as follows:

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

29. Financial instruments (Continued)

29.2 Financial risk management (Continued)

a) Currency risk (Continued)

	Consolidated		Quote as of December 12, 2013
	12/31/2013	**12/31/2012**	**(US$ / € 1.00 = R$1.00)**
Foreign customers	**55,521**	61,228	2.34
Foreign market suppliers	**(7,570)**	(8,492)	2.34
ACE	**(39,955)**	(26,319)	2.34
ACC	**-**	(20,429)	2.34
Financing (USD)	**(24,020)**	(8,125)	2.34
Financing (EUR)	**(1,067)**	(313)	3.23
Other	**-**	(140)	2.34
Total currency exposure	**(17,091)**	(2,590)	

a1) *Sensitivity analysis*

In order to measure the economic impact of exchange variation on the Group's financial instruments, four scenarios were considered in relation to the exchange rate at December 31, 2013. Pursuant to CVM Ruling No. 475/08, the Group conducted a sensitivity analysis using the probable depreciation scenario at the rate of 50% (Scenario I) and 25% (Scenario II), and appreciation at the rate of 25% (Scenario III) and 50% (Scenario IV), as follows.

				Rate depreciation		Rate appreciation	
Balances (foreign currency) – consolidated	**Risk**	**Rate (*)**	**Position as of December 31, 2013**	**Scenario I (-50%)**	**Scenario II (-25%)**	**Scenario III (+25%)**	**Scenario IV (+50%)**
USD				1.17	1.76	2.93	3.51
Foreign market customers	USD	2.34	55,521	27,761	41,641	69.402	83.282
Foreign market suppliers	USD	2.34	(7,570)	(3,785)	(5,694)	(9.479)	(11.355)
ACE	USD	2.34	(39,955)	(19,978)	(29,967)	(49.944)	(59.933)
Financing	USD	2.34	(24,020)	(12,010)	(18,015)	(30.025)	(36.030)
EUR				1,61	2,42	4,03	4,84
Financing	EUR	3.23	(1,067)	(534)	(800)	(1.334)	(1.601)
		Potential gain (loss)	**(17.091)**	**(8.544)**	**(12,833)**	**(21,376)**	**(25,632)**

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

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

29. Financial instruments (Continued)

29.2 Financial risk management (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 CDI.

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

	Company		Consolidated	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Short-term investments (cash equivalents)	**-**	2,051	**2,196**	13,071
Short-term investments	**9,897**	48,612	**35,661**	78,930
Total exposure to interest rate	**9,897**	**50,663**	**37,857**	**92,001**

The Group’s management believes that there is low risk of significant fluctuations in CDI over the next 12 months, taking into account the stability allowed by the current monetary policy adopted by the Federal Government, as well as the history of increases in the base interest rate in Brazilian economy in recent years. Thus, it did not take out derivatives to hedge against this risk.

The table below sets out the net economic impact of increases in the interest rate curve used in the Group's financial instruments, using the probable scenario of interest rate reduction by 50% (Scenario I) and 25% (Scenario II), and increase by 25% (Scenario III) and 50% (Scenario IV), in addition to the probable scenario, which corresponds to maintenance of current interest rate.

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

29. Financial instruments (Continued)

29.2 Financial risk management (Continued)

b) Interest rate risks (Continued)

			Projection of financial income – one year				
				Reduction risk		Increase risk	
Short-term investments – Consolidated	**Index**	**Position as of December 31, 2013**	**Probable scenario**	**Scenario I (-50%)**	**Scenario II (-25%)**	**Scenario III (+25%)**	**Scenario IV (+50%)**
CDI			**8.23%**	**4.12%**	**6.17%**	**10.29%**	**12.35%**
Short-term investments (cash equivalents)	CDI	2,196	2,376	2,286	2,331	2,421	2.467
Short-term investments	CDI	35.661	38,596	37,129	37,862	39,330	40,063

c) 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, 2013 (1.5% at December 31, 2012).

Demand deposits and short-term investments
The Group is also subject to credit risks related to financial instruments taken out for business management purposes. The Group management considers that there is low risk of non-settlement of transactions in financial institutions in Brazil.

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

29. Financial instruments (Continued)

29.2 Financial risk management (Continued)

d) Liquidity risk

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

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

e) Capital management

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

Management may adjust capital of the Group in accordance with its strategy, seeking the best capital structure and adjusting it to current economic conditions. For the year ended December 31, 2013, there were no changes in capital structure objectives, policies or processes. The Group includes in its net debt structure: loans, financing less cash and cash equivalents.

	Company		Consolidated	
	Leverage		Leverage	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Loans and financing	**23,312**	8,785	**82,680**	79,946
(-) Cash and cash equivalents	**(9,516)**	(3,852)	**(13,295)**	(16,656)
Net debt	**13,796**	4,933	**69,385**	63,290
Equity	**506,113**	479,520	**506,129**	479,534
Net debt and equity	**492,317**	474,587	**436,744**	416,244

30. Commitments and guarantees

The Group has no contractual commitments with suppliers for the following years in connection with management, operation and maintenance of its assets. Existing commitments follow market practices.

