



Eternit

Consolidated net revenue reaches R\$203.7 million in 2Q16

São Paulo, August 11, 2016 – Eternit S.A. (BM&FBovespa: ETER3), which was founded 76 years ago and is Brazil's leading manufacturer of roofing tiles and also manufactures bathroom chinaware, metal fixtures and construction solutions, announces its results for the second quarter of 2016 (2Q16). Except where stated otherwise, the operational and financial information of the Company is presented on a consolidated basis in Brazilian real, in accordance with Brazilian Corporation Law and International Financial Reporting Standards (IFRS). All comparisons made in this press release are with the second quarter of 2015 (2Q15), except where stated otherwise.

2Q16

Stock Price (07/29/16) ETER3

R\$/share	1,68
US\$/share	0,52

Shareholder base (07/29/16)

Total Shares	179,000,000
Free Float	74,38%

Market Capitalization - (07/29/16)

R\$300.7 million
US\$92.8 million

Shareholder Payments (2016)

R\$0.044 per share
Dividend yield: 2.2%

Indicators - (Jun/16)

Book value (R\$/shr)	2.79
Price/Book value	0.54
Price/Earnings	N/A

Conference Call/Webcast

August 12, 2016

Time: 11:00 a.m. (Brasília) –
10:00 a.m. (New York) and 3:00
p.m. (London)

Dial in:

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

From other countries:
+1 412 317-6029
Access code: **Eternit**

Webcast:

www.eternit.com.br/ri

IR Contacts

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

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



@Eternit_RI

The construction materials industry ended the second quarter of 2016 with a weak performance, according to the Brazilian Construction Materials Industry Association (ABRAMAT).

Though this is a period of seasonally lower demand for the Company, apart from the contraction in the segment, Eternit posted negative results, yet outperforming the industry,

Chrysotile sales volume in 2Q16 amounted to 47,600 tons, decreasing 28.7% from 2Q15, due to the reduction in the inventories of clients of the mining company and in the construction materials sector, as well as the competitiveness of steel roofing panels in Asia and strong competition in the export market. In the same period, fiber-cement sales reached 181,000 tons, down 3.0% from 2Q15, whereas concrete roofing tile sales decreased 9.0%, mainly due to the industry slowdown, higher unemployment, lower household income and credit restrictions.

Consolidated net revenue in 2Q16 totaled R\$203.7 million, down 13.8% from 2Q15, due to the decrease in volume sold and the price in U.S. dollar on chrysotile exports, which was partially offset by the 14.1% appreciation of the U.S. dollar against the Brazilian real due to chrysotile exports.

Adjusted EBITDA reached R\$10.6 million in 2Q16, down 75.6%, due to the decline in operating margins on account of a sales mix with lower added value, lower sales volume, low utilization of operating capacity and a non-recurring increase in operating expenses due to the payment of court fees related to the filing of an appeal against the Public-Interest Civil Actions filed in São Paulo by the Labor Prosecution Office and ABREA, despite the Company's efforts to reduce operating expenses.

In view of the aspects mentioned in the Adjusted EBITDA section, in addition to a higher net financial expense resulting from the effects of net exchange variation on the Group's foreign-denominated operations, the higher interest resulting from debt and the lower returns on investments due to lower cash available, net loss was R\$9.0 million in 2Q16.

Capex totaled R\$3.9 million in 2Q16, declining 69.7% from 2Q15, and was allocated to maintaining and modernizing the Group's industrial facilities.

