Individual and Consolidated Interim Financial Information

Eternit S.A.

Quarter ended March 31, 2014
with Independent Auditor's Review Report

Contents

INTERIM FINANCIAL STATEMENTS (ITR) - 03/31/2014 ETERNIT SA

Information from company / Paid-up capital

Number of shares (Thousands)	**Current Quarter 03/31/2014**
Paid-in Capital	
Common	89,500
Preferred	0
Total	**89,500**
Trasury shares	
Common	29
Preferred	0
Total	**29**

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

Information from company / Paid-up capital

Dividends aproved and/or paid during and after quarter

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

Individual FSs / Balance Sheet Asset

(Thousands of reais)

Account Code	Account Description	Current financial year 03/31/2014	Current financial year 12/31/2013
1	Total Assets	711,638	694,937
1.01	Current Assets	256,004	227,911
1.01.01	Cash and Cash Equivalents	4,441	9,516
1.01.02	Temporary investments	40,514	9,897
1.01.02.02	Financial Investments Valued at Amortized Cost	40,514	9,897
1.01.02.02.01	Securities held until maturity	40,514	9,897
1.01.03	Accounts receivable	71,992	69,774
1.01.03.01	Clients	71,992	69,774
1.01.04	Inventory	80,145	85,833
1.01.06	Recoverable Taxes	9,864	16,542
1.01.06.01	Current and Recoverable Taxes	9,864	16,542
1.01.07	Prepaid expenses	764	195
1.01.08	Other Current assets	48,284	36,154
1.01.08.03	Other	48,284	36,154
1.01.08.03.01	Related parties	42,420	31,615
1.01.08.03.02	Other	5,864	4,539
1.02	Non-current asset	455,634	467,026
1.02.01	Long-term assets	62,345	65,288
1.02.01.03	Accounts receivable	339	490
1.02.01.03.02	Other Accounts Receivable	339	490
1.02.01.06	Deferred Taxes	23,158	24,037
1.02.01.06.01	Differed Income Tax And Social Contribution	23,158	24,037
1.02.01.08	Credits with Related Parties	9,924	9,723
1.02.01.08.02	Credits with Subsidiaries	9,924	9,723
1.02.01.09	Other noncurrent assets	28,924	31,038
1.02.01.09.03	Recoverable taxes	22,323	22,219
1.02.01.09.04	Escrow deposits and tax incentives	6,601	8,819
1.02.02	Investments	250,286	247,729
1.02.02.01	Shareholdings	250,286	247,729
1.02.02.01.02	Shareholding in Subsidiaries	250,286	247,729
1.02.03	Fixed	137,156	149,425
1.02.03.01	Non-current in Operation	108,664	111,261
1.02.03.01.01	Non-current in Operation	113,810	116,407
1.02.03.01.02	Provision for Loss with Non-current	(5,146)	(5,146)
1.02.03.03	Non-current in progress	28,492	38,164
1.02.04	Intangible	5,847	4,584
1.02.04.01	Intangible	5,847	4,584
1.02.04.01.02	Software	1,555	1,729
1.02.04.01.03	Other intangible assets	11	11
1.02.04.01.05	Intangible assets in progress	4,281	2,844

Individual FSs / Balance Sheet Liability

(Thousands of reais)

Account Code	Account Description	Current financial year 03/31/2014	Current financial year 12/31/2013
2	Total Liabilities	711,638	694,937
2.01	Current liabilities	109,020	88,826
2.01.01	Labor and Social Obligations	13,362	12,980
2.01.01.01	Social obligations	2,771	2,516
2.01.01.02	Labor Obligations	10,591	10,464
2.01.02	Trade accounts payable	25,449	22,444
2.01.02.01	National Trade accounts payable	17,606	15,497
2.01.02.02	Foreign Trade accounts payable	7,843	6,947
2.01.03	Tax obligations	10,837	12,226
2.01.03.01	Federal Taxes Obligations	5,005	5,922
2.01.03.01.01	Payable income tax and social contribution	-	863
2.01.03.01.02	Other Federal Taxes	5,005	5,059
2.01.03.02	State tax obligations	5,832	6,304
2.01.04	Loans and financing	8,430	8,944
2.01.04.01	Loans and financing	8,430	8,944
2.01.05	Other Obligations	48,768	30,058
2.01.05.01	Liabilities with Related Parties	9,157	7,243
2.01.05.02	Other	39,611	22,815
2.01.05.02.01	Payable Dividends and INTEREST ON CAPITAL	34,817	17,881
2.01.05.02.04	Other accounts payable	4,794	4,934
2.01.06	Provisions	2,174	2,174
2.01.06.01	Labor and Civil Social Security Tax Provisions	2,174	2,174
2.01.06.01.05	Provision for future benefits to former employees	2,174	2,174
2.02	Noncurrent liabilities	90,909	99,998
2.02.01	Loans and financing	4,605	14,368
2.02.01.01	Loans and financing	4,605	14,368
2.02.01.01.01	In national currency		14,368
2.02.02	Other Obligations	38,435	36,805
2.02.02.01	Liabilities with Related Parties	29,701	29,108
2.02.02.02	Other	8,734	7,697
2.02.02.02.03	Taxes, fees and contributions payable	8,734	7,697
2.02.04	Provisions	47,869	48,825
2.02.04.01	Labor and Civil Social Security Tax Provisions	47,869	48,825
2.02.04.01.02	Labor and Social Security Provisions	18,408	19,780
2.02.04.01.04	Civil Provisions	5,487	5,335
2.02.04.01.05	Provision for future benefits to former employees	23,974	23,710
2.03	Net Property	511,709	506,113
2.03.01	Capital Stock Held	334,251	334,251
2.03.02	Capital Reserves	19,672	19,672
2.03.02.01	Goodwill on the issue of shares	23	23
2.03.02.07	Grants for investment	19,649	19,649
2.03.04	Profit reserves	155,633	155,633
2.03.04.01	Legal reserve	30,630	30,630
2.03.04.02	Statutory Reserve	26,990	26,990
2.03.04.05	Retained Profits Reserve	98,187	98,187
2.03.04.09	Treasury shares	(174)	(174)
2.03.05	Accumulated Profits/Losses	5,596	
2.03.08	Other Comprehensive Results	(3,443)	(3,443)

Individual FSs / Income Statement

(Thousands of reais)

Account Code	Account Description	Accumulated of Current financial year 01/01/2014 to 03/31/2014	Accumulated of Current financial year 01/01/2013 to 03/31/2013
3.01	Revenue from Sale of Goods and/or Services	122,334	118,753
3.02	Cost of Goods and/or Services Sold	(91,585)	(86,096)
3.03	Gross Income	30,749	32,657
3.04	Operational Expenses/Revenues	(8,082)	(10,486)
3.04.01	Sale expenses	(13,970)	(13,993)
3.04.02	General and administrative expenses	(12,885)	(13,358)
3.04.04	Other Operational Incomes	1,301	921
3.04.05	Other Operational Expenses	(1,479)	(2,094)
3.04.06	Result of equity equivalence	18,951	18,038
3.05	Result Before Financial Result and Taxes	22,667	22,171
3.06	Financial Results	1,702	(72)
3.06.01	Financial income	6,883	2,963
3.06.02	Financial expenses	(5,181)	(3,035)
3.07	Result Before Income Taxes	24,369	22,099
3.08	Income Tax and Social Contribution on Profit	(879)	(626)
3.08.02	Deferred	(879)	(626)
3.09	Net result from continued operations	23,490	21,473
3.11	Profit/Loss for the Period	23,490	21,473
3.99.01.01	PN	0.26	0.24
3.99.02.01	ON	0.26	0.24

Individual FSs / Income Statement per Nature

(Thousands of reais)

Account Code	Account Description	Accumulated of Current financial year 01/01/2014 to 03/31/2014	Accumulated of Current financial year 01/01/2013 to 03/31/2013
4.01	Net Income for the Period	23,490	21,473
4.03	Comprehensive Result for the Period	23,490	21,473

Individual FSs / Cash Flow

(Thousands of reais)

Account Code	Account Description	Accumulated of Current financial year 01/01/2014 to 03/31/2014	Accumulated of Current financial year 01/01/2013 to 03/31/2013
6.01	Net Cash Operational Activities	29,442	9,531
6.01.01	Cash Generated by Operations	8,852	7,246
6.01.01.01	Net Income for the Period	24,369	22,099
6.01.01.02	Result of equity equivalence	(18,951)	(18,038)
6.01.01.03	Depreciation, amortization and exhaustion	2,890	2,774
6.01.01.04	Result on discharge of fixed assets	(163)	(26)
6.01.01.05	Provision for credits of doubtful payment	194	101
6.01.01.06	Provision for risks	520	214
6.01.01.07	Miscellaneous Provisions	351	329
6.01.01.08	Financial charges, monetary variation and exchange rat	(213)	215
6.01.01.09	Incomes from temporary investments	(553)	(771)
6.01.01.10	Realization of anticipated expenses	408	349
6.01.02	Variations in assets e liabilities	20,590	2,285
6.01.02.01	Accounts receivable from clients	(2,414)	1,699
6.01.02.02	Receivables from Related parties	(962)	204
6.01.02.03	Dividends received	8,735	15,818
6.01.02.04	Inventory	5,688	(13,296)
6.01.02.05	Taxes recoverable	7,467	188
6.01.02.07	Legal deposits	478	(309)
6.01.02.08	Other assets	(2,262)	(1,601)
6.01.02.09	Trade accounts payable	2,920	2,351
6.01.02.10	Tax obligations payable	(1,046)	(832)
6.01.02.11	Labor and Social Obligations	382	(1,372)
6.01.02.13	Other liabilities	(195)	(406)
6.01.02.14	Interest paid	(115)	(183)
6.01.02.15	Paid income tax and social contribution	-	(16)
6.01.02.16	Payables to Related parties	1,914	40
6.02	Net Cash Investing Activities	(38,848)	1,776
6.02.01	Acquisition of fixed and intangible assets	(6,415)	(7,408)
6.02.03	Rcvd. sale of fixed and intangible assets	221	304
6.02.08	Loan to related company to receive	(201)	(116)
6.02.09	Investment Acquisition	(2,389)	(3,785)
6.02.10	Short-term investments	(39,900)	(29,235)
6.02.11	Redemption of short-term investments	9,836	42,016
6.03	Net Cash from Financing Activities	4,331	(12,665)
6.03.01	Capture of financings - third parties	4,608	4,739
6.03.02	Loan to related company	(105)	(66)
6.03.05	Amortization of financing	(172)	(20)
6.03.06	Payment of dividends and INTEREST ON CAPITAL	-	(17,318)
6.05	Increase (Decrease) in Cash and Cash Equivalents	(5,075)	(1,358)
6.05.01	Initial Balance and Cash and Cash Equivalents	9,516	3,852
6.05.02	Final Balance of Cash and Cash Equivalents	4,441	2,494

Individual FSs / Changes in Equity - 03/31/2014

(Thousands of reais)

Account Code	Account Description	Paid-in Capital	Capital Reserves, Options Granted and Treasury Shares	Profit Reserves	Accumulated Profits or Losses	Other Comprehensive Results	Net Property
5.01	Initial Balance	334,251	19,498	155,807		(3,443)	506,113
5.03	Initial Adjusted Balance	334,251	19,498	155,807		(3,443)	506,113
5.04	Transactions with Capital from the Partners				(17,894)	-	(17,894)
5.04.06	Dividends				(11,900)	-	(11,900)
5.04.07	Interest on equity				(5,994)	-	(5,994)
5.05	Total Comprehensive Result				23,490	-	23,490
5.05.01	Net Income for the Period				23,490	-	23,490
5.07	Final Balances	334,251	19,498	155,807	5,596	(3,443)	511,709

Individual FSs / Changes in Equity - 03/31/2013

(Thousands of reais)

Account Code	Account Description	Paid-in Capital	Capital Reserves, Options Granted and Treasury Shares	Profit Reserves	Accumulated Profits or Losses	Other Comprehensive Results	Net Property
5.01	Initial Balance	334,251	19,214	126,055	-	-	479,520
5.03	Initial Adjusted Balance	334,251	19,214	126,055	-	-	479,520
5.04	Transactions with Capital from the Partners	-			(17,894)	-	(17,894)
5.04.06	Dividends	-			(12,168)	-	(12,168)
5.04.07	Interest on equity	-			(5,726)	-	(5,726)
5.05	Total Comprehensive Result	-			21,473	-	21,473
5.05.01	Net Income for the Period	-			21,473	-	21,473
5.07	Final Balances	334,251	19,214	126,055	3,579	-	483,099

Individual FSs / Added Value

(Thousands of reais)

Account Code	Account Description	Accumulated of Current financial year 01/01/2014 to 03/31/2014	Accumulated of Current financial year 01/01/2013 to 03/31/2013
7.01	Revenues	165,527	160,880
7.01.01	Sales of goods, products and services	165,715	160,700
7.01.02	Other revenues	6	281
7.01.04	Provision / Reversal of creds. Doubtful Settlement	(194)	(101)
7.02	Inputs Purchased From Third Parties	(108,244)	(116,122)
7.02.01	Costs Prods., Mercs. and servs. Sold	(76,327)	(105,736)
7.02.02	Materials, energy and services from third parties and others	(29,236)	(8,862)
7.02.03	Loss / Recovery of asset values	(1,881)	(1,514)
7.02.04	Other	(800)	(10)
7.03	Gross Added Value	57,283	44,758
7.04	Retentions	(2,890)	(2,774)
7.04.01	Depreciation, amortization and exhaustion	(2,890)	(2,774)
7.05	Net added value produced	54,393	41,984
7.06	Added value received in transfer	27,314	22,141
7.06.01	Result of equity equivalence	18,951	18,038
7.06.02	Financial income	6,883	2,963
7.06.03	Other	1,480	1,140
7.07	Total Added Value To Distribute	81,707	64,125
7.08	Distribution Of Value Added	81,707	64,125
7.08.01	Personal	23,660	19,213
7.08.01.01	Direct compensation	14,294	11,892
7.08.01.02	Benefits	8,015	6,303
7.08.01.03	F.G.T.S.	1,351	1,018
7.08.02	Taxes, fees and contributions	27,603	18,426
7.08.02.01	Federal	18,358	13,528
7.08.02.02	State	8,831	4,661
7.08.02.03	Municipal	414	237
7.08.03	Remuneration of capital from third parties	6,954	5,013
7.08.03.01	Interest	5,181	3,036
7.08.03.02	Rentals	1,773	1,977
7.08.04	Remuneration of own capital	23,490	21,473
7.08.04.01	Interest on equity	5,994	5,726
7.08.04.02	Dividends	11,900	12,168
7.08.04.03	Retained Profit/Loss for the Period	5,596	3,579

Consolidated FSs / Balance Sheet Asset

(Thousands of reais)

Account Code	Account Description	Current Financial 03/31/2014	Current Financial 12/31/2013
1	Total Assets	874,723	833,632
1.01	Current Assets	416,090	389,943
1.01.01	Cash and Cash Equivalents	7,900	13,295
1.01.02	temporary investments	68,080	35,661
1.01.02.02	Financial Investments Valued at Amortized Cost	68,080	35,661
1.01.02.02.01	Securities held until maturity	68,080	35,661
1.01.03	Accounts receivable	169,624	160,389
1.01.03.01	Clients	169,624	160,389
1.01.04	Inventory	133,805	141,944
1.01.06	Recoverable Taxes	13,177	19,648
1.01.06.01	Current and Recoverable Taxes	13,177	19,648
1.01.07	Prepaid expenses	965	498
1.01.08	Other Current assets	22,539	18,508
1.01.08.03	Other	22,539	18,508
1.01.08.03.01	Related parties	11,324	9,780
1.01.08.03.02	Other	11,215	8,728
1.02	Non-current asset	458,633	443,689
1.02.01	Long-term assets	95,356	99,917
1.02.01.03	Accounts receivable	2,081	2,229
1.02.01.03.02	Other Accounts Receivable	2,081	2,229
1.02.01.06	Deferred Taxes	53,019	55,112
1.02.01.06.01	Differed Income Tax And Social Contribution	53,019	55,112
1.02.01.08	Credits with Related Parties	2,062	2,018
1.02.01.08.03	Credits with Controllers	2,062	2,018
1.02.01.09	Other noncurrent assets	38,194	40,558
1.02.01.09.03	Taxes Recoverable	24,741	25,022
1.02.01.09.04	Escrow deposits and tax incentives	13,453	15,536
1.02.02	Investments	35,575	36,032
1.02.02.01	Shareholdings	35,575	36,032
1.02.02.01.01	Shareholding in Affiliates	35,575	36,032
1.02.03	Fixed	297,913	279,064
1.02.03.01	Non-current in Operation	233,197	235,280
1.02.03.01.01	Non-current in Operation	238,494	240,577
1.02.03.01.02	Provision for Loss with Non-current	(5,297)	(5,297)
1.02.03.03	Non-current in progress	64,716	43,784
1.02.04	Intangible	29,789	28,676
1.02.04.01	Intangible	9,794	8,681
1.02.04.01.02	Software	4,022	4,347
1.02.04.01.03	Other intangible assets	1,490	1,490
1.02.04.01.04	Intangible assets in progress	4,282	2,844
1.02.04.02	Goodwill	19,995	19,995