As of December 31, 2013, the Group had the following guarantees:

(i) Assignment of fixed assets provided as guarantee in legal proceedings, amounting to R$ 1,272, as mentioned in Note 11;

(ii) The Company has collaterally signed R$ 14,521 in ACE operations of subsidiary SAMA, amounting to R$ 39,955, as mentioned in Note 14, (f);

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

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

(v) Financing guarantee to the Goiás State Development Agency, amounting to R$ 5,824, with Banco Bradesco, maturing in February 2014;

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

31. Environment and mineral resources

Environment

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

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

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

31. Environment and mineral resources (Continued)

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

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

	12/31/2013	12/31/2012
Discount rate	**10% p.a.**	7.54% p.a.
Long-term inflation rate	**5% p.a.**	5.2% p.a.

Present value of expected cash outlays	12/31/2013	12/31/2012
2032	**3,655**	3,082
2033	**3,137**	2,645
2034	**1,625**	1,371
2035 to 2039	**1,309**	1,103
	9,726	8,201

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, 2013 was R$ 1,525 (R$ 1,497 in 2012), calculated based on the current production of Chrysotile.

Mineral resources (unaudited)

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

Description	12/31/2013	12/31/2012
Mineral resources	**8,171,458 t**	8,462,643 t
Production for the year	**291,186 t**	304,568 t
Mine estimated useful life	**19 years**	30 years

Audit Board Report

The Audit Board of Eternit S.A., in compliance with the law and its Bylaws, examined the Management Report and Financial Statements (individual and consolidated) for the fiscal year ended December 31, 2013. Based on its examination, and considering the unqualified auditor's report dated March 12, 2014 issued by the independent auditors EY, it is of the opinion that said documents and the proposal for the allocation of net income from the period, including the distribution of dividends, are in adequate conditions to be deliberated at the Annual Shareholders' Meeting.

São Paulo, March 12, 2014.

Audit Board

Charles René Lebarbenchon - Coordinator

Edson Carvalho de Oliveira Filho

Paulo Henrique Zukanovich Funchal

Board of Directors

Sergio Alexandre Melleiro
Chairman of the Board of Directors

Benedito Carlos Dias da Silva

Lírio Albino Parisotto

Luiz Barsi Filho

Luis Terepins

Marcelo Munhoz Auricchio

Executive Board

Nelson Pazikas
CEO, Investor Relations Officer, and Chief Administrative and Financial Officer

Flavio Grisi

Marcelo Ferreira Vinhola

Rogério Renner dos Santos

Rubens Rela Filho

Accountant

Rodrigo Lopes da Luz

CRC 1SP212660-O/3

A free translation from Portuguese into English of Independent Auditor's Report on individual financial statements in accordance with accounting practices adopted in Brazil and on consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board - IASB and also with accounting practices adopted in Brazil

Independent auditor’s report on financial statements

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

Introduction

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 at December 31, 2013, and the related income statement, statement of comprehensive income, statement of changes in equity and cash flow statement 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 financial statements in accordance with accounting practices adopted in Brazil and of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and in accordance with accounting practices adopted in Brazil, and for such internal controls 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 these 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion on the individual financial statements

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the financial position of Eternit S.A. at December 31, 2013, its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Eternit S.A. at December 31, 2013, its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Emphasis of matters

As mentioned in Note 2.1, the individual financial statements were prepared in accordance with accounting practices adopted in Brazil. In the case of Eternit S.A., such practices are different to IFRS, applicable to separate financial statements, only regarding assessment of investments in subsidiaries and joint ventures under the equity method, whereas, for IFRS purposes, it would be under the cost or fair value method. Our opinion does not contain any qualification on this matter.

We draw attention to Note 1) to the individual and consolidated financial statements, which describes the uncertainty in relation to the Brazilian Supreme Court (STF) judgment of the overall merit of Direct Actions of Unconstitutionality (ADI) No. 3357, considering State Law No. 11643/2001, in the state of Rio Grande do Sul, which prohibits the production and sale of amiantus-based products in that state, and ADI No. 3937, considering State Law No. 12684/2007, in the state of São Paulo, which prohibits the use, in the state of São Paulo, of products, materials or items containing any type of amiantus or asbestos; as well as other ADIs on amiantus. Our opinion does not contain any qualification on this matter.

We draw attention to Note 21iii.e) to the individual and consolidated financial statements, which describes the Public Civil Class Actions, proceedings No. 0002106-72.2013.5.02.0009 and No. 0002715-55.2013.5.02.0009, filed, respectively, on August 9, 2013 and October 4, 2013, by the São Paulo State Department of Labor and by ABREA against the Company, wherein the working environment conditions of the factory in Osasco, whose activities ended in 1993, are discussed. The probability of loss was assessed as possible by the Company's legal advisors. Therefore, no provision for loss was recognized in connection with these Public Civil Class Actions. Our opinion does not contain any qualification on 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, 2013, 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 12, 2014

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

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