Main Indicators

Consolidated - R\$ `000	2 nd Quarter			Accum. 6 Months		
	2016	2015	% Chg.	2016	2015	% Chg.
Gross revenues	259,154	296,053	(12.5)	544,763	617,600	(11.8)
Net revenues	203,708	236,422	(13.8)	432,630	489,141	(11.6)
Gross profit	63,210	93,388	(32.3)	143,256	187,346	(23.5)
<i>Gross margin</i>	31%	40%	- 9 p.p.	33%	38%	- 5 p.p.
Operating loss/income (EBIT) ¹	(5,073)	27,901	-	16,930	61,335	(72.4)
Net loss/income	(9,006)	16,788	-	(737)	36,944	-
<i>Net margin</i>	-4%	7%	- 11 p.p.	0%	8%	- 8 p.p.
Loss/Earnings per share - R\$	(0.050)	0.094		(0.004)	0.206	
CAPEX	3,892	12,830	(69.7)	7,537	26,968	(72.1)
EBITDA ²	4,685	37,620	(87.5)	36,555	80,678	(54.7)
<i>EBITDA Margin</i>	2%	16%	- 14 p.p.	8%	16%	- 8 p.p.
Adjusted EBITDA over equity pickup	10,586	43,311	(75.6)	48,685	92,890	(47.6)
<i>Adjusted EBITDA Margin</i>	5%	18%	- 13 p.p.	11%	19%	- 8 p.p.

¹ Before financial results.

² Operating income before interests, taxes, depreciation and amortization



Economy and Market

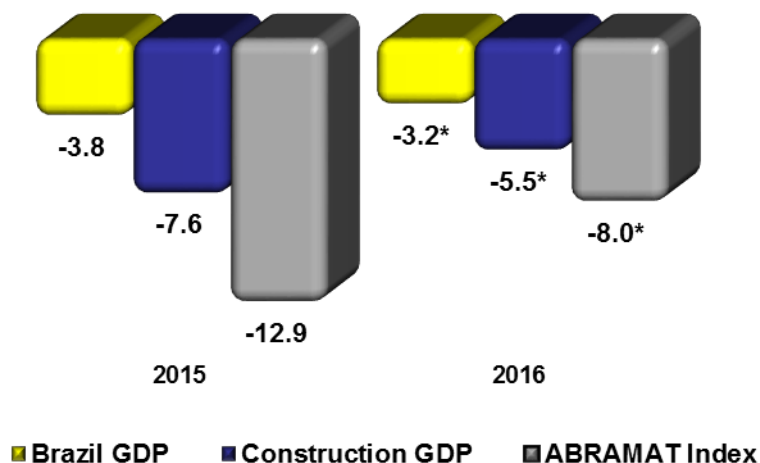
According to the Monetary Policy Committee (Copom) of the Brazilian Central Bank, domestic economic activity in 2016 will continue its downward trend, as evidenced by the drop in the Gross Domestic Product (GDP) in 1Q16, the cutback in investments by companies and households, the latter mainly due to higher unemployment rates and more rigorous conditions in the credit market. Copom also points out that as the confidence of companies and households increases, economic activity should gain momentum and, in the medium term, important changes should occur in aggregate demand and supply, consumption should tend to grow at a moderate pace and investments should gain strength.

Based on this scenario, the forecast for 2016 call for Brazil's GDP growth to contract by 3.2% and for construction GDP to decline by 5.5% compared to 2015, based on the Market Readout of August 5, 2016 and the Inflation Report for June 2016 published by the Brazilian Central Bank (BACEN), respectively.

According to ABRAMAT, sales of construction materials during the first half of 2016 decreased 14.3% from the same period the previous year, coming lower than the last forecast of -8.0% for 2016, especially due to factors such as unemployment, lower household income, scarce credit, and lack of confidence among entrepreneurs to invest.

In comparison, Eternit's^[1] consolidated gross revenue decreased 13.3% in the first half of 2016, still outperforming the industry (-14.3%) and the second quarter of the year is a period of lower demand for the Company apart from the contraction in the segment, as mentioned above. Note that in 1H16, the Company operated at a capacity in line with market demand in both its chrysotile mining operation and in its line of finished products and the production of fiber-cement roofing panels and concrete roofing tiles.

Brazil GDP x Construction GDP x ABRAMAT Index (%)



Source: *CENTRAL BANK – projected growth in Brazil GDP and Construction GDP in the year.

** ABRAMAT – projected domestic sales of construction materials in the year, adjusted for inflation.

^[1] Growth in Eternit's consolidated gross revenue compares the period from January to June 2016 with the same period in 2015, deflated by the IGP-M index.