Consolidated FSs / Balance Sheet Liability

(Thousands of reais)

Account Code	Account Description	Current Financial 03/31/2014	Current Financial 12/31/2013
2	Total Liabilities	874,723	833,632
2.01	Current liabilities	203,052	193,082
2.01.01	Labor and Social Obligations	26,721	28,009
2.01.01.01	Social obligations	4,296	4,365
2.01.01.02	Labor Obligations	22,425	23,644
2.01.02	Trade accounts payable	44,389	39,293
2.01.02.01	National Trade accounts payable	36,546	31,723
2.01.02.02	Foreign Trade accounts payable	7,843	7,570
2.01.03	Tax obligations	24,516	34,015
2.01.03.01	Federal Taxes Obligations	15,092	24,643
2.01.03.01.01	Payable income tax and social contribution	5,147	14,674
2.01.03.01.02	Other Federal Taxes	9,945	9,969
2.01.03.02	State tax obligations	9,424	9,372
2.01.04	Loans and financing	53,290	56,881
2.01.04.01	Loans and financing	53,290	56,881
2.01.05	Other Obligations	50,275	31,023
2.01.05.02	Other	50,275	31,023
2.01.05.02.01	Payable Dividends and INTEREST ON CAPITAL	34,817	17,881
2.01.05.02.04	Other accounts payable	15,458	13,142
2.01.06	Provisions	3,861	3,861
2.01.06.01	Labor and Civil Social Security Tax Provisions	3,861	3,861
2.01.06.01.05	Provision for future benefits to former employees	3,861	3,861
2.02	Noncurrent liabilities	159,946	134,421
2.02.01	Loans and financing	48,392	25,799
2.02.01.01	Loans and financing	48,392	25,799
2.02.01.01.01	In national currency	48,392	25,799
2.02.02	Other Obligations	21,911	19,436
2.02.02.02	Other	21,911	19,436
2.02.02.02.03	Taxes, fees and contributions payable	11,654	9,432
2.02.02.02.04	Reassembling of the mine	9,965	9,726
2.02.02.02.05	Other accounts payable	292	278
2.02.04	Provisions	89,643	89,186
2.02.04.01	Labor and Civil Social Security Tax Provisions	89,643	89,186
2.02.04.01.02	Labor and Social Security Provisions	28,545	29,219
2.02.04.01.04	Civil Provisions	26,337	25,440
2.02.04.01.05	Provision for future benefits to former employees	34,761	34,527
2.03	Consolidated Equity	511,725	506,129
2.03.01	Capital Stock Held	334,251	334,251
2.03.02	Capital Reserves	19,672	19,672
2.03.02.01	Goodwill on the issue of shares	23	23
2.03.02.07	Grants for investment	19,649	19,649
2.03.04	Profit reserves	155,633	155,633
2.03.04.01	Legal reserve	30,630	30,630
2.03.04.02	Statutory Reserve	26,990	26,990
2.03.04.05	Retained Profits Reserve	98,187	98,187
2.03.04.09	Treasury shares	(174)	(174)
2.03.05	Accumulated Profits/Losses	5,596	
2.03.08	Other Comprehensive Results	(3,443)	(3,443)
2.03.09	Participation of non-controlling shareholders	16	16

Consolidated FSs / Income Statement

(Thousands of reais)

Account Code	Account Description	Accumulated of Current financial year 01/01/2014 to 03/31/2014	Accumulated of Current financial year 01/01/2013 to 03/31/2013
3.01	Revenue from Sale of Goods and/or Services	243,692	211,263
3.02	Cost of Goods and/or Services Sold	(152,941)	(126,707)
3.03	Gross Income	90,751	84,556
3.04	Operational Expenses/Revenues	(57,557)	(54,591)
3.04.01	Sale expenses	(28,435)	(26,666)
3.04.02	General and administrative expenses	(28,517)	(25,724)
3.04.04	Other Operational Incomes	2,800	1,960
3.04.05	Other Operational Expenses	(2,948)	(3,342)
3.04.06	Result of equity equivalence	(457)	(819)
3.05	Result Before Financial Result and Taxes	33,194	29,965
3.06	Financial Results	1,791	(210)
3.06.01	Financial income	14,840	8,617
3.06.02	Financial expenses	(13,049)	(8,827)
3.07	Result Before Income Taxes	34,985	29,755
3.08	Income Tax and Social Contribution on Profit	(11,495)	(8,281)
3.08.01	Current	(9,403)	(7,885)
3.08.02	Deferred	(2,092)	(396)
3.09	Net result from continued operations	23,490	21,474
3.11	Profit/Loss Consolidated for the Period	23,490	21,474
3.11.01	Assigned to Partners of the Parent Company	23,490	21,473
3.11.02	Assigned to Non-Controlling Partners		1,000
3.99.01.01	ON	0.26	0.24
3.99.02.01	ON	0.26	0.24

Consolidated FSs /Income Statement per Nature

(Thousands of reais)

Account Code	Account Description	Accumulated of Current financial year 01/01/2014 to 03/31/2014	Accumulated of Current financial year 01/01/2013 to 03/31/2013
4.01	Net Profit Consolidated for the Period	23,490	21,474
4.03	Consolidated Comprehensive Income for the Period	23,490	21,474
4.03.01	Assigned to Partners of the Parent Company	23,490	21,473
4.03.02	Assigned to Non-Controlling Partners	-	1

Consolidated FSs / Cash Flow

(Thousands of reais)

Account Code	Account Description	Accumulated of Current financial year 01/01/2014 to 03/31/2014	Accumulated of Current financial year 01/01/2013 to 03/31/2013
6.01	Net Cash Operational Activities	33,518	11,945
6.01.01	Cash Generated by Operations	43,812	39,538
6.01.01.01	Net Income for the Period	34,985	29,755
6.01.01.02	Depreciation, amortization and exhaustion	457	819
6.01.01.03	Result on discharge of fixed assets	9,177	8,857
6.01.01.04	Provision for credits of doubtful payment	(157)	(41)
6.01.01.05	Provision for risks	431	226
6.01.01.06	Miscellaneous Provisions	1,963	715
6.01.01.07	Financial charges, monetary and exchange variation	666	844
6.01.01.08	Incomes from temporary investments	(2,652)	(763)
6.01.01.09	Differed income tax and social contribution	(1,240)	(1,238)
6.01.01.10	Net changes in prepaid expenses	182	364
6.01.02	Variations in assets e liabilities	(10,294)	(27,593)
6.01.02.01	Accounts receivable from clients	(9,983)	18,823
6.01.02.02	Inventory	(1,588)	-
6.01.02.04	Interest received	8,361	(22,231)
6.01.02.05	Legal deposits	7,645	465
6.01.02.07	Trade accounts payable	343	(342)
6.01.02.08	Taxes payable	(3,487)	(1,498)
6.01.02.09	Provision for staff, salaries and social fees	4,998	4,226
6.01.02.10	Payment of contingencies	488	16
6.01.02.11	Other liabilities	(1,288)	(6,797)
6.01.02.13	Paid income tax and social contribution	2,567	51
6.01.02.14	Interest paid	(381)	(227)
6.01.02.15	Income and social contribution taxes paid	(17,970)	(20,079)
6.02	Net Cash Investing Activities	(60,161)	7,753
6.02.01	Acquisition of fixed and intangible assets	(29,204)	(13,990)
6.02.03	Acquisition of Tegula less net cash	221	319
6.02.09	Capital contribution ins subsidiaries	-	(3,785)
6.02.10	Short-term investments	(90,480)	(69,963)
6.02.11	Redemption of short-term investments	59,302	95,172
6.03	Net Cash from Financing Activities	21,248	(31,285)
6.03.01	Capture of financings - third parties	68,934	34,083
6.03.05	Amortization of financing	(47,686)	(48,050)
6.03.06	Payment of dividends and INTEREST ON CAPITAL	-	(17,318)
6.05	Increase (Decrease) in Cash and Cash Equivalents	(5,395)	(11,587)
6.05.01	Initial Balance and Cash and Cash Equivalents	13,295	16,656
6.05.02	Final Balance of Cash and Cash Equivalents	7,900	5,069

Consolidated FSs / Changes in Equity - 03/31/2014

(Thousands of reais)

Account Code	Account Description	Paid-in Capital	Capital Reserves, Options Granted and Treasury Shares	Profit Reserves	Accumulated Profits or Losses	Other Comprehensive Results	Net Property	Participation of non-controller	onsolidated Equit
5.01	Initial Balance	334,251	19,498	155,807	-	(3,443)	506,113	16	506,129
5.03	Initial Adjusted Balance	334,251	19,498	155,807	-	(3,443)	506,113	16	506,129
5.04	Transactions with Capital from the Partners				(17,894)	-	(17,894)		(17,894)
5.04.06	Dividends				(11,900)	-	(11,900)		(11,900)
5.04.07	Interest on equity				(5,994)	-	(5,994)		(5,994)
5.05	Total Comprehensive Result				23,490	-	23,490		23,490
5.05.01	Net Income for the Period				23,490	-	23,490		23,490
5.07	Final Balances	334,251	19,498	155,807	5,596	(3,443)	511,709	16	511,725

Consolidated FSs / Changes in Equity - 03/31/2013

(Thousands of reais)

Account Code	Account Description	Paid-in Capital	Capital Reserves, Options Granted and Treasury Shares	Profit Reserves	Accumulated Profits or Losses	Other Comprehensive Results	Net Property	Participation of non-controller	Consolidated Equ
5.01	Initial Balance	334,251	19,214	126,055	-	-	479,520	14	479,534
5.03	Initial Adjusted Balance	334,251	19,214	126,055	-	-	479,520	14	479,534
5.04	Transactions with Capital from the Part				(17,894)	-	(17,894)	-	(17,894)
5.04.06	Dividends				(12,168)	-	(12,168)	-	(12,168)
5.04.07	Interest on equity				(5,726)	-	(5,726)	-	(5,726)
5.05	Total Comprehensive Result				21,473	-	21,473	1	21,474
5.05.01	Net Income for the Period				21,473	-	21,473	1	21,474
5.07	Final Balances	334,251	19,214	126,055	3,579	-	483,099	15	483,114

Consolidated FSs / Added Value

(Thousands of reais)

Account Code	Account Description	Accumulated of Current financial year 01/01/2014 to 03/31/2014	Accumulated of Current financial year 01/01/2013 to 03/31/2013
7.01	Revenues	323,498	287,776
7.01.01	Sales of goods, products and services	310,688	276,300
7.01.02	Other revenues	13,240	11,702
7.01.04	Provision / Reversal of creds. Doubtful Settlement	(430)	(226)
7.02	Inputs Purchased From Third Parties	(189,719)	(171,224)
7.02.01	Costs Prods., Mercs. and servs. Sold	(135,779)	(146,045)
7.02.02	Materials, energy and services from third parties and othe	(50,930)	(23,380)
7.02.03	Loss / Recovery of asset values	(1,881)	(1,514)
7.02.04	Other	(1,129)	(285)
7.03	Gross Added Value	133,779	116,552
7.04	Retentions	(9,177)	(8,857)
7.04.01	Depreciation, amortization and exhaustion	(9,177)	(8,857)
7.05	Net added value produced	124,602	107,695
7.06	Added value received in transfer	16,149	8,776
7.06.01	Result of equity equivalence	(457)	(819)
7.06.02	Financial income	14,840	8,617
7.06.03	Other	1,766	978
7.07	Total Added Value To Distribute	140,751	116,471
7.08	Distribution Of Value Added	140,751	116,471
7.08.01	Personal	46,966	40,683
7.08.01.01	Direct compensation	29,948	26,146
7.08.01.02	Benefits	14,461	12,524
7.08.01.03	F.G.T.S.	2,557	2,013
7.08.02	Taxes, fees and contributions	52,721	40,847
7.08.02.01	Federal	34,727	28,910
7.08.02.02	State	17,359	11,508
7.08.02.03	Municipal	635	429
7.08.03	Remuneration of capital from third parties	17,574	13,468
7.08.03.01	Interest	13,049	8,827
7.08.03.02	Rentals	4,525	4,641
7.08.04	Remuneration of own capital	23,490	21,473
7.08.04.01	Interest on equity	5,994	5,726
7.08.04.02	Dividends	11,900	12,168
7.08.04.03	Retained Profit/Loss for the Period	5,596	3,579

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

Eternit S.A.

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

		Company		Consolidated	
	Note	03/31/2014	12/31/2013	03/31/2014	12/31/2013
Assets					
Current assets					
Cash and cash equivalents	4	**4,441**	9,516	**7,900**	13,295
Short-term investments	5	**40,514**	9,897	**68,080**	35,661
Accounts receivable	6	**71,992**	69,774	**169,624**	160,389
Inventories	7	**80,145**	85,833	**133,805**	141,944
Taxes recoverable	8	**9,864**	16,542	**13,177**	19,648
Related parties	10	**42,420**	31,615	**11,324**	9,780
Other current assets		**6,628**	4,734	**12,180**	9,226
Total current assets		**256,004**	227,911	**416,090**	389,943
Noncurrent assets					
Judicial deposits		**6,601**	8,819	**13,453**	15,536
Taxes recoverable	8	**22,323**	22,219	**24,741**	25,022
Deferred income and social contribution taxes	20.b	**23,158**	24,037	**53,019**	55,112
Related parties	10	**9,924**	9,723	**2,062**	2,018
Investments	9	**250,286**	247,729	**35,575**	36,032
Property, plant and equipment	11	**137,156**	149,425	**297,913**	279,064
Intangible	12	**5,847**	4,584	**29,789**	28,676
Other noncurrent assets		**339**	490	**2,081**	2,229
Total noncurrent assets		**455,634**	467,026	**458,633**	443,689
Total assets		**711,638**	694,937	**874,723**	833,632

	Note	Company 03/31/2014	Company 12/31/2013	Consolidated 03/31/2014	Consolidated 12/31/2013
Liabilities and equity					
Current liabilities					
Trade accounts payable	13	**25,449**	22,444	**44,389**	39,293
Related parties	10	**9,157**	7,243	-	-
Loans and financing	14	**8,430**	8,944	**53,290**	56,881
Provisions and social charges	15	**13,362**	12,980	**26,721**	28,009
Dividend and interest on equity payable	18.e	**34,817**	17,881	**34,817**	17,881
Provision for future benefits to former employees	17.b	**2,174**	2,174	**3,861**	3,861
Taxes, charges and contributions payable	16	**10,837**	12,226	**24,516**	34,015
Other current liabilities		**4,794**	4,934	**15,458**	13,142
Total current liabilities		**109,020**	88,826	**203,052**	193,082
Noncurrent liabilities					
Provision for future benefits to former employees	17.b	**23,974**	23,710	**34,761**	34,527
Loans and financing	14	**4,605**	14,368	**48,392**	25,799
Related parties	10	**29,701**	29,108	**-**	-
Provision for tax, civil, and labor claims	21	**23,895**	25,115	**54,882**	54,659
Taxes, charges and contributions payable	16	**8,734**	7,697	**11,654**	9,432
Environmental restoration of degraded mining areas	31	**-**	**-**	**9,965**	9,726
Other noncurrent liabilities		**-**	-	**292**	278
Total noncurrent liabilities		**90,909**	99,998	**159,946**	134,421
Equity					
Capital	18.a	**334,251**	334,251	**334,251**	334,251
Capital reserve		**19,672**	19,672	**19,672**	19,672
Treasury stock		**(174)**	(174)	**(174)**	(174)
Income reserves		**155,807**	155,807	**155,807**	155,807
Retained earnings		**5,596**	-	**5,596**	-
Other comprehensive income		**(3,443)**	(3,443)	**(3,443)**	(3,443)
Equity attributable to non-minority shareholders		**511,709**	506,113	**511,709**	506,113
Minority interests		**-**	-	**16**	16
Total equity		**511,709**	506,113	**511,725**	506,129
Total liabilities and equity		**711,638**	694,937	**874,723**	833,632

See accompanying notes.

Eternit S.A.