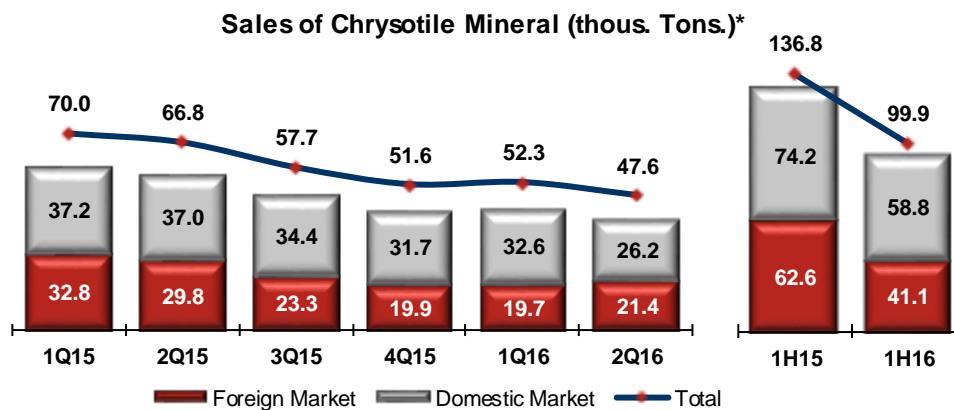


Operational and Financial Aspects

Sales

Chrysotile Mineral

In 2Q16, chrysotile mineral sales reached 47,600 tons, down 28.7% from 2Q15. In the same period, domestic sales decreased 29.1% due to the reduction in the inventories of clients of the mining company and the downturn in the construction materials sector. Exports declined 28.2%, mainly due to strong competition from mining companies in Russia and Kazakhstan, and the higher share of steel roofing panels in Asia's roofing market.

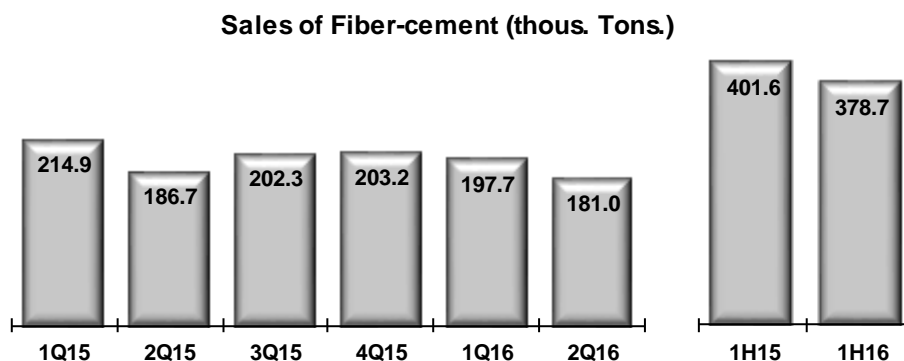


(*) Chrysotile mineral sales volume includes intercompany sales, which accounted for 45.2% of domestic sales volume in 2Q16.

Sales in 1H16 totaled 99,900 tons, decreasing 26.9% from 1H15, due to the factors mentioned earlier.

Fiber-Cement Panels

Fiber-cement sales, including construction solutions, totaled 181,000 tons in 2Q16, down 3.0% from 2Q15, due to factors such as unemployment, lower income distribution and more difficult and expensive credit for households, all of which affected the retail market for construction materials.



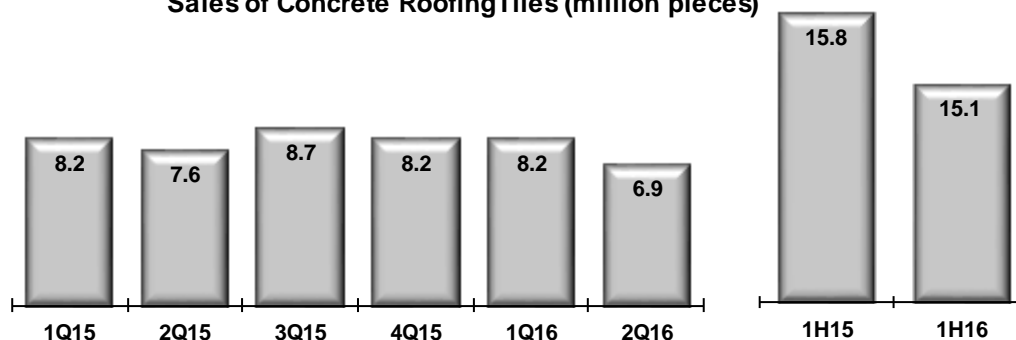
Sales in 1H16 reached 378,700 tons, down 5.7% from 1H15, due to the factors mentioned above.



Concrete Roofing Tiles

In 2Q16, concrete roofing tiles sales totaled 6.9 million parts, down 9.0% from 2Q15 due to the lack of consumer confidence and/or postponement of construction projects by consumers, especially in the middle and high-income segments.

Sales of Concrete Roofing Tiles (million pieces)



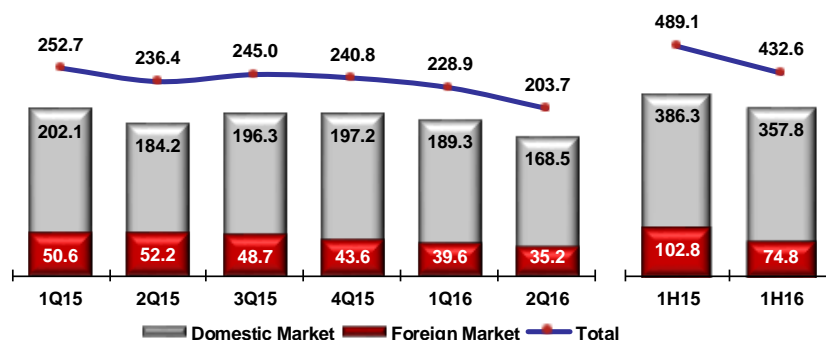
In 1H16, sales volume was 15.1 million parts, a decrease of 4.2% from 1H15, as previously mentioned.

Consolidated Net Revenue

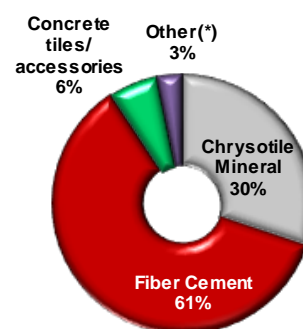
Consolidated net revenue in 2Q16 was R\$203.7 million, decreasing 13.8% from 2Q15. Domestic market revenue was R\$168.5 million, down 8.5%, mainly due to lower sales volume and a sales mix with lower added value. Export net revenue fell by 32.6% from 2Q15 to R\$35.2 million, due to lower sales volume and the price reduction in U.S. dollar in order to keep pace with competition in the chrysotile segment, which was partially offset by the 14.1% appreciation of the U.S. dollar against the Brazilian real (average PTAX in period).

Comparing the performance of the main segments 2Q16 and 2Q15, net revenue declined by 30.6% in chrysotile mineral, by 3.3% in fiber-cement and by 12.7% in concrete roofing tiles and roofing accessories to R\$61.5 million, R\$123.4 million and R\$12.5 million, respectively.

Consolidated Net Revenue (R\$ million)



Breakdown of Consolidated Net Revenue (2Q16)



(*) Other: metal bathroom fixtures, polythene water tanks, construction solutions and other products.

In 1H16, net revenue amounted to R\$432.6 million, down 11.6% from the same period in 2015. Exports totaled R\$74.8 million, down 27.2% from 1H15, and domestic sales totaled R\$357.8 million, decreasing 7.4% for the same reasons cited above.

Cost of Goods Sold

Consolidated cost of goods sold in 2Q16 was R\$140.5 million, decreasing 1.8% from 2Q15, mainly due to lower sales volume and cost pressures resulting from inflation and lower utilization of installed capacity. As a result, gross margin in the quarter was 31%, decreasing 9 percentage points between the periods.