Income statements
Quarters ended March 31, 2014 and 2013
(In thousands of reais –R$, except earnings per share)

		Company		Consolidated	
	Note	03/31/2014	03/31/2013	03/31/2014	03/31/2013
Net operating revenue	23	**122,334**	118,753	**243,692**	211,263
Cost of sales	24	**(91,585)**	(86,096)	**(152,941)**	(126,707)
Gross profit		**30,749**	32,657	**90,751**	84,556
Operating income (expenses)					
Selling expenses	24	**(13,970)**	(13,993)	**(28,435)**	(26,666)
General and administrative expenses	24	**(11,412)**	(11,338)	**(26,161)**	(22,825)
Management compensation	24	**(1,473)**	(2,020)	**(2,356)**	(2,899)
Other operating income (expenses), net	25	**(178)**	(1,173)	**(148)**	(1,382)
Equity pickup	9	**18,951**	18,038	**(457)**	(819)
Total operating income (expenses)		**(8,082)**	(10,486)	**(57,557)**	(54,591)
Financial expenses	26	**(5,181)**	(3,035)	**(13,049)**	(8,827)
Financial income	26	**6,883**	2,963	**14,840**	8,617
Financial income (expenses), net		**1,702**	(72)	**1,791**	(210)
Income before income and social contribution taxes		**24,369**	22,099	**34,985**	29,755
Income and social contribution taxes					
Current	20	**-**	-	**(9,403)**	(7,885)
Deferred	20	**(879)**	(626)	**(2,092)**	(396)
Net income for the period		**23,490**	21,473	**23,490**	21,474
Attributable to:					
Non-minority shareholders		**23,490**	21,473	**23,490**	21,473
Minority shareholders		**-**	-	**-**	(1)
Net income for the period		**23,490**	21,473	**23,490**	21,472
Earnings per share basic and diluted – R$	18.c	**0.26**	0.24	**0.26**	0.24

See accompanying notes.

Eternit S.A.

Statements of comprehensive income
Quarters ended March 31, 2014 and 2013
(In thousands of reais)

	Company		Consolidated	
	03/31/2014	**03/31/2013**	**03/31/2014**	**03/31/2013**
Net income for the period	**23,490**	21,473	**23,490**	21,474
Other comprehensive income	**-**	-	**-**	-
Comprehensive income for the period	**23,490**	21,473	**23,490**	21,474
Attributable to:				
Non-minority shareholders	**23,490**	21,473	**23,490**	21,473
Minority shareholders	**-**	-	**-**	1

See accompanying notes.

Eternit S.A.

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

	Note	Capital	Capital reserve		Treasury stock	Income reserves			Retained earnings	Other comprehensive income	Total Company	Minority interest	Total equity
			Subsidies for investment	Goodwill on share acquisition		Statutory	Legal	Retained profit					
Balances at January 01, 2013		334,251	19,365	23	(174)	21,873	25,513	78,669	-	-	479,520	14	479,534
Net income for the period		-	-	-	-	-	-	-	21,473	-	21,473	1	21,474
Allocation of net income:													
Interest on equity - R$0.064 per outstanding share	18	-	-	-	-	-	-	-	(5,726)	-	(5,726)	-	(5,726)
Dividend - R$0.136 per outstanding share	18	-	-	-	-	-	-	-	(12,168)	-	(12,168)	-	(12,168)
Balances at March 31, 2013		**334,251**	**19,365**	**23**	**(174)**	**21,873**	**25,513**	**78,669**	**3,579**		**483,099**	**15**	**483,114**
Balances at January 01, 2014		**334,251**	**19,649**	**23**	**(174)**	**26,990**	**30,630**	**98,187**	**-**	**(3,443)**	**506,113**	**16**	**506,129**
Net income for the period		-	-	-	-	-	-	-	**23,490**	-	**23,490**	-	**23,490**
Allocation of net income:													
Interest on equity - R$0.067 per outstanding share	**18**	-	-	-	-	-	-	-	**(5,994)**	-	**(5,994)**	-	**(5,994)**
Dividend - R$0.133 per outstanding share	**18**	-	-	-	-	-	-	-	**(11,900)**	-	**(11,900)**	-	**(11,900)**
Balances at March 31, 2014		**334,251**	**19,649**	**23**	**(174)**	**26,990**	**30,630**	**98,187**	**5,596**	**(3,443)**	**511,709**	**16**	**511,725**

See accompanying notes.

Eternit S.A.

Cash flow statements
Quarters ended March 31, 2014 and 2013
(In thousands of reais)

	Note	Company		Consolidated	
		03/31/2014	03/31/2013	03/31/2014	03/31/2013
Cash flows from operating activities					
Income before income and social contribution taxes		**24,369**	22,099	**34,985**	29,755
Adjustments to reconcile pre-tax income to net cash generated by operating activities:					
Equity pickup	9	**(18,951)**	(18,038)	**457**	819
Depreciation and amortization	11/12	**2,890**	2,774	**9,177**	8,857
Gain (loss) on disposal of permanent assets	25	**(163)**	(26)	**(157)**	(41)
Provision for impairment losses on accounts receivable	6	**194**	101	**431**	226
Provision for tax, civil, and labor claims	21	**520**	214	**1,963**	715
Reversal of (provision for) sundry losses		**351**	329	**666**	844
Financial charges, monetary and exchange variation		**(213)**	215	**(2,652)**	(763)
Short-term investments yield		**(553)**	(771)	**(1,240)**	(1,238)
Net changes in prepaid expenses		**408**	349	**182**	364
(Increase) decrease in operating assets:					
Accounts receivable	6	**(2,414)**	1,699	**(9,983)**	18,823
Related-party receivables	10 a.	**(962)**	204	**(1,588)**	-
Inventories	7	**5,688**	(13,296)	**8,361**	(22,231)
Taxes recoverable	8	**7,467**	188	**7,645**	465
Judicial deposits		**478**	(309)	**343**	(342)
Dividend and interest on equity received		**8,735**	15,818	**-**	-
Other assets		**(2,262)**	(1,601)	**(3,487)**	(1,498)
Increase (decrease) in operating liabilities					
Trade accounts payable	13	**2,920**	2,351	**4,998**	4,226
Related-party payables	10	**1,914**	40	**-**	-
Taxes, charges and contributions payable	16	**(1,046)**	(832)	**488**	16
Provisions and social charges	15	**382**	(1,372)	**(1,288)**	(6,797)
Other liabilities		**(195)**	(406)	**2,568**	51
Interest paid		**(115)**	(183)	**(381)**	(227)
Income and social contribution taxes paid		**-**	(16)	**(17,970)**	(20,079)
Net cash generated by operating activities		**29,442**	**9,531**	**33,518**	**11,945**
Cash flows from investing activities					
Loan from related party receivable	10	**(201)**	(116)	**-**	-
Cash receipt from the sale of property, plant and equipment	25	**221**	304	**221**	319
Additions to property, plant and equipment and intangible assets	11/12	**(6,415)**	(7,408)	**(29,204)**	(13,990)
Capital contribution in subsidiaries	9	**(2,389)**	(3,785)	**-**	(3,785)
Short-term investments		**(39,900)**	(29,235)	**(90,480)**	(69,963)
Redemption of short-term investments		**9,836**	42,016	**59,302**	95,172
Net cash generated by (used in) investing activities		**(38,848)**	1,776	**(60,161)**	7,753
Cash flows from financing activities					
Loans and financing raised	14	**4,608**	4,739	**68,934**	34,083
Amortization of loans and financing	14	**(172)**	(20)	**(47,686)**	(48,050)
Loan with related party	10	**(105)**	(66)	**-**	-
Payment of dividend and interest on equity		**-**	(17,318)	**-**	(17,318)
Net cash generated by (used in) financing activities		**4,331**	(12,665)	**21,248**	(31,285)
(Decrease) in cash and cash equivalents		**(5,075)**	(1,358)	**(5,395)**	(11,587)
Increase (decrease) in cash and cash equivalents					
At beginning of period	4	**9,516**	3,852	**13,295**	16,656
At end of period	4	**4,441**	2,494	**7,900**	5,069
(Decrease) in cash and cash equivalents		**(5,075)**	(1,358)	**(5,395)**	**(11,587)**

See accompanying notes.

Eternit S.A.

Statements of value added
Quarters ended March 31, 2014 and 2013
(In thousands of reais)

		Company		Consolidated	
	Note	03/31/2014	03/31/2013	03/31/2014	03/31/2013
Revenues:					
Sales of goods, products and services	23	165,715	160,700	310,688	276,300
Other income		6	281	13,240	11,702
Allowance for doubtful accounts on accounts receivable		(194)	(101)	(430)	(226)
Total		165,527	160,880	323,498	287,776
Inputs acquired from third parties					
Cost of sales		(76,327)	(105,736)	(135,779)	(146,045)
Materials, electric energy, outsourced services and other		(29,236)	(8,862)	(50,930)	(23,380)
Loss/recovery of asset values		(1,881)	(1,514)	(1,881)	(1,514)
Other discounts, rebates and donations		(800)	(10)	(1,129)	(285)
		(108,244)	(116,122)	(189,719)	(171,224)
Gross value added		57,283	44,758	133,779	116,552
Depreciation, amortization and depletion	11/12	(2,890)	(2,774)	(9,177)	(8,857)
Net value added generated by the Company		54,393	41,984	124,602	107,695
Value added received in transfer					
Equity pickup	9	18,951	18,038	(457)	(819)
Financial income	26	6,883	2,963	14,840	8,617
Other		1,480	1,140	1,766	978
		27,314	22,141	16,149	8,776
Total value added to be distributed		81,707	64,125	140,751	116,471
Distribution of value added		81,707	64,125	140,751	116,471
Personnel:					
Direct compensation		14,294	11,892	29,948	26,146
Benefits		8,015	6,303	14,461	12,524
Unemployment Compensation Fund - FGTS		1,351	1,018	2,557	2,013
		23,660	19,213	46,966	40,683
Taxes, charges and contributions					
Federal		18,358	13,528	34,727	28,910
State		8,831	4,661	17,359	11,508
Local		414	237	635	429
		27,603	18,426	52,721	40,847
Debt remuneration:					
Interest		5,181	3,036	13,049	8,827
Rental		1,773	1,977	4,525	4,641
		6,954	5,013	17,574	13,468
Equity remuneration:					
Dividends	18	11,900	12,168	11,900	12,168
Interest on equity	18	5,994	5,726	5,994	5,726
Retained profit	18	5,596	3,579	5,596	3,579
		23,490	21,473	23,490	21,473

See accompanying notes.

1. Operations

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

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

The Group is structured as follows:

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

1. Operations (Continued)

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

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

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

Legal issues involving asbestos

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

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

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

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

1. **Operations** (Continued)

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

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

2. Summary of significant accounting practices

2.1 Statement of compliance and basis of preparation

The presentation of the interim financial information was approved and authorized by the Company’s Supervisory Board on May 6, 2014 and Board of Directors on May 7, 2014, to be published on May 8, 2014.

The Company’s interim financial information contained in the quarterly financial information form (ITR) for the quarter ended March 31, 2014 comprises:

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

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

2. Summary of significant accounting practices (Continued)

2.1 Statement of compliance and basis for preparation (Continued)

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

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

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

2.2 Basis of consolidation and investments in subsidiaries

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

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

2. Summary of significant accounting practices (Continued)

2.2 Basis of consolidation and investments in subsidiaries (Continued)

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

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

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

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

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

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

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

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

2. Summary of significant accounting practices (Continued)

2.3 Standards and interpretations and amendments to standards

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

- IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

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

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

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

2. Summary of significant accounting practices (Continued)

2.3 Standards and interpretations and amendments to standards (Continued)

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

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

This amendment provides an exception to the requirement to discontinue hedge accounting upon novation of a derivative designated as hedge meets certain criteria. hedging instrument, is novated, if specific conditions are met. This standard did not have significant impact on the financial position, performance or disclosures in the Group's financial information.

2.3.2 Existing standard with initial adoption as from 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 information.

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

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

2. Summary of significant accounting practices (Continued)

2.3 Standards and interpretations and amendments to standards (Continued)

2.3.2 Standards, amendments and interpretations of existing standards with first time adoption from January 1, 2015 (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, unless otherwise stated)

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	**03/31/2014**	**12/31/2013**
SAMA	**16,559**	16,559
Tégula	**3,436**	3,436
	19,995	19,995

3.2. Useful lives of property, plant and equipment

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

3.3. Income, social contribution and other taxes

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

3. Significant accounting judgments and sources of uncertainty 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 interim financial information.

3.5. Provision for future benefits to former employees

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

3.6. Environmental restoration of degraded mining areas

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

(In thousands of reais, unless otherwise stated)

4. Cash and cash equivalents

	Company		Consolidated	
	03/31/2014	**12/31/2013**	**03/31/2014**	**12/31/2013**
Cash and banks	**4,441**	9,516	**5,731**	11,100
Investments in bank deposit certificates	**-**	-	**2,169**	2,195
	4,441	9,516	**7,900**	13,295

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

5. Short-term investments

	Company		Consolidated	
	03/31/2014	**12/31/2013**	**03/31/2014**	**12/31/2013**
Investment funds	**40,514**	9,897	**68,080**	35,661

Most investment funds are investments remunerated based on a percentage of CDI and fixed income investments, remunerated at average rates of 102% of CDI variation (103% as of December 31, 2012).

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

(In thousands of reais, unless otherwise stated)

6. Accounts receivable

	Company		Consolidated	
	03/31/2014	12/31/2013	03/31/2014	12/31/2013
Domestic market	**75,470**	73,487	**121,172**	112,241
Foreign market	**-**	-	**55,999**	55,521
(-) Present value adjustment	**(434)**	(432)	**(1,679)**	(1,362)
	75,036	73,055	**175,492**	166,400
Provision for impairment losses on accounts receivable	**(3,044)**	(3,281)	**(5,868)**	(6,011)
	71,992	69,774	**169,624**	160,389

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

Aging list of accounts receivable

	Company		Consolidated	
	03/31/2014	12/31/2013	03/31/2014	12/31/2013
Falling due	**70,499**	65,939	**163,518**	146,010
Overdue:				
Up to 30 days	**850**	2,362	**5,380**	10,538
From 30 to 60 days	**353**	1,283	**38**	2,654
Over 60 days	**290**	190	**688**	1,187
	71,992	69,774	**169,624**	160,389

Changes in the provision for impairment losses on accounts receivable

	Company		Consolidated	
	03/31/2014	12/31/2013	03/31/2014	12/31/2013
Opening balance	**(3,281)**	(3,242)	**(6,011)**	(6,518)
Addition	**(194)**	(782)	**(431)**	(1,482)
Reversal	**-**	380	**-**	497
Write-off	**431**	363	**574**	1,492
Closing balance	**(3,044)**	(3,281)	**(5,868)**	(6,011)

(In thousands of reais, unless otherwise stated)

7. Inventories

	Company		Consolidated	
	03/31/2014	**12/31/2013**	**03/31/2014**	**12/31/2013**
Finished products	**39,070**	41,554	**66,489**	72,551
Semi-finished products	**-**	-	**2,149**	2,116
Resale	**8,756**	9,751	**13,592**	14,698
Raw materials	**27,577**	29,854	**29,813**	31,142
Support materials	**5,159**	5,091	**22,892**	22,789
(-) Allowance for losses (*)	**(417)**	(417)	**(1,130)**	(1,352)
	80,145	85,833	**133,805**	141,944

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

Changes in provision for inventory losses for the quarter ended March 31, 2014 and the period ended December 31, 2013 are as follows:

	Company	Consolidated
Balance at January 1, 2013	**-**	**(935)**
(+) Provision	**(443)**	**(443)**
(-) Reversal	**26**	**26**
Balance at December 31, 2013	**(417)**	**(1.352)**
(+) Provision	**-**	**-**
(-) Reversal	**-**	**222**
Balance at March 31, 2014	**(417)**	**(1,130)**

In the quarter ended March 31, 2014, raw material equivalent to R$ 63,827 (R$ 60,890 at March 2013) was used, recorded as cost in the Company and R$ 108,382 (R$ 88,530 at March 2013) in the Consolidated, as mentioned in Note 24.