Eternit

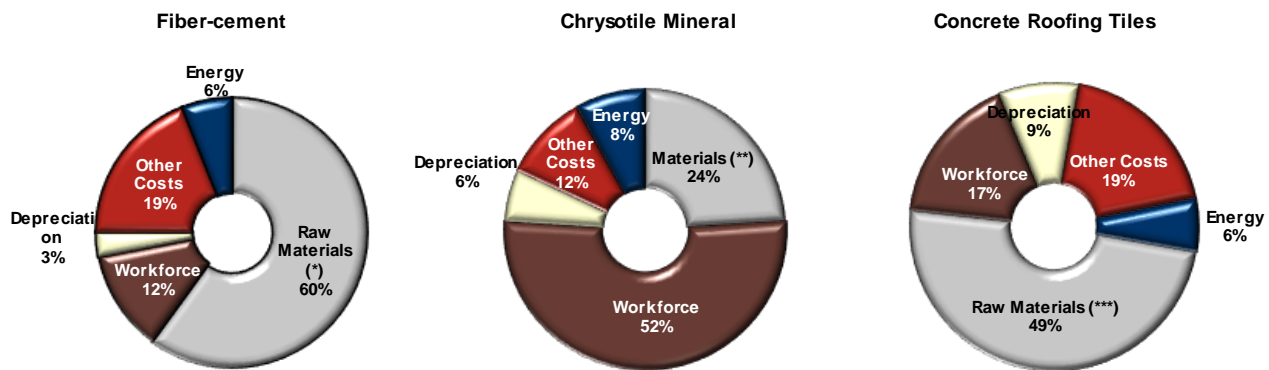
The main variations in the operating segments, in addition to those caused by lower sales volume, were:

Chrysotile Mineral: decrease of 7.2% due to the adjustment in capacity utilization to balance inventory levels and the reduction in direct labor and material costs.

Fiber-Cement: virtually stable, despite the increase in raw material prices and electricity tariffs.

Concrete Roofing Tiles: down 1.7%, mainly due to the decrease in raw material and direct labor costs.

Breakdown of Cost (2Q16)



*Raw materials: cement (39%), chrysotile mineral (40%) and other (21%).

**Materials: fuel, explosives, packaging, etc.

***Raw materials: cement (52%), sand (31%) and other (17%).

In the second half of 2016, consolidated cost of goods sold totaled R\$289.4 million, down 4.1% from 2015, in line with the aspects mentioned above. Consequently, gross margin declined 5 percentage points from the same period in 2015, closing the period at 33%.

Operating Expenses

Total operating expenses in 2Q16 increased 4.3% from 2Q15, due to the following main variations:

Selling expenses: down 9.7% due to lower chrysotile sales volume, neutralizing the higher expenses with marketing campaigns.

General and administrative expenses: down 20.9% due to lower provision for profit sharing and lower expenses with defending the use of chrysotile.

Other operating income (expenses): variation resulting from higher expenses with provision for post-employment benefits and the payment of court fees for filing an appeal against the Public-Interest Civil Actions filed in São Paulo by the Labor Prosecution Office and by ABREA.

In R\$ '000	2 nd Quarter			Accum. 6 Months		
	2016	2015	Chg. %	2016	2015	Chg. %
Selling expenses	(27,372)	(30,323)	(9.7)	(53,950)	(57,954)	(6.9)
General and administrative expenses	(23,549)	(29,784)	(20.9)	(50,384)	(57,109)	(11.8)
Other operating revenues (expenses), net	(11,461)	311	-	(9,863)	1,264	-
Total operating expenses	(62,382)	(59,796)	4.3	(114,197)	(113,799)	0.3
<i>Percentage of net revenue</i>	<i>31%</i>	<i>25%</i>	<i>6 p.p.</i>	<i>26%</i>	<i>23%</i>	<i>3 p.p.</i>

Operating expenses in 1H16 totaled R\$114.2 million, virtually stable from 1H15, due to the factors mentioned above and to the decrease in labor costs with the implementation of the SAP system and the administrative restructuring at the subsidiary Tégula with impact on general and administrative expenses.