(In thousands of reais, unless otherwise stated)

8. Taxes recoverable

	Company		Consolidated	
	03/31/2014	12/31/2013	03/31/2014	12/31/2013
Current:				
State value-added tax VAT (ICMS)	**1,068**	1,005	**2,257**	2,131
Withholding income tax (IRRF)	**285**	191	**579**	413
Corporate Income Tax – IRPJ	**2,891**	8,285	**3,284**	8,690
Social Contribution Tax on Net Profit (CSLL)	**684**	2,243	**745**	2,311
Withholding income tax, interest on equity (15%)	**3,400**	3,400	**3,400**	3,400
FOMENTAR Fund – ICMS (*)	**1,301**	1,197	**1,301**	1,197
Other	**235**	221	**1,611**	1,506
	9,864	16,542	**13,177**	19,648
Noncurrent:				
State value-added tax (ICMS)	**1,144**	1,218	**3,562**	4,021
Withholding income tax (IRRF)	**13,477**	13,363	**13,477**	13,363
Corporate Income Tax – IRPJ	**7,702**	7,638	**7,702**	7,638
	22,323	22,219	**24,741**	25,022

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

9. Investments

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

Subsidiaries	Company (%) Interest and voting capital held	
	03/31/2014	12/31/2013
Precon	**99.99**	**99.99**
Prel	**99.99**	**99.99**
SAMA	**99.99**	**99.99**
Tégula	**99.99**	**99.99**
Wagner	**99.85**	**99.85**
Wagner da Amazônia Ltda. (ii)	**99.99**	**99.99**
Companhia Sulamericana de Cerâmica S.A. ("CSC") (i)	**60.00**	**60.00**
Engedis (ii)	**99.94**	**99.94**
Eternit da Amazônia (iii)	**99.99**	**99.99**

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

(In thousands of reais, unless otherwise stated)

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 until the quarter ended March 31, 2014.

Breakdown of investments:

	Company							
	Eternit da Amazônia	**Precon**	**Prel**	**SAMA**	**CSC**	**Tégula**	**Wagner**	**Total**
Investments	896	20,270	8,877	92,568	35,575	71,461	4,080	233,727
Surplus value of net assets	-	-	-	16,559	-	-	-	16,559
Balance at March 31, 2014	**896**	**20,270**	**8,877**	**109,127**	**35,575**	**71,461**	**4,080**	**250,286**

(In thousands of reais, unless otherwise stated)

9. Investments (Continued)

	Eternit da Amazônia	Precon	Prel	SAMA	CSC	Tégula	Wagner	Total
At January 1, 2013	-	17,578	7,821	107,183	13,029	72,246	4,059	221,916
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
Equity pickup on comprehensive income	-	-	-	428	-	-	-	428
Capital contribution	200	-	-	-	29,226	-	-	29,426
At December 31, 2012	(738)	20,221	8,058	108,311	36,032	71,787	4,058	247,729
Dividend	**-**	**(1,630)**	**-**	**(15,789)**	**-**	**-**	**-**	**(17,419)**
Interest on equity	**-**	**(235)**	**-**	**(1,129)**	**-**	**-**	**-**	**(1,364)**
Equity pickup	**(755)**	**1,914**	**819**	**17,734**	**(457)**	**(326)**	**22**	**18,951**
Capital contribution	**2,389**	**-**	**-**	**-**	**-**	**-**	**-**	**2,389**
March 31, 2014	**896**	**20,270**	**8,877**	**109,127**	**35,575**	**71,461**	**4,080**	**250,286**

The balance of investments in the consolidated interim financial information at March 31, 2014, amounting to R$35,575 (R$36,032 at December 31, 2013), refers to investment in the jointly controlled entity with CSC.

The balance of subsidiaries at March 31, 2014 is as follows:

	Eternit da Amazônia	Precon	Prel	SAMA	Tégula	Wagner
Current assets	766	30,174	6,608	129,368	37,196	3,849
Noncurrent assets	33,864	13,177	5,234	118,715	63,992	1,801
Current liabilities	642	18,558	2,964	96,700	17,358	11
Noncurrent liabilities	33,092	4,522	-	55,069	12,363	1,554
Equity	896	20,271	8,878	96,314	71,467	4,086
Proportional interest	99.9900%	99.9946%	99.9977%	99.9977%	99.9900%	99.8465%
Investment carrying amount	896	20,270	8,878	96,311	71,460	4,080
Net operating revenue	-	18,460	-	105,024	21,340	-
Cost of sales	-	(13,931)	-	(57,246)	(14,879)	-
Unrealized income in inventories	-	-	-	(815)	-	-
Net income (loss) for continuing operations	(755)	1,914	819	17,735	(329)	21
Attributable to:						
Company interest	(755)	1,914	819	17,734	(329)	21

(In thousands of reais, unless otherwise stated)

9. **Investments** (Continued)

Interest in joint ventures:

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

The balance of this jointly controlled entity as of March 31, 2014 is as follows:

	03/31/2014
Current assets	**58,612**
Noncurrent assets	**79,191**
Current liabilities	**22,506**
Noncurrent liabilities	**56,006**
Equity	**59,291**
Proportional interest	**60%**
Investment carrying amount	**35,575**
Net operating revenue	**8,800**
Cost of sales	**(6,817)**
Selling, general and administrative expenses	**(2,811)**
Financial expenses	**(441)**
Financial income	**507**
Loss on continuing operations	**(762)**
Attributable to:	
Company interest	**(457)**

(In thousands of reais, unless otherwise stated)

10. Related parties

a) Company's related-party transactions and balances

	Company	
	03/31/2014	**12/31/2013**
Balances:		
Current assets		
Eternit da Amazônia (ii)	**-**	1,062
Precon (i) and (ii)	**970**	488
SAMA (ii)	**175**	169
Tégula (i) and (ii)	**88**	96
Companhia Sulamericana de Cerâmica (i)	**11,324**	9,780
	12,557	11,595
Dividend and interest on equity receivable:		
SAMA	**16,749**	8,735
Prel	**2,653**	2,653
Precon	**9,755**	7,926
Tégula	**706**	706
	29,863	20,020
	42,420	31,615
Noncurrent assets		
Intercompany loan		
Companhia Sulamericana de Cerâmica (iii)	**2,062**	2,018
Tégula (iii)	**7,862**	7,705
	9,924	9,723
Total assets	**52,344**	41,338
Current liabilities		
Trade accounts payable		
SAMA (i)	**9,045**	7,128
Other accounts payable		
Prel	**88**	88
SAMA	**24**	26
Tégula	**-**	1
	9,157	7,243
Noncurrent liabilities		
Intercompany loan		
SAMA (iii)	**29,701**	29,108
Total liabilities	**38,858**	36,351

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

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

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

(In thousands of reais, unless otherwise stated)

10. Related parties (Continued)

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

	Company	
	03/31/2014	**03/31/2013**
Transactions:		
Sales:		
Precon	**1,081**	2,850
Tégula	**137**	99
	1,218	2,949
Purchases:		
SAMA	**18,597**	18,291
Discounts obtained - SAMA	**-**	122
Administrative expenses - Prel	**263**	250
	18,860	18,663
Interest on intercompany loan:		
Expense – SAMA	**697**	440
	697	440
Income:		
Interest on intercompany loan - Tégula	**185**	116
Interest on equity:		
SAMA	**1,129**	1,185
Precon	**235**	219
	1,549	1,520

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

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

(In thousands of reais, unless otherwise stated)

10. Related parties (Continued)

a) <u>Key management personnel compensation</u>

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

	Company		Consolidated	
	03/31/2014	03/31/2013	03/31/2014	03/31/2013
Salaries, fees and benefits	**900**	1,016	**1,157**	1,273
Social charges	**270**	317	**354**	393
Profit sharing (PLRE)	**-**	1,612	**-**	2,114
Supplementary bonus	**-**	1,519	**-**	2,020
Post-employment benefits	**6**	162	**16**	258
	1,176	4,626	**1,527**	6,058

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 March 31, 2014, Officers' shareholding position was 936,483 shares – ETER3 (995,283 shares – ETER3 for the year ended December 31, 2013).

(In thousands of reais, unless otherwise stated)

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 01, 2013	701	32,165	94,939	12,877	77,109	3,578	5,109	3,372	12,717	242,567
Additions	-	-	-	-	-	-	-	-	36,913	36,913
Write-offs	-	-	(381)	-	(272)	(791)	(36)	(103)	-	(1,583)
Transfers	-	639	7,093	78	2,251	-	670	735	(11,466)	-
Balances at December 31, 2013	701	32,804	101,651	12,955	79,088	2,787	5,743	4,004	38,164	277,897
Additions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,971**	**4,971**
Write-offs	**-**	**-**	**(40)**	**-**	**(8)**	**(451)**	**(33)**	**(21)**	**(14,473)**	**(15,026)**
Transfers	**-**	**-**	**(121)**	**17**	**243**	**-**	**10**	**21**	**(170)**	**-**
Balances at March 31, 2014	**701**	**32,804**	**101,490**	**12,972**	**79,323**	**2,336**	**5,720**	**4,004**	**28,492**	**267,842**
Average depreciation rates	-	4%	8,6%	15%	10%	20%	10%	20%	-	-
Accumulated depreciation										
Balances at January 01, 2013	-	(18,631)	(44,152)	(8,651)	(40,643)	(2,531)	(2,310)	(2,589)	-	(119,507)
Additions	-	(722)	(1,852)	(1,087)	(5,542)	(259)	(452)	(342)	-	(10,256)
Write-offs	-	-	358	-	72	734	26	101	-	1,291
Balances at December 31, 2013	-	(19,353)	(45,646)	(9,738)	(46,113)	(2,056)	(2,736)	(2,830)	-	(128,472)
Additions	-	**(184)**	**(657)**	**(237)**	**(1,377)**	**(37)**	**(118)**	**(99)**	-	**(2,709)**
Write-offs	-	-	**40**	-	**6**	**403**	**25**	**21**	-	**495**
Transfers	-	-	**29**	-	**(30)**	-	**1**	**-**	-	-
Balances at March 31, 2014	-	**(19,537)**	**(46,234)**	**(9,975)**	**(47,514)**	**(1,690)**	**(2,828)**	**(2,908)**	**-**	**(130,686)**
Net book value										
At January 1, 2013	701	13,534	50,787	4,226	36,466	1,047	2,799	783	12,717	123,060
At December 31, 2013	**701**	**13,451**	**56,005**	**3,217**	**32,975**	**731**	**3,007**	**1,174**	**38,164**	**149,425**
At March 31, 2014	**701**	**13,267**	**55,256**	**2,997**	**31,809**	**646**	**2,892**	**1,096**	**28,492**	**137,156**

Eternit S.A.

Notes to individual and consolidated interim financial information
March 31, 2014
(In thousands of reais, unless otherwise stated)

11. Property, plant and equipment (Continued)

	Consolidated													
	Land	Buildings and improvements	Machinery and equipment	Excavator equipment	Tooling and molds	Facilities	Vehicles	Off-road vehicles	Furniture and fixtures	IT equipment	Renovation of mining areas	Mineral resources	Construction in progress	Total
Cost														
Balances at January 01, 2013	4,084	80,585	181,492	24,610	26,479	208,398	25,051	4,280	15,366	7,514	5,778	13,387	16,070	613,094
Additions	-	283	3,472	-	64	133	161	-	844	129	-	-	55,041	60,127
Write-offs	-	-	(786)	-	(215)	(324)	(968)	-	(553)	(317)	-	-	-	(3,163)
Transfers	-	672	11,595	2,960	395	8,187	461	259	1,671	1,127	-	-	(27,327)	-
Balances at December 31, 2013	4,084	81,540	195,773	27,570	26,723	216,394	24,705	4,539	17,328	8,453	5,778	13,387	43,784	670,058
Additions	**-**	**21**	**470**	**-**	**-**	**90**	**614**	**-**	**30**	**39**	**-**	**-**	**26,421**	**27,685**
Write-offs	**-**	**-**	**(76)**	**-**	**(1)**	**(8)**	**(451)**	**-**	**(51)**	**(87)**	**-**	**-**	**-**	**(674)**
Transfers	**-**	**423**	**649**	**2,495**	**17**	**1,726**	**-**	**-**	**123**	**59**	**-**	**-**	**(5,492)**	**-**
Balances at March 31, 2014	**4,084**	**81,984**	**196,816**	**30,065**	**26,739**	**218,202**	**24,868**	**4,539**	**17,430**	**8,464**	**5,778**	**13,387**	**64,713**	**697,069**
Average depreciation rates	-	4%	8,6%	28,4%	15%	10%	20%	26,8%	10%	20%	2,9%	5,3%	-	-
Accumulated depreciation														
Balances at January 01, 2013	-	(46,226)	(101,538)	(15,034)	(17,535)	(147,493)	(11,861)	(3,856)	(7,550)	(5,840)	(825)	(2,879)	-	(360,637)
Additions	-	(1,755)	(4,424)	(4,028)	(2,645)	(11,046)	(5,731)	(185)	(1,515)	(685)	(494)	(696)	-	(33,204)
Write-offs	-	-	762	-	207	124	912	-	535	307	-	-	-	2,847
Transfers	-	-	29	-	-	-	-	-	(29)	-	-	-	-	-
Balances at December 31, 2013	-	(47,981)	(105,171)	(19,062)	(19,973)	(158,415)	(16,680)	(4,041)	(8,559)	(6,218)	(1,319)	(3,575)	-	(390,994)
Additions	**-**	**(447)**	**(1,402)**	**(1,120)**	**(623)**	**(2,889)**	**(1,424)**	**(48)**	**(396)**	**(190)**	**(58)**	**(174)**	**-**	**(8,771)**
Write-offs	**-**	**-**	**72**	**-**	**1**	**6**	**403**	**-**	**41**	**86**	**-**	**-**	**-**	**609**
Transfers	**-**	**-**	**29**	**-**	**-**	**(30)**	**-**	**-**	**1**	**-**	**-**	**-**	**-**	**-**
Balances at March 31, 2014		**(48,428)**	**(106,472)**	**(20,182)**	**(20,595)**	**(161,328)**	**(17,701)**	**(4,089)**	**(8,913)**	**(6,322)**	**(1,377)**	**(3,749)**		**(399,156)**
Net book value														
At January 1, 2013	4,084	34,359	79,954	9,576	8,944	60,905	13,190	424	7,816	1,674	4,953	10,508	16,070	252,457
At December 31, 2013	4,084	33,559	90,602	8,508	6,750	57,979	8,025	498	8,769	2,235	4,459	9,812	43,784	279,064
At March 31, 2014	**4,084**	**33,556**	**90,344**	**9,883**	**6,144**	**56,874**	**7,167**	**450**	**8,517**	**2,142**	**4,401**	**9,638**	**64,713**	**297,913**

Due to legal proceedings, subsidiary SAMA gave in warranty PP&E (machinery and equipment) in the net book value of R$ 1,069 (R$1,272 at December 31, 2013).

(In thousands of reais, unless otherwise stated)

12. Intangible assets

Company	Software	Intangible assets in progress	Other	Total
Cost				
Balance at January 1, 2013	7,185	-	11	7,196
Additions	45	2,844	-	2,889
Balance at December 31, 2013	7,230	2,844	11	10,085
Additions	**-**	**1,444**	**-**	**1,444**
Transfers	**7**	**(7)**	**-**	**-**
Balance at March 31, 2014	**7,237**	**4,281**	**11**	**11,529**
Useful life in years	5	-	-	-
Amortization				
Balance at January 1, 2013	(4,682)	-	-	(4,682)
Additions	(819)	-	-	(819)
Balance at December 31, 2013	(5,501)	-	-	(5,501)
Additions	**(181)**	**-**	**-**	**(181)**
Balance at March 31, 2014	**(5,682)**	**-**	**-**	**(5,682)**
Net book value				
Balance at January 1, 2013	2,503	-	11	2,514
Balance at December 31, 2013	1,729	2,844	11	4,584
Balance at March 31, 2014	**1,555**	**4,281**	**11**	**5,847**

Consolidated	Software	Goodwill	Trademarks and patents	Intangible assets in progress	Other	Total
Cost						
Balance at January 1, 2013	13,143	19,995	1,156	-	75	34,369
Additions	325	-	260	3,636	-	4,221
Transfers	792	-	-	(792)	-	-
Balance at December 31, 2013	14,260	19,995	1,416	2,844	75	38,590
Additions	**61**	**-**	**-**	**1,458**	**-**	**1,519**
Transfers	**20**	**-**	**-**	**(20)**	**-**	**-**
Balance at March 31, 2014	**14,341**	**19,995**	**1,416**	**4,282**	**75**	**40,109**
Useful life – years	5	-	-	-	-	-
Amortization						
Balance at January 1, 2013	(8,328)	-	-	-	(1)	(8,329)
Additions	(1,585)	-	-	-	-	(1,585)
Balance at December 31, 2013	(9,913)	-	-	-	(1)	(9,914)
Additions	**(406)**	**-**	**-**	**-**	**-**	**(406)**
Balance at March 31, 2014	**(10,319)**	**-**	**-**	**-**	**(1)**	**(10,320)**
Net book value						
Balance at January 1, 2013	4,815	19,995	1,156	-	74	26,040
Balance at December 31, 2013	4,347	19,995	1,416	2,844	74	28,676
Balance at March 31, 2014	**4,022**	**19,995**	**1,416**	**4,282**	**74**	**29,789**

(In thousands of reais, unless otherwise stated)

13. Trade accounts payable

	Company		Consolidated	
	03/31/2014	**12/31/2013**	**03/31/2014**	**12/31/2013**
Domestic market	**17,742**	15,718	**36,702**	31,977
Foreign market	**7,843**	6,947	**7,843**	7,570
(-) Present value adjustment (domestic/foreign market)	**(136)**	(221)	**(156)**	(254)
	25,449	22,444	**44,389**	39,293

14. Loans and financing

	Company		Consolidated	
	03/31/2014	12/31/2013	**03/31/2014**	12/31/2013
Current:				
Loans and financing (a) (b) (c) (d) (f)	**8,430**	8,944	**18,721**	16,926
ACE (e)	**-**	-	**34,569**	39,955
	8,430	8,944	**53,290**	56,881
Noncurrent:				
Loans and financing (a) (b) (c) (d) (f)	**4,605**	14,368	**48,392**	25,799
	13,035	23,312	**101,682**	82,680
Noncurrent repayment schedule:				
2015	**875**	11,328	**17,067**	17,663
2016	**1,633**	2,336	**11,464**	6,161
2017	**1,604**	490	**9,090**	1,210
2018	**472**	214	**7,363**	562
2019	**21**	-	**3,408**	203
	4,605	14,368	**48,392**	25,799

(a) In order to purchase machinery and equipment for the operating activity, the parent company started raising FINAME 28 to 30 and BNDES 1 at the interest rate of 2.85% to 3.5% p.a., maturing in 48 months.

(b) In the quarter ended March 31, 2014, the parent company raised import financing (FINIMP). It raised “FINIMP 11” for the purchase of machinery and equipment for operating activities at interest rate of 1.98% p.a., maturing in 36 months, denominated in US dollars, translated and updated at the PTAX exchange rate.

(c) Subsidiary Eternit da Amazônia raised “FINIMP 8 to 10 and 12” for the purchase of machinery and equipment for operating activities at interest rate of 2.01% to 2.39% p.a., maturing in 60 months, denominated in US dollars, translated and updated at the PTAX exchange rate.

(d) Subsidiary Tégula raised loan for working capital from Banco Itaú to ensure continuity of operations for the quarter ended March 31, 2014, at interest rate of 1.18% p.m., with maturity at the end of the contract term of 90 days. Tégula also took out finance lease for the purchase of vehicles at interest rate of 1.23% p.m., maturing in up to 30 months.

(e) Advance on Export Contracts – ACE – These are funds to increase working capital of subsidiary SAMA, raised in US dollars at average exchange rate of R$2.2836 and restated by the current exchange rate of R$ 2.3575 and restated by the current rate of R$2.2624 at March 31, 2014. The average PRIME lending rate is of 3.25% p.a. and, given the characteristics of the transaction; such advances mature within 360 days. The Company is guarantor of R$11,591 of Advance on Export Contracts operations of subsidiary SAMA, of which the amount at March 31, 2014 amounted to R$34,569 (R$39,955 at December 31, 2013).

(In thousands of reais, unless otherwise stated)

14. Loans and financing (Continued)

(f) In the quarter ended March 31, 2014, the Company and its subsidiary Eternit da Amazônia entered into the Contract for Assignment of Rights and Assumption of Obligations. Assumption by the subsidiary of all rights and obligations related to the import financing contracts (Finimp) was agreed, related to import and construction of machinery for the industrial units. The amount of the operation was R$14,352.

The Group has loan agreements with non-financial covenants.

15. Provisions and social charges

	Company		Consolidated	
	03/31/2014	12/31/2013	03/31/2014	12/31/2013
13th monthly salary	**1,360**	-	**2,525**	-
Vacation pay	**6,611**	6,760	**12,443**	12,980
Profit sharing (a)	**2,620**	3,704	**7,087**	10,145
Unemployment Compensation Fund (FGTS)	**499**	593	**766**	1,008
Social security contribution tax (INSS)	**2,099**	1,848	**3,411**	3,367
Salaries	**113**	73	**119**	73
Private pension plan (b)	-	-	**205**	423
Union dues	**60**	2	**165**	13
	13,362	12,980	**26,721**	28,009

(g) 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	
	03/31/2014	03/31/2013
Company	**1,101**	1,905
Consolidated	**2,935**	3,784

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

(In thousands of reais, unless otherwise stated)

16. Taxes, charges and contributions payable

	Company		Consolidated	
Current:	**03/31/2014**	**12/31/2013**	**03/31/2014**	**12/31/2013**
Income taxes				
Corporate Income Tax (IRPJ)	**-**	863	**3,943**	12,242
Social Contribution Tax on Net Profit (CSLL)	**-**	-	**1,204**	2,432
Other taxes				
State value-added tax (ICMS)	**5,832**	6,304	**9,424**	9,372
Federal value-added tax (IPI)	**1,979**	1,824	**2,340**	2,107
Social contribution tax on gross revenue for social security financing (COFINS)	**1,279**	1,405	**3,209**	3,258
Social contribution tax on gross revenue for social integration program (PIS)	**255**	281	**673**	683
Withholding income tax (IRRF)	**1,323**	1,331	**1,781**	1,943
Mineral resource offsetting financial contribution	**-**	-	**1,570**	1,515
Other	**169**	218	**372**	463
	10,837	12,226	**24,516**	34,015
Noncurrent:				
State value-added tax (ICMS) (*)	**8,734**	7,697	**11,654**	9,432

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

17. Provision for future benefits to former employees

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

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

	03/31/2013
Actual actuarial annual interest rate	**6.32%**
Actual annual medical cost increase rate	**3.80%**
Annual projected inflation rate	**5.80%**
Mortality table	**AT-2000**

(In thousands of reais, unless otherwise stated)

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

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

	Company		Consolidated	
	03/31/2014	**12/31/2013**	**03/31/2014**	**12/31/2013**
Current	**2,174**	2,174	**3,861**	3,861
Noncurrent	**23,974**	23,710	**34,761**	34,527
	26,148	25,884	**38,622**	38,388

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

	Company		Consolidated	
	03/31/2014	**03/31/2013**	**03/31/2014**	**03/31/2013**
Current service and interest cost	**(808)**	(899)	**(1,199)**	(1,619)
Benefits paid	**(544)**	(484)	**(965)**	(1,212)
Net expense with the benefit	**(1,352)**	**(1,383)**	**(2,164)**	**(2,831)**

18. Equity

a) Capital

At March 31, 2014, the Company's fully subscribed and paid-in capital amounted to R$334,251 and comprised 89,500,000 common shares, with no par value, with voting rights in General Shareholders' meetings, held as follows:

	03/31/2014		12/31/2013	
Shareholding structure	**Shareholders**	**Shares**	Shareholders	Shares
Individuals	**8,025**	**54,272,810**	7,866	54,404,983
Legal entities	**95**	**1,551,288**	97	1,752,168
Persons resident abroad	**140**	**10,014,702**	146	9,732,774
Clubs, funds and foundations	**124**	**23,631,834**	131	23,580,709
	8,384	**89,470,634**	8,240	89,470,634
Treasury stock	**-**	**29,366**	-	29,366
	8,384	**89,500,000**	8,240	89,500,000

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

(In thousands of reais, unless otherwise stated)

18.Equity (Continued)

b) Treasury stock

As of March 31, 2014, market value of treasury stock was R$ 245 (R$ 257 as of December 31, 2013).

c) Earnings (loss) per share

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

Company

	03/31/2014	03/31/2013
Dilutive effect		
Net income for the period attributable to non-controlling interest	**23,490**	21,473
Weighted average number of outstanding common shares, less the average of treasury common shares	**89,470**	89,470
Basic and diluted earnings per share – R$	**0.26**	0.24

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

d) Dividend

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

Dividends proposed for the quarter ended March 31, 2014 was as follows:

Event	Payment beginning on	Total value	Amount per share – R$
BDM (*) of May 7, 2014	05/28/2014	11,900	0.133

(*) BDM - Board of Directors' Meeting.

(In thousands of reais, unless otherwise stated)

18. **Equity** (Continued)

e) Interest on equity

The Board of Directors may also decide about profit distribution as interest on equity, under the terms of ruling legislation. Interest on equity proposed for the quarter ended March 31, 2014 was as follows:

Event	Beginning of payment	Total value	Value per share – R$
BDM (*) of May 7, 2014	05/28/2014	5,994	0.067

(*) BDM - Board of Directors' Meeting.

Dividends and interest on equity payable

Divided and interest on equity outstanding balance as of March 31, 2014 represents:

	Company and Consolidated	
	03/31/2014	12/31/2013
Interest on equity	**9,734**	4,639
Dividend	**24,336**	12,436
Proceeds from prior years	**747**	806
	34,817	17,881

f) Retained earnings

In the quarters, the Company does not allocate profits, but only makes advances on dividend and interest on equity. Profit allocation takes place at year end.

19. Government subsidies

- **Tégula**

a) Investment subsidy - Goiás Industrial Development Program - Produzir

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

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

The benefit was granted as from 12/28/2007, by the Finance Department of the State of Goiás, through Special Tax Regime Agreement 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 the Municipality of Anápolis/ GO, limited to R$6,875 with deadline to obtain the benefit up to 12/31/2020.

In 2014, the value of the benefit totaled R$188. 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 No. 11916/03, of 2000, created the "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 Brasil Ltda., claimed the right to reduce the ICMS, as it had a branch located in the State of Rio Grande do Sul.

19. Government subsidies (Continued)

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

The benefit was granted as from 11/21/2008, 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–months term.

In 2014, the value of the benefit totaled R$31. 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, FUNDOPEM/RS's goal is to attract investments for integration, expansion, modernization and consolidation in the industrial segment of that of that State.

- **Precon**

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

On January 26, 1990, Precon Goiás Industrial Ltda. claimed a benefit to reduce ICMS as it had a branch in the State of Goiás. The claim was granted by the Goiás State Department of Finance of Goiás state through Special Tax Regime Agreement No. 227/07 when a 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.

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, unless otherwise stated)

20. Income and social contribution taxes

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

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

	Company		Consolidated	
	03/31/2014	03/31/2013	03/31/2014	03/31/2013
Income before income and social contribution taxes	**24,369**	22,099	**34,985**	29,755
Statutory rate	**34%**	34%	**34%**	34%
Income and social contribution taxes at nominal rates	**(8,285)**	(7,514)	**(11,895)**	(10,117)
IRPJ and CSLL effect on permanent differences:				
Equity pickup	**6,443**	6,133	**(155)**	-
Interest on equity	**1,574**	1,469	**2,038**	1,947
Donations and gifts	**(39)**	(20)	**(192)**	(148)
Nondeductible taxes and fines	**(11)**	(4)	**(28)**	(18)
Tax incentive	**-**	-	**18**	62
Other (additions) exclusions on temporary differences	**(561)**	(690)	**(1,281)**	(7)
Income and social contribution taxes	**(879)**	(626)	**(11,495)**	(8,281)
Effective rate	**3.6%**	2.9%	**32.8%**	27.8%

Breakdown of income and social contribution tax expenses presented in the individual and consolidated interim financial information for the quarters ended March 31, 2014 and 2013 is as follows:

	Company		Consolidated	
	03/31/2014	03/31/2013	03/31/2014	03/31/2013
Income and social contribution taxes -current	**-**	-	**(9,403)**	(7,885)
Deferred income and social contribution taxes	**(879)**	(626)	**(2,092)**	(396)
	(879)	(626)	**(11,495)**	(8,281)

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 interim financial information at March 31, 2014.

(In thousands of reais, unless otherwise stated)

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	
	03/31/2014	**12/31/2013**	**03/31/2014**	**12/31/2013**
Income and social contribution tax losses	**5,483**	5,483	**15,154**	15,154
Future benefits to former employees	**8,890**	8,800	**13,131**	13,052
Provision for tax, civil, and labor claims	**7,267**	7,682	**15,323**	15,485
Unrealized income in inventories	**-**	-	**1,929**	2,348
Allowance for doubtful accounts	**-**	-	**643**	610
Provision for profit sharing	**890**	1,259	**1,590**	2,811
Provision for losses on PP&E	**1,750**	1,750	**1,750**	1,750
Unshipped products	**-**	-	**2,458**	2,271
Other provisions	**(1,122)**	(937)	**1,041**	1,631
	23,158	24,037	**53,019**	55,112

Expected realization of tax credits

i. *Income and social contribution tax losses*

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

	Company	Consolidated
	03/31/2014	**03/31/2014**
2014	**473**	**1,377**
2015	**747**	**1,313**
2016	**794**	**1,702**
2017	**787**	**1,817**
2018 to 2023	**2,682**	**8,945**
	5,483	**15,154**

(In thousands of reais, unless otherwise stated)

20. Income and social contribution taxes (Continued)

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

Expected realization of tax credits (Continued)

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

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 March 31, 2014, subsidiary Tégula had accumulated income tax loss of R$27,227and social contribution tax loss of R$27,377, for which deferred taxes were recorded. Up to March 31, 2014 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**
	03/31/2014	**03/31/2014**
2014	**3,302**	**6,332**
2015	**1,075**	**4,648**
2016	**1,548**	**3,326**
2017	**1,628**	**4,617**
2018 to 2023	**10,122**	**18,942**
	17,675	**37,865**

Estimated realization of deferred taxes balances calculated on temporary differences, at March 31, 2014, may vary, as many of them depend on court that are beyond the Group’s possible control and it is not possible to predict when a final decision awarded.

(In thousands of reais, unless otherwise stated)

20. Income and social contribution taxes (Continued)

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

Expected realization of tax credits (Continued)

II. *Temporary differences* (Continued)

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	
	03/31/2014	**12/31/2013**	**03/31/2014**	**12/31/2013**
Labor (i)	**18,408**	19,780	**28,545**	29,219
Civil	**-**	-	**4,397**	4,397
Tax (ii)	**5,487**	5,335	**21,940**	21,043
	23,895	25,115	**54,882**	54,659

(In thousands of reais, unless otherwise stated)

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

i) Labor claims include:

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

ii) Tax claims include:

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

Changes in provision for tax, civil and labor risks:

	Company		
	Labor provisions	Tax provisions	Total
Balance at January 1, 2013	17,214	5,443	22,657
Additions	3,678	1,918	5,596
Reversals	(1,112)	(2,026)	(3,138)
Balance at December 31, 2013	19,780	5,335	25,115
Additions	**368**	**152**	**520**
Reversals	**(1,740)**	**-**	**(1,740)**
Balance at March 31, 2014	**18,408**	**5,487**	**23,895**

	Consolidated			
	Labor provisions	Civil provisions	Tax provisions	Total
Balance at January 1, 2013	26,321	4,346	20,449	51,116
Additions	5,546	508	3,650	9,704
Payments	(168)	-	-	(168)
Reversals	(2,480)	(457)	(3,056)	(5,993)
Balance at December 31, 2013	29,219	4,397	21,043	54,659
Additions	**1,066**	**-**	**897**	**1,963**
Reversals	**(1,740)**	**-**	**-**	**(1,740)**
Balance at March 31, 2014	**28,545**	**4,397**	**21,940**	**54,882**

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

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

At March 31, 2014, the following claims, whose likelihood of an unfavorable outcome was rated as possible by legal advisers, had been filed against the Group:

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

b) Consumer public interest suit in the State of Rio de Janeiro and another one in the State of Pernambuco, in order to prohibit the sale of products containing chrysotile mineral in those states. The suit concerning the state of Rio de Janeiro was dismissed, whereas the one concerning Pernambuco was upheld. Both are pending appeal. However, in the public interest suit in Rio de Janeiro, the Court suspended the process for it understands that this matter is constitutional 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 March 31, 2014, there were other labor, civil, tax and administrative proceedings against the Group, whose likelihood of an unfavorable outcome was rated as possible by the legal counsel, in the consolidated amount of R$ 9,714 (R$ 9,714 as of December 31, 2013). Therefore, no provision was recorded for these claims.

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

(In thousands of reais, unless otherwise stated)

22. Private pension plan

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

For the quarters ended March 31, 2014 and 2013, the Company and its participants made contributions to fund benefit plans as follows:

	Company		Consolidated	
	03/31/2014	**03/31/2013**	**03/31/2014**	**03/31/2013**
Contributions made in the period ended:	**742**	886	**965**	1,187

23. Net operating revenue

	Company		Consolidated	
	03/31/2014	**03/31/2013**	**03/31/2014**	**03/31/2013**
Gross revenue from sales	**165,715**	160,700	**310,688**	276,300
Unconditional discounts and rebates	**(789)**	(870)	**(879)**	(897)
Sales taxes	**(42,592)**	(41,077)	**(66,117)**	(64,140)
Net operating revenue	**122,334**	118,753	**243,692**	211,263

(In thousands of reais, unless otherwise stated)

24. Information on the nature of expenses

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

	Company		Consolidated	
	03/31/2014	**03/31/2013**	**03/31/2014**	**03/31/2013**
Cost of sales	**(91,585)**	(86,096)	**(152,941)**	(126,707)
Selling expenses	**(13,970)**	(13,993)	**(28,435)**	(26,666)
General and administrative expenses and management fees	**(12,885)**	(13,358)	**(28,517)**	(25,724)
	(118,440)	(113,447)	**(209,893)**	(179,097)
Raw material used	**(63,827)**	(60,890)	**(108,382)**	(88,530)
(-) Present value adjustment	**508**	469	**717**	523
Personnel expenses and charges	**(25,341)**	(26,879)	**(37,537)**	(43,009)
Material, electric energy and services	**(9,421)**	(7,291)	**(16,161)**	(9,971)
Variable selling expenses	**(3,425)**	(3,486)	**(10,007)**	(9,795)
Depreciation and amortization	**(2,890)**	(2,619)	**(9,177)**	(4,927)
Third-party services	**(3,995)**	(3,368)	**(7,969)**	(8,138)
Commissions on sales	**(2,914)**	(2,760)	**(5,509)**	(4,951)
Trade union contributions	**(567)**	(355)	**(1,796)**	(387)
Advertising and publicity	**(1,743)**	(2,136)	**(2,209)**	(2,527)
Taxes and charges	**(536)**	(554)	**(963)**	(309)
Other	**(4,289)**	(3,578)	**(10,900)**	(7,076)
	(118,440)	(113,447)	**(209,893)**	(179,097)

(In thousands of reais, unless otherwise stated)

25. Other operating income (expenses), net

	Company		Consolidated	
	03/31/2014	**03/31/2013**	**03/31/2014**	**03/31/2013**
Other operating income:				
Property, plant and equipment disposal	**221**	304	**221**	319
Incidental income	**62**	296	**330**	570
Unclaimed dividend and interest on equity	**59**	60	**59**	60
Rental	**-**	-	**778**	460
Profit from tax incentive operations – Sudene – Desenvolve Program - BA	**-**	261	**-**	261
FI Fund – Private Pension (i)	**760**	-	**760**	-
Receipt of appeal-related deposit	**199**	-	**199**	-
Other	**-**	-	**453**	290
	1,301	921	**2,800**	1,960
Other operating expenses:				
Provision for tax, civil, and labor risks	**(104)**	**-**	(358)	-
Provision for future benefits to former employees	**(808)**	(899)	**(1,199)**	(1,619)
Environmental recovery	**-**	-	**(239)**	(145)
Taxes on other sales	**(78)**	(7)	**(260)**	(167)
Quality guarantee	**(93)**	(160)	**(159)**	(202)
Replacement of defective products	**(75)**	-	**(75)**	-
Expenses with labor and civil indemnifications	**(122)**	(116)	**(344)**	(124)
Cost of property, plant and equipment disposal	**(58)**	(279)	**(64)**	(280)
Other	**(141)**	(633)	**(250)**	(805)
	(1,479)	(2,094)	**(2,948)**	(3,342)
	(178)	(1,173)	**(148)**	(1,382)

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, unless otherwise stated)

26. Financial income (expenses)

	Company		Consolidated	
	03/31/2014	**03/31/2013**	**03/31/2014**	**03/31/2013**
Financial income:				
Short-term investment yield - including Bank Deposit Certificates (CDB)	**553**	792	**1,288**	1,292
Discounts obtained	**13**	23	**62**	39
Interest receivable	**2,042**	1,418	**2,948**	2,262
Monetary gains	**1,582**	208	**1,633**	213
Exchange gains	**2,693**	520	**8,909**	4,809
Other financial income	**-**	2	**-**	2
	6,883	2,963	**14,840**	8,617
Financial expenses:				
Interest on financing	**(82)**	(125)	**(220)**	(270)
Interest on intercompany loan	**(697)**	(440)	**-**	-
Interest payable	**(651)**	(438)	**(1,279)**	(1,631)
Banking expenses	**(302)**	(204)	**(361)**	(252)
Discounts granted	**(370)**	(404)	**(656)**	(650)
Tax on Financial Transactions - IOF	**(98)**	(76)	**(203)**	(113)
PIS and COFINS - Interest on Equity	**(126)**	(130)	**(126)**	(130)
Exchange losses	**(2,276)**	(660)	**(8,757)**	(4,799)
Monetary losses	**(520)**	(558)	**(1,296)**	(982)
Other	**(59)**	-	**(151)**	-
	(5,181)	(3,035)	**(13,049)**	(8,827)
Financial income (expenses), net	**1,702**	(72)	**1,791**	(210)

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)

The operating segments defined by senior management are as follows:

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

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

- Chrysotile: includes chrysotile ore mining and sale.

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

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

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

(In thousands of reais, unless otherwise stated)

27. Segment reporting (Continued)

		03/31/2014		03/31/2014					
		Total assets	Liabilities	Net revenue	Gross profit	Income (loss) before taxes	Depreciation and amortization	Financial income (expenses)	IRPJ/CSLL
Fiber cement and synthetic fiber cement									
	Southeast	122,078	47,205	25,308	6,313	1,557	676	351	(305)
	South	26,974	55,772	34,675	8,748	2,233	1,218	481	(418)
	Mid West	59,778	72,057	49,515	12,604	3,301	674	687	(596)
	North and Northeast	13,916	37,124	22,839	5,739	1,447	444	318	(275)
		222,746	212,158	132,337	33,404	8,538	3,012	1,837	(1,594)
Chrysotile									
	Domestic market	247,864	72,006	40,976	29,085	14,081	4,711	(115)	(4,473)
	Foreign market (*)	-	-	41,800	19,926	12,700	-	(116)	(4,563)
		247,864	72,006	82,776	49,011	26,781	4,711	(231)	(9,036)
Concrete roof tiles	Domestic market	100,992	29,721	17,884	6,461	258	1,218	(193)	(582)
Other	Domestic market	303,121	49,113	10,695	1,875	(592)	236	378	(283)
Total		874,723	362,998	243,692	90,751	34,985	9,177	1,791	(11,495)

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

(In thousands of reais, unless otherwise stated)

27. Segment reporting (Continued)

		12/31/2013		03/31/2013					
		Total assets	Liabilities	Net revenue	Gross profit	Income (loss) before taxes	Depreciation and amortization	Financial income (expenses)	IRPJ/CSLL
Fiber cement and synthetic fiber cement									
	Southeast	246,494	40,269	24,447	6,664	1,313	718	(4)	(300)
	South	59,274	47,950	30,083	8,295	1,709	1,160	(5)	(372)
	Midwest	74,053	61,234	41,881	12,779	3,639	194	(6)	(517)
	North and Northeast	28,377	31,706	18,799	5,166	1,051	513	(3)	(233)
		408,198	181,159	115,210	32,904	7,712	2,585	(18)	(1,422)
Chrysotile									
	Domestic market	252,140	89,294	31,996	25,563	15,338	4,361	(53)	(3,461)
	Foreign market (*)	-	-	28,119	15,759	6,772		(46)	(3,042)
		252,140	89,294	60,115	41,322	22,110	4,361	(99)	(6,503)
Concrete roof tiles	Domestic market	96,713	25,124	16,549	5,670	295	1,444	(173)	-
Other	Domestic market	76,581	31,926	19,389	4,660	(362)	467	80	(356)
Total		833,632	327,503	211,263	84,556	29,755	8,857	(210)	(8,281)

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

(In thousands of reais, unless otherwise stated)

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 March 31, 2014 is as follows:

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

29. Financial instruments

29.1 Identification and assessment of financial instruments

a) Financial instrument analysis

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

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

	Company		Consolidated	
Measured at fair value	**03/31/2014**	**12/31/2013**	**03/31/2014**	**12/31/2013**
Financial assets				
Cash and cash equivalents	**4,441**	9,516	**7,900**	13,295
Short-term investments	**40,514**	9,897	**68,080**	35,661
Accounts receivable from foreign market	**-**	-	**55,999**	55,521
	44,955	19,413	**131,979**	104,477

	Company		Consolidated	
Measured at amortized cost	**03/31/2014**	**12/31/2013**	**03/31/2014**	**12/31/2013**
Financial liabilities				
Trade accounts payable	**25,449**	22,444	**44,389**	39,293
Loans and financing	**13,035**	23,312	**101,682**	82,680
	38,484	45,756	**146,071**	121,973

(In thousands of reais, unless otherwise stated)

29. Financial instruments (Continued)

29.1 Identification and assessment of financial instruments (Continued)

b) Fair value hierarchy

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

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

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

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

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

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

	Company			
Measured at fair value	**03/31/2014**	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Cash and cash equivalents	4,441	4,441	-	-
Short-term investments	40,514	40,514	-	-
	44,955	44,955	-	-

	Consolidated			
Measured at fair value	**03/31/2014**	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Cash and cash equivalents	7,900	7,900	-	-
Short-term investments	68,080	68,080	-	-
Accounts receivable from foreign market	55,999	55,999	-	-
	131,979	131,979	-	-

29. Financial instruments (Continued)

29.1 Identification and assessment of financial instruments (Continued)

For the period ended March 31, 2014, there was no fair value assessment transfer between Level I and Level II, or fair value assessment transfer between Level III and Level II.

29.2 Financial risk management

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

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

a) Currency risk

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

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

(In thousands of reais, unless otherwise stated)

29. Financial instruments (Continued)

29.2 Financial risk management (Continued)

a) Currency risk (Continued)

	Consolidated		Quote as of 03/31/2014
	03/31/2014	**12/31/2013**	**(US$ / € 1.00 = R$1.00)**
Foreign customers	**55,999**	55,521	2.26
Foreign market suppliers	**(7,843)**	(7,570)	2.26
ACE	**(34,569)**	(39,955)	2.26
Financing (USD)	**(45,713)**	(24,020)	2.26
Financing (EUR)	**(1,044)**	(1,067)	3.12
Total currency exposure	**(33,170)**	(17,091)	

a1) *Sensitivity analysis*

In order to measure the economic impact of exchange variation on the Group's financial instruments, four scenarios were considered in relation to the exchange rate at 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 03/31/2014**	**Scenario I (-50%)**	**Scenario II (-25%)**	**Scenario III (+25%)**	**Scenario IV (+50%)**
USD				1.13	1.70	2.83	3.39
Foreign market customers	USD	2.26	55,999	27,999	41,999	69,998	83,998
Foreign market suppliers	USD	2.26	(7,843)	(3,922)	(5,882)	(9,804)	(11,765)
ACE	USD	2.26	(34,569)	(17,284)	(25,926)	(43,211)	(51,853)
Financing	USD	2.26	(45,713)	(22,856)	(34,285)	(57,141)	(68,569)
EUR				1.56	2.34	3.90	4.68
Financing	EUR	3.12	(1,044)	(522)	(783)	(1,306)	(1,567)
		Potential gain (loss)	**(33,170)**	**(16,585)**	**(24,877)**	**(41,464)**	**(49,756)**

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

(In thousands of reais, unless otherwise stated)

29. Financial instruments (Continued)

29.2 Financial risk management (Continued)

b) Interest rate risk

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

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

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

	Company		Consolidated	
	03/31/2014	12/31/2013	**03/31/2014**	12/31/2013
Short-term investments (cash equivalents)	**-**	-	**2,169**	2,196
Short-term investments	**40,514**	9,897	**68,080**	35,661
Total exposure to interest rate	**40,514**	9,897	**70,249**	37,857

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, unless otherwise stated)

29. Financial instruments (Continued)

29.2 Financial risk management (Continued)

b) Interest rate risk (Continued)

			Projection of financial income - one year				
				Reduction risk		Increase risk	
Short-term investments – Consolidated	**Index**	**Position as of 03/31/2014**	**Probable scenario**	**Scenario I (-50%)**	**Scenario II (-25%)**	**Scenario III (+25%)**	**Scenario IV (+50%)**
CDI			**9.09%**	**4.55%**	**6.82%**	**11.36%**	**13.64%**
Short-term investments (cash equivalents)	CDI	2,169	2,367	2,268	2,317	2,416	2,465
Short-term investments	CDI	68,080	74,269	71,174	72,721	75,816	77,363

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 March 31, 2014 (5% at December 31, 2013).

Demand deposits and short-term investments

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

(In thousands of reais, unless otherwise stated)

29. Financial instruments (Continued)

29.2 Financial risk management (Continued)

d) Liquidity risk

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

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

e) Capital management

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

Management may adjust capital of the Group in accordance with its strategy, seeking the best capital structure and adjusting it to current economic conditions. For the period ended March 31, 2014, 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	
	03/31/2014	12/31/2013	03/31/2014	12/31/2013
Loans and financing	**13,035**	23,312	**101,682**	82,680
(-) Cash and cash equivalents	**(4,441)**	(9,516)	**(7,900)**	(13,295)
Net debt	**8,594**	13,796	**93,782**	69,385
Equity	**511,709**	506,113	**511,709**	506,129
Net debt and equity	**503,115**	492,317	**417,927**	436,744

30. Commitments and guarantees

The Group has a commitment with supplier Oerlikon Neumag, Zweigniederlassung der Oerlikon Textile GmbH & Co. KG, for the purchase of equipment items and the rendering of equipment creation services for the amount of € 11,375 (R$35,490 at March 31, 2014). The existing commitment follows the practice prevailing in the market.

At March 31, 2014, the Group had the following guarantees:

(i) Assignment of fixed assets provided as guarantee in legal proceedings, amounting to R$ 1,069, as mentioned in Note 11;

(ii) The Company has collaterally signed R$ 2,093 in ACE operations of subsidiary SAMA, amounting to R$ 34,569, as mentioned in Note 14, (e);

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

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

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

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

(vii) Guarantee of the equipment import financing contract with Banco Bradesco S.A. in the amount of € 9,669 (R$ 30,167 at March 31, 2014).

(In thousands of reais, unless otherwise stated)

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.

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:

	03/31/2014
Discount rate	**10% p.a.**
Long-term inflation rate	**5% p.a.**

Present value of expected cash outlays	03/31/2014
2032	**3,746**
2033	**3,214**
2034	**1,665**
2035 to 2039	**1,340**
	9,965

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

Total expenses recognized for environmental restoration of degraded mining sites for the period ended March 31, 2014 were R$ 239 (R$ 145 at March 31, 2013), calculated based on the current production of Chrysotile.

Mineral resources (unaudited)

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

Description	03/31/2014
Mineral resources	**8,096,731 t**
Production for the period	**74,727 t**
Mine estimated useful life	**18 years**

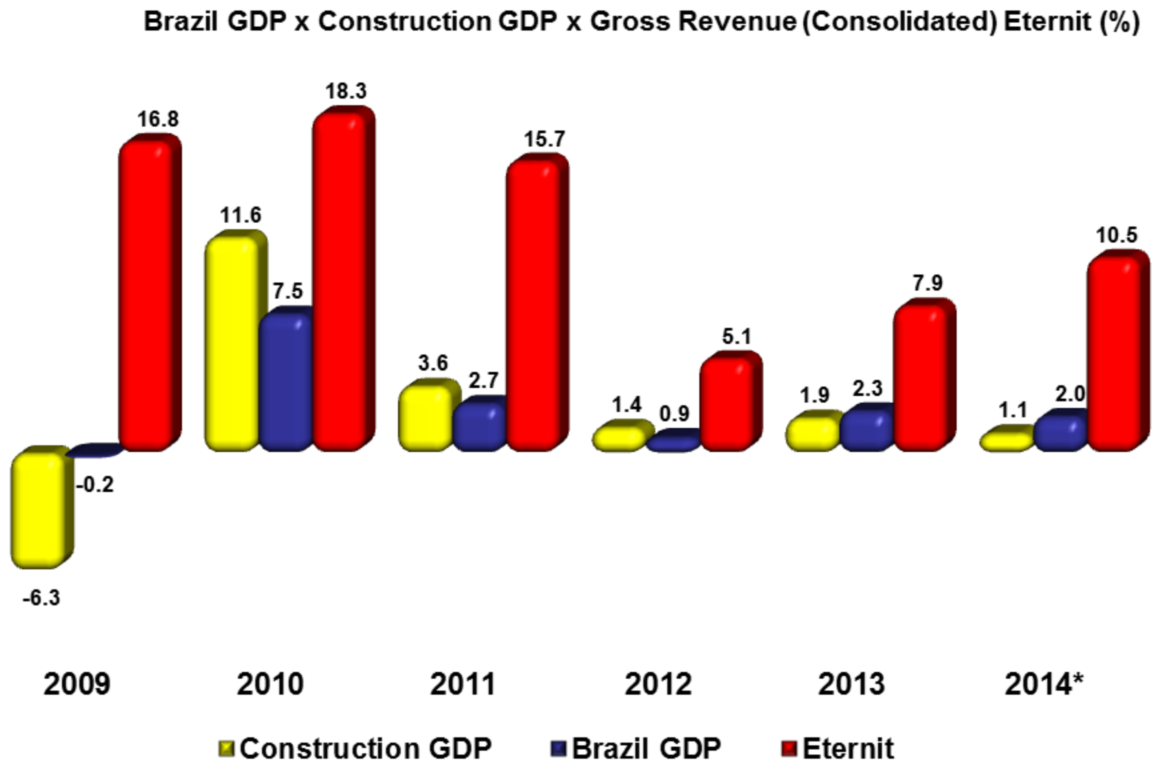
General and Industry Scenario

On the external front, the Central Bank of Brazil (BACEN) considers that the risks to global financial stability remained high despite the low probability of extreme events occurring in global financial markets. In general terms, the global economic outlook remained unchanged despite evidence pointing to low growth rates in a few mature economies, belying their growth potential.

In the domestic scenario, BACEN is of the opinion that household consumption should continue to grow due to incentives such as income growth and moderate credit expansion, in addition to other factors such as favorable financial conditions that create attractive opportunities for investments. In this regard, BACEN highlights that the central scenario contemplates a relatively stable pace of economic activity in 2014 compared to 2013, with Gross Domestic Product (GDP) growth estimated at 2.0% for the economy and 1.1% for the construction industry in 2014.

According to the Brazilian Construction Materials Industry Association (ABRAMAT), sales of construction materials in 1Q14 grew 0.9% from the previous year, well below the estimated growth of 4.5% for 2014, mainly due to the sales performance in March 2014, which was 3.9% lower than in March 2013.

Whether this forecast will materialize by the end of this year will depend on continued stimulus measures from government to the construction industry, maintenance of employment and income levels, growth in credit supply for the acquisition, construction and renovation of properties, and the acceleration of infrastructure works, such as ports and airports.



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

Operational and Financial Aspects

According to ABRAMAT, demand for construction materials registered weak growth in 1Q14, especially in March. The Company, however, strongly outperformed its industry.

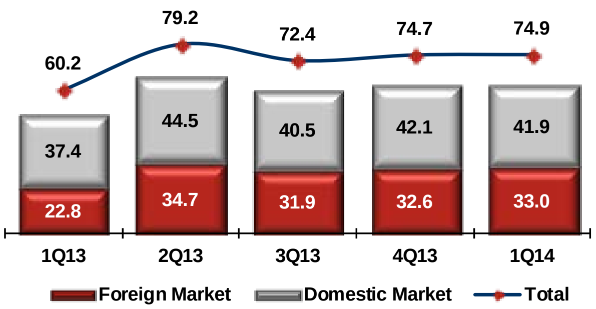
Demand for chrysotile asbestos remained stable during the quarter, which led the Company to maintain its strategy of operating its mining segment at full capacity. In its line of finished products, production accompanied demand, with capacity utilization rates of approximately 80% in the fiber-cement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

Sales

Chrysotile Asbestos

Chrysotile asbestos sales volume in 1Q14 reached 74,900 tons, increasing 24.4% from 1Q13. In line with its strategy of supplying to the domestic market, which is more profitable, domestic sales grew 12.0% in the period, primarily due to the increase in demand for fiber-cement roofing. Exports grew 44.8%, mainly due to the regular export flows in the last quarters.

Sales of Chrysotile Mineral (thous. Tons.)*

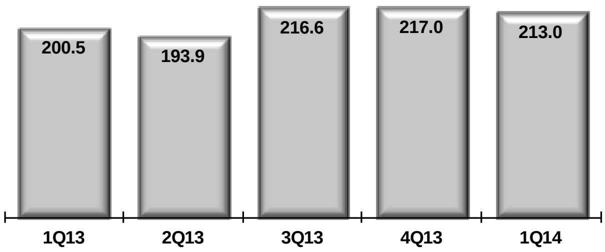


(*) Chrysotile sales volume includes intercompany sales, which accounted for 37.5% of domestic sales volume in 1Q14.

Fiber-cement

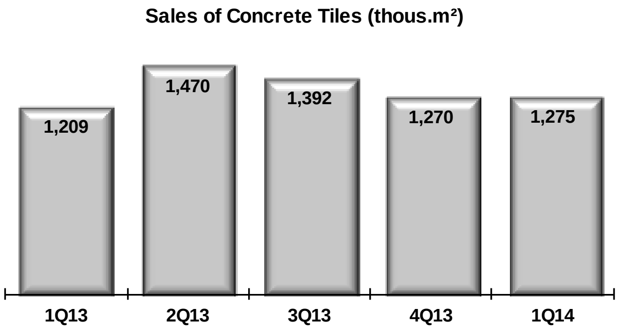
In 1Q14, sales of fiber-cement, including construction solutions, totaled 213,000 tons, increasing 6.2% from 1Q13, mainly due to their competitive advantages in the roofing segment.

Sales of Fiber-Cement (thous. Tons.)



Concrete Tiles

In 1Q14, concrete tile sales totaled 1,275,000 square meters, an increase of 5.4% from 1Q13, due to higher demand in this market and to Tégula's strategy of selling its products through construction material stores as well.



Other Products

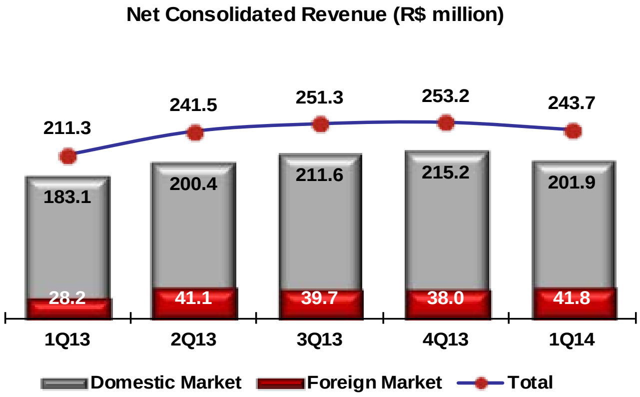
These include the manufacture and sale of polyethylene water tanks, metal roofing tiles, metal fittings and roofing accessories, among others. Bathroom chinaware products have been gaining prominence in Eternit Group's portfolio. Its joint subsidiary, Companhia Sulamericana de Cerâmica (CSC), is getting ready to start production in the state of Ceará, where it already enjoys a prominent position in the bathroom chinaware segment, having overtaken even traditional players.

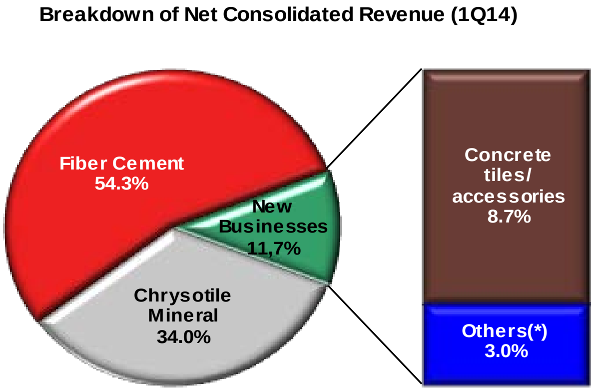
Consolidated Net Revenue

Consolidated net revenue in 1Q14 reached R$ 243.7 million, up 15.3% from the same period in 2013. Domestic sales, which include both finished products and chrysotile asbestos, totaled R$ 201.9 million, up 10.2%, thanks to an appropriate sales policy and increased sales of chrysotile asbestos, fiber-cement and concrete tiles. Net revenue from exports increased 48.7% from 1Q13, totaling R$ 41.8 million, mainly due to higher sales volume and the 18.4% appreciation of the U.S. dollar against the Brazilian real (comparison of the average PTAX rate in the period).

Between 1Q13 and 1Q14, the chrysotile asbestos, fiber-cement and concrete roofing tiles and accessories product lines individually recorded revenue growth of 37.7%, 14.9% and 11.0%, respectively, with revenues of R$ 82.8 million, R$ 132.3 million and R$ 21.2 million, respectively, as a result of the factors described above. Revenue from the other products line totaled R$ 7.4 million in 1Q14, 56.0% lower than in 1Q13.

Sales of bathroom chinaware and lavatory seats are not consolidated since the shareholders (Eternit and Colceramica, a Colombian multinational) exercise joint control, in accordance with CPC 36 and IFRS 10 on consolidated financial statements, and with CPC 19 and IFRS 11 on joint arrangements[1].





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

[1] The consolidated net revenue of CSC, a joint controlled company, was of R$ 8,800 thousand in March 31, 2014.

Cost of Mining, Production and Products Sold

The consolidated cost of products sold totaled R$ 152.9 million in 1Q14, up 20.7% from 1Q13 due to the increase in mining and production costs. Since the increase in the consolidated cost of products sold outpaced the increase in net consolidated revenue in 1Q14, gross margin narrowed by 3 percentage points to 37%.

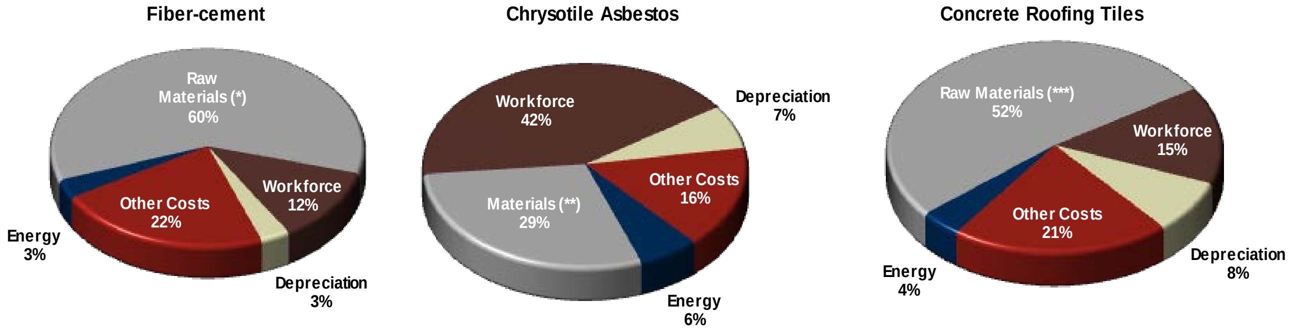
The main variations in mining and production costs are shown below:

Chrysotile mining: 13% increase due to higher labor costs (wage increase), consumption of materials (especially fuel and packaging), as well as maintenance and depreciation of new equipment and trucks in the extraction area.

Fiber-cement: 4% increase due to the higher price of raw materials (especially chrysotile asbestos, cement and pulp), packaging and higher expenses with the maintenance of industrial facilities.

Concrete roofing tiles: 1% increase due to higher prices of raw materials (white cement) and inputs (packaging and fuel).

Breakdown of Cost of Mining and Production (1Q14)



(*) Raw materials: cement (47%), chrysotile asbestos (44%) and other (9%).
(**) Materials: fuel, explosives, packaging and other.
(***) Raw materials: cement (55%), sand (29%) and other (16%).

Operating Expenses

Total operating expenses in 1Q14 increased 6.2% from the prior-year period, mainly due to the following variations:

Selling expenses: increase of 6.6% due to the higher expenses with commissions as a result of higher sales volume, with export documentation and clearances, and royalties due to higher revenues from the subsidiary SAMA.

General and administrative expenses: increase of 10.9% due to higher expenses with the installation of the research and development unit in Manaus, Amazonas, and with defending the use of chrysotile mineral.
Other operating (expenses) revenues: the decrease in this line was due to the social security credits offset during the period.

In R$ '000	1st Quarter		
	2014	2013	Chg. %
Selling expenses	(28,435)	(26,666)	6.6
General and administrative expenses	(28,517)	(25,724)	10.9
Other operating revenues (expenses), net	(148)	(1,382)	(89.3)
Total operating expenses	**(57,100)**	**(53,772)**	**6.2**

Equity income: this line refers to the expenses with building the bathroom chinaware plant in the state of Ceará, which is a joint venture between the Eternit Group and Colceramica, a company belonging to the Colombian multinational group Organizações Corona.

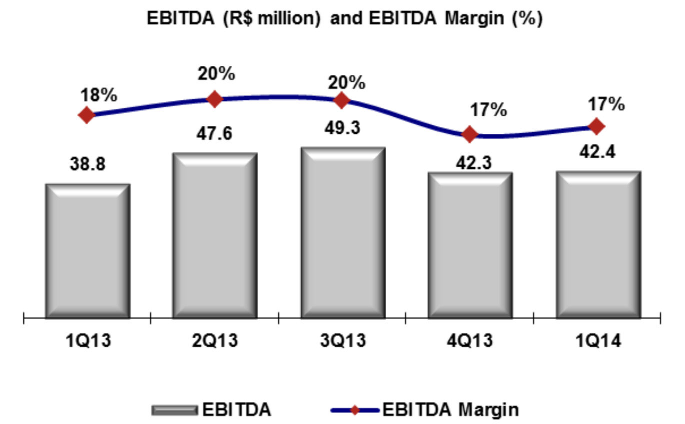
Net Financial Income (Expense)

Eternit recorded net financial income of R$ 1.8 million in 1Q14, compared to a negative result of R$ 210 thousand in 1Q13, which is explained by the higher gains from exchange variation.

In R$ '000	1st Quarter		
	2014	2013	Chg. %
Financial expenses	(13,049)	(8,827)	47.8
Financial income	14,840	8,617	72.2
Net financial result	**1,791**	**(210)**	**-**

EBITDA

Consolidated EBITDA (earnings before interest, tax, depreciation and amortization) in 1Q14 reached R$ 42.4 million, up 9.1% from 1Q13, primarily due to higher sales volumes of chrysotile asbestos, fiber-cement and concrete tiles, an appropriate sales policy and higher exchange variation, which partially offset the increase in cost of products sold, which was higher than consolidated net revenue, and the increase in operating expenses. As a result, EBITDA margin dropped 1 percentage point from 1Q13 to end 1Q14 at 17%.

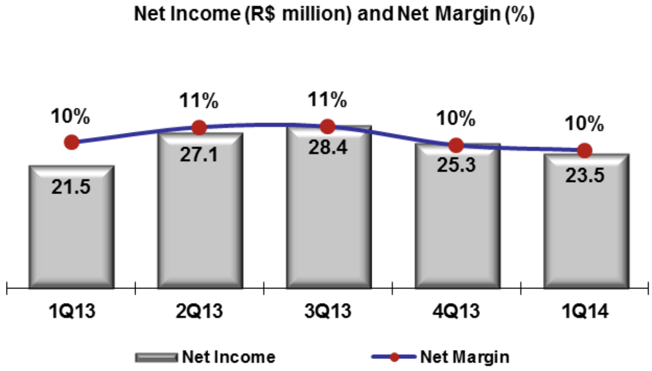


Reconciliation of consolidated EBITDA - (R$'000)	1st Quarter		
	2014	2013	% Chg.
Net income	**23,490**	**21,474**	**9.4**
Income tax and social contributions	11,495	8,281	38.8
Net financial Income	(1,791)	210	-
Depreciation and amortization	9,177	8,857	3.6
EBITDA	**42,371**	**38,822**	**9.1**

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

Net Income

Eternit reported net income of R$ 23.5 million in 1Q14, up 9.4% from 1Q13, while net margin remained stable to close the period at 10%, due to the same factors explained in the EBITDA section.

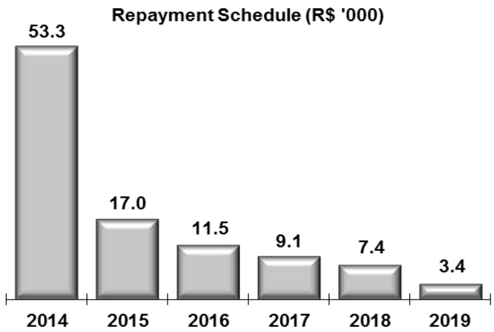


Debt

The Company ended 1Q14 with a net debt of R$ 25.7 million. In March 2014, the gross debt of Eternit and its subsidiaries totaled R$ 101.7 million, which is basically explained by: (i) the Advances on Export Contracts (ACE) for working capital (due in 2014); and (ii) the financing lines contracted for the acquisition of trucks, machinery and equipment for its operations under the programs FINIMP (import financing) and FINAME (long-term financing for the acquisition and production of new machinery and equipment).

Cash, cash equivalents and short-term financial investments totaled R$ 76.0 million, with financial investments remunerated at an average rate corresponding to 102% of the variation in the interbank overnight rate (CDI).

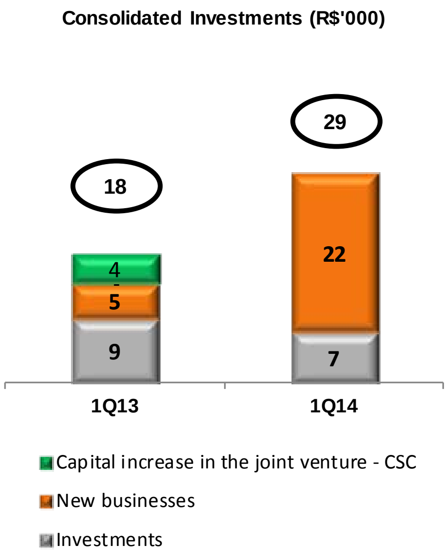
DEBT	Parent Company		Consolidated	
	03/31/14	12/31/13	03/31/14	12/31/13
Short- term gross debt	8.430	8.944	53.290	56.881
Long-term gross debt	4.605	14.368	48.392	25.799
Cash and cash equivalents	(4.441)	(9.516)	(7.900)	(13.295)
Short-term investments (same cash equivalents)	(40.514)	(9.897)	(68.080)	(35.661)
Net debt	**(31.920)**	**3.899**	**25.702**	**33.724**
EBITDA (last 12 months)	36.046	36.347	181.585	178.036
Net debt / EBITDA x	**(0,89)**	**0,11**	**0,14**	**0,19**
Net debt / Equity	**-**	**0,8%**	**5,0%**	**6,7%**

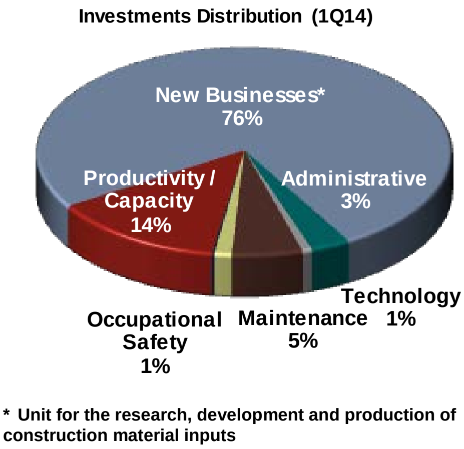


Note that the Company does not contract leveraged operations involving derivative instruments of any type that could be interpreted as speculative positions.

Investments

The investments made by Eternit and its subsidiaries in 1Q14 amounted to R$ 29.2 million, which is 64.3% more than in the same quarter of 2013. Investments in the period were allocated mainly to the installation of a unit in the state of Amazonas for the research, development and production of construction material inputs, and to initiatives to maintain and modernize the Group's industrial facilities.





Investments in 2014 are expected to be around R$ 109.9 million, with R$ 57.5 million allocated to maintain and modernize the industrial facilities, R$ 40.0 million to build a unit in Manaus, Amazonas, for the research, development and production of construction material inputs, and R$ 12.4 million for the bathroom chinaware plant in the Port of Pecém in the state of Ceará.

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 has also maintained a Level I American Depositary Receipt (ADR) program since May 2010, which allows its shares to trade on the secondary or over-the-counter market in the United States, under the stock ticker ETNTY.

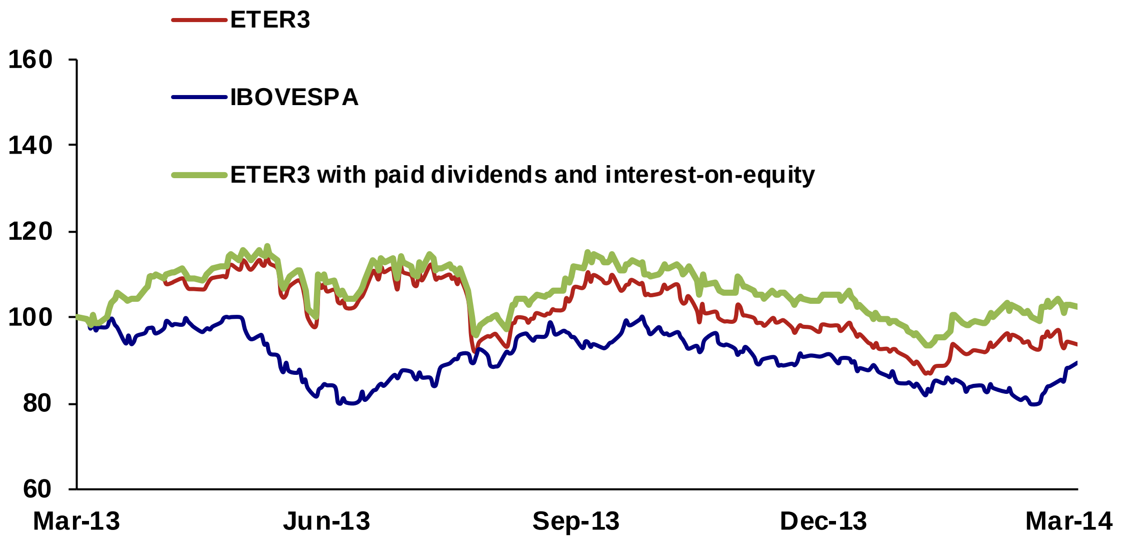
In 1Q14, Eternit's shareholder base maintained the high concentration of individual investors, who accounted for 60.6%, while foreign investors accounted for 11.2% and institutional investors, investment clubs, investment funds and foundations accounted for 28.2%.

Eternit's stock (ETER3) was quoted at R$ 8.35 in March 2014, which represents a loss of 6.3% from March 2013. In the same period, the benchmark Bovespa Index (IBOVESPA) lost 10.5% to close at 50,414 points. On March 31, 2014, Eternit's market capitalization stood at R$ 747.3 million.

Capital Markets

ETERNIT (ETER3)	1Q13	2Q13	3Q13	4Q13	1Q14
Closing Price (R$/Share) - Without dividends	8.91	9.45	9.52	8.74	8.35
Average Volume Traded (Shares)	95,939	139,741	85,218	64,923	52,751
Average Volume Traded (R$)	818,932	1,326,183	774,671	598,194	437,625
ETER3 - Quarterly Profitability (%)	-	6.1	0.7	-8.2	-4.5
ETER3 - 12 Months Profitability (%)	-	-14.0	-2.9	7.9	-6.3
IBOVESPA - Quarterly Profitability (%)	-	-15.8	10.3	-1.6	-2.1
IBOVESPA - 12 Months Profitability (%)	-	-12.7	-11.6	-15.5	-10.5
Market Capitalization (R$ Million)	797.4	845.8	852.0	782.2	747.3

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



Source: Economática

Dividends and Interest on Equity

Eternit continues to be one of Brazil's corporations with the highest returns for its shareholders. In 2014, Eternit's dividend yield[2] is already 4.6%, while shareholder payments totaled R$ 35.8 million.

Dividends and interest on equity have historically been paid on a quarterly basis. In view of this practice, Eternit's shareholder base has a higher percentage of individual investors.

Dividends Distribution (2012 to 2014)				
Approval Date	Type	Payment Start Date	Total Value R$ 000	Value per Share (R$)
	2012			
12/07/11 (*)	BDM	03/28/12	5,905	0.066
03/07/12 (*)	BDM	03/28/12	11,989	0.134
04/25/12	BDM	05/17/12	5,905	0.066
04/25/12	BDM	05/17/12	11,989	0.134
08/08/12	BDM	08/29/12	6,710	0.075
08/08/12	BDM	08/29/12	11,184	0.125
10/24/12	BDM	11/14/12	5,726	0.064
10/24/12	BDM	11/14/12	12,168	0.136
Total		-	**71,576**	**0.800**
Closing Price		-	-	**8.90**
Dividend Yield		-	-	**9.0%**
	2013			
12/12/12 (*)	BDM	03/26/13	5,726	0.064
03/06/13 (*)	BDM	03/26/13	12,168	0.136
04/17/13	BDM	05/10/13	5,726	0.064
04/17/13	BDM	05/10/13	12,168	0.136
08/07/13	BDM	08/28/13	5,726	0.064
08/07/13	BDM	08/28/13	12,168	0.136
10/23/13	BDM	11/13/13	5,816	0.065
10/23/13	BDM	11/13/13	12,079	0.135
Total		-	**71,577**	**0.800**
Closing Price		-	-	**8.10**
Dividend Yield		-	-	**9.9%**
	2014			
11/12/13 (*)	BDM	04/02/14	5,458	0.061
03/06/13 (*)	BDM	04/02/14	12,436	0.139
05/07/14	BDM	05/28/14	5,994	0.067
05/07/14	BDM	05/28/14	11,900	0.133
Total			**35,788**	**0.400**
Closing Price		-	-	**8.74**
Dividend Yield		-	-	**4.6%**

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

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

Social, Environmental and Corporate Responsibility

Open Doors Program

To contribute to a better understanding by society of the extraction and processing of chrysotile mineral, the manufacturing of fiber-cement products in a sustainable manner and the health and safety practices adopted, in November 2004, Eternit created its Open Doors Program. The program promotes visits by the public to the group's five fiber–cement units located in Anápolis (Goiás), Colombo (Paraná), Goiânia (Goiás), Rio de Janeiro (Rio de Janeiro), and Simões Filho (Bahia), as well as to SAMA, the mining company located in Minaçu in the north of Goiás. Since its introduction, the program, which is considered one of the largest in the market, has already received over 63,000 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).

Legal issues involving asbestos

The Company clarifies that the extraction, processing, use, sale and transport of chrysotile asbestos and products containing the mineral are regulated by Federal Law 9,055/95, Decree 2,350/97 and the Regulatory Rules of the Ministry of Labor and Employment.

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

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

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

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

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

Election of Board of Directors and Audit Board

At the Annual Shareholders' Meeting (ASM) held on April 23, 2014, the following independent members were elected to the Board of Directors: Luis Terepins as Chairman, Benedito Carlos Dias da Silva, Leonardo Deeke Boguszewski, Lírio Albino Parisotto, Marcelo Gasparino da Silva and Marcelo Munhoz Auricchio. They will hold office for one year until the next ASM.

At the ASM, Charles René Lebarbenchon, Edson Carvalho de Oliveira Filho and Paulo Henrique Zukanovich Funchal were elected members of the Audit Board, and André Eduardo Dantas, Guilherme Affonso Ferreira and Daniel Cupponi were elected alternate members. The Audit Board is not a permanent body and its members hold office for one year until the next ASM. The Audit Board is an advisory body to the Board of Directors, whose key responsibility is to supervise the financial situation of Eternit.

The résumé of each board member is available at www.eternit.com.br/ir

Outlook

The forecast for Brazil's GDP growth in 2014 of 2.0% 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 1.1%, 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. According to ANAMACO, in addition to the aforementioned factors, the increase in mortgage finance, low default levels and higher limit of the Government Severance Indemnity Fund (FGTS) for mortgage financing should allow the industry to continue growing in 2014.

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

The year 2014 will be marked by the inauguration of the first bathroom chinaware unit (with initial capacity of 1.5 million units/year) 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. Construction of the factory has already been completed, the teams hired have been trained and the equipment is in the production testing phase. Being a greenfield project, it will be inaugurated after production reaches a certain momentum and after the progress and growth targets for the run-up phase are met.

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 level and regular investments in its Expansion and Diversification Plan, the Company will concentrate its efforts in 2014 on consolidating the investments in Fortaleza and on the construction of the unit in Manaus to research, develop and produce construction material inputs. 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.

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

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

Presentation: Nelson Pazikas – Chief Executive and Investor Relations Officer, and Rodrigo Lopes da Luz – Chief Administrative and Financial Officer
Date: Friday, May 9, 2014
Time: 11:00 a.m. (Brasília); 10:00 a.m. (New York); 3:00 p.m. (London)

The presentation, which is accompanied by slides, can be watched on the Internet by registering at **www.ccall.com.br/eternit/1q14.htm** or on Eternit's investor relations website **www.eternit.com.br/ir**

To participate in the presentation by telephone, please dial **(55-11) 3193-1001 or 2820-4001** from Brazil and **(1 786) 786 924-6977** from other countries. The code for participants is **Eternit**

Playback: A recording of the conference call will be available from **May 9, 2014** to **May 15, 2014**
Dial-in: **(55-11) 3193-1012 or 2820-4012** - Code for participants: **1676593#**

Eternit

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SHAREHOLDING POSITION OF THE OWNERS OF MORE THAN 5% OF SHARES OF EACH SPECIES AND CLASS OF THE COMPANY, TO THE INDIVIDUAL ENTITY LEVEL.				
Company: ETERNIT S.A.			**Position on 03/31/2014 (In Units)**	
	Ordinary Shares		**Total**	
Shareholder	**Qty.**	**%**	**Qty.**	**%**
Generation L. Pair Shares Investment Fund	15.909.900	17,78	15.909.900	17,78
Luiz Barsi Filho	12.140.000	13,56	12.140.000	13,56
Victor Adler	6.000.000	6,70	6.000.000	6,70
Shares in treasury	29.366	0,03	29.366	0,03
Others	55.420.734	61,93	55.420.734	61,93
Total	**89.500.000**	**100,00**	**89.500.000**	**100,00**

SHAREHOLDING POSITION OF THE OWNERS OF MORE THAN 5% OF SHARES OF EACH SPECIES AND CLASS OF THE COMPANY, TO THE INDIVIDUAL ENTITY LEVEL.				
Company: ETERNIT S.A.			**Position on 03/31/2013 (In Units)**	
	Ordinary Shares		**Total**	
Shareholder	**Qty.**	**%**	**Qty.**	**%**
Generation L. Pair Shares Investment Fund	13.650.000	15,25	13.650.000	15,25
Luiz Barsi Filho	12.140.000	13,56	12.140.000	13,56
Victor Adler	6.000.000	6,70	6.000.000	6,70
Shares in treasury	29.366	0,03	29.366	0,03
Others	57.680.634	64,46	57.680.634	64,46
Total	**89.500.000**	**100,00**	**89.500.000**	**100,00**

2. POSITION OF THE CONTROLLERS, MANAGERS AND CURRENT SHARES (not revised by independent auditors)

ADMINISTRATORS AND CONTROLLERS AND CURRENT SHARES CONSOLIDATED SHAREHOLDING POSITION						
Shareholder	**Quantity of ordinary shares (in units) on 03/31/2014**	**%**	**Quantity of ordinary shares (in units) Activity**		**Quantity of ordinary shares (in units) 03/31/2013**	**%**
Controller	N/A	-	N/A		N/A	-
Administrators						
Board of Directors	12.409.522	13,87	-520.172		12.929.694	14,45
Advisory Council					6.000.362	6,70
Management	936.483	1,05	-94.300		1.030.783	1,15
Tax Council	11.062	-			-	-
Shares in treasury	29.366	0,03	0		29.366	0,03
Other shareholders	76.113.567	85,05	6.603.772		69.509.795	77,67
Total	**89.500.000**	**100,00**	**5.989.300**		**89.500.000**	**100,00**
Current shares	**76.113.567**	**85,05**	**6.603.772**		**69.509.795**	**77,67**

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

Independent auditor's review report on interim financial information

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

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Eternit S.A. (Company) and its subsidiaries, contained in the Quarterly Financial Information Form (ITR) for the quarter ended March 31, 2014, comprising the balance sheet at March 31, 2014 and the related income statements, statements of comprehensive income, statements of changes in equity and cash flow statements for the quarter then ended, including other explanatory information.

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

Scope of review

We conducted our review in accordance with Brazilian and International Standards on review of interim financial information (NBC TR 2410 - Review of Interim Financial Information Performed by Independent Auditor of an Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of an Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the individual interim financial information

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

Conclusion on the consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information included in the quarterly financial information referred to above is not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of the Quarterly Financial Information (ITR), consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

Emphasis of matters

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

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

Other matters

Statements of value added

We have also reviewed the individual and consolidated statements of value added for the quarter ended March 31, 2014, prepared under the responsibility of Company management, the presentation of which in the interim financial information is required by the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to preparation of Quarterly Financial Information (ITR) and as supplemental information under the IFRS, whereby no statement of value added presentation is required. These statements have been subject to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, consistently with the overall individual and consolidated interim financial information.

São Paulo, May 6, 2014.

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

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

ETERNIT S.A.

C.N.P.J. nº 61.092.037/0001-81

NIRE 35.300.013.344

REPORT BY THE BOARD OF AUDITORS

The Audit Board of Eternit S.A., in compliance with the law and its Bylaws, examined the interim, individual and consolidated accounting information of Eternit S.A., referring to the quarter ending March 31, 2014.

Based on its examination, and considering the unqualified Auditor's Report dated May 06, 2014 issued by the independent auditors Ernst & Young Auditores Independentes S.S., as well as the information and clarifications received during the quarter, it is of the opinion that said documents are in adequate conditions to be presented to the Board of Directors for appreciation.

São Paulo, May 06, 2014.

Herein undersigned by.:) André Eduardo Dantas – Coordinator and Edson Carvalho de Oliveira Filho

Declaration by the Executive Board

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

São Paulo, May 07, 2014.

The Management