Equity Pickup

Equity pickup refers to the proportional gain or loss from the bathroom chinaware plant in the state of Ceará, the joint venture Companhia Sulamericana de Cerâmica (CSC). In 2Q16, equity pickup was a negative R\$5.9 million, compared to a negative R\$5.7 million in 2Q15.

In 1H16, equity pickup was a negative R\$12.1 million, compared to a negative R\$12.2 million in 1H15.

Net Financial Result

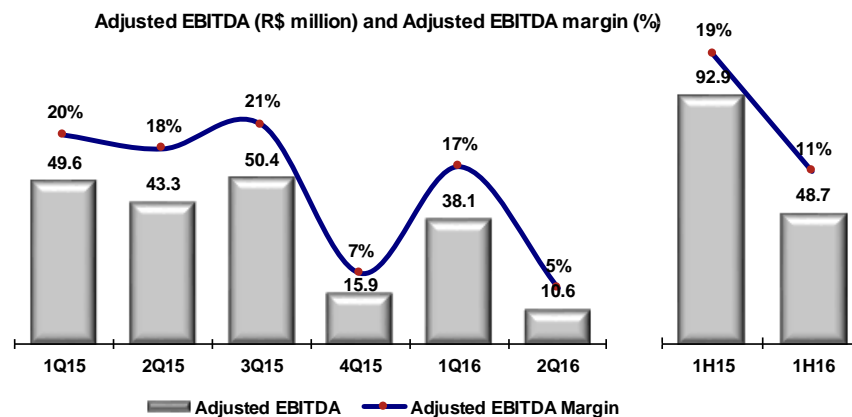
Net financial result in 2Q16 was an expense of R\$4.1 million, compared to an expense of R\$1.5 million in 2Q15, mainly due to the effects of the net exchange variation on the Group's foreign-denominated operations, as well as higher interest resulting from debt and lower returns on investments due to the decrease in cash available.

In R\$ '000	2 nd Quarter			Accum. 6 Months		
	2016	2015	Chg. %	2016	2015	Chg. %
Financial expenses	(17,985)	(21,314)	(15.6)	(47,384)	(43,599)	8.7
Financial income	13,930	19,807	(29.7)	37,563	40,475	(7.2)
Net financial result	(4,055)	(1,507)	169.1	(9,821)	(3,124)	214.4

In 1H16, net financial result was an expense of R\$9.8 million, compared to an expense of R\$3.1 million in 2015, as commented above.

Adjusted EBITDA

Adjusted EBITDA in 2Q16 reached R\$10.6 million, down 75.6% from 2Q15, due to the contraction of operating margins resulting from a sales mix with lower added value, lower sales volume and lower utilization of operating capacity, in addition to the factors commented under operating expenses. As a result, adjusted EBITDA margin contracted 13 percentage points from 2Q15 to end 2Q16 at 5%.



Adjusted EBITDA in 1H16 totaled R\$48.7 million, decreasing 47.6%, with EBITDA margin of 11%, down 8 percentage points from 1H15, due to the aspects mentioned above.

Reconciliation of consolidated EBITDA - (R\$'000)	2 nd Quarter			Accum. 6 Months		
	2016	2015	% Chg.	2016	2015	% Chg.
Net loss/income	(9,006)	16,788	-	(737)	36,944	-
Income tax and social contributions	(122)	9,606	-	7,845	21,267	(63.1)
Net financial income	4,055	1,507	169.1	9,821	3,124	214.4
Depreciation and amortization	9,758	9,719	0.4	19,626	19,343	1.5
EBITDA¹	4,685	37,620	(87.5)	36,555	80,678	(54.7)
Equity pickup	5,901	5,691	3.7	12,130	12,212	(0.7)
Adjusted EBITDA over equity pickup²	10,586	43,311	(75.6)	48,685	92,890	(47.6)

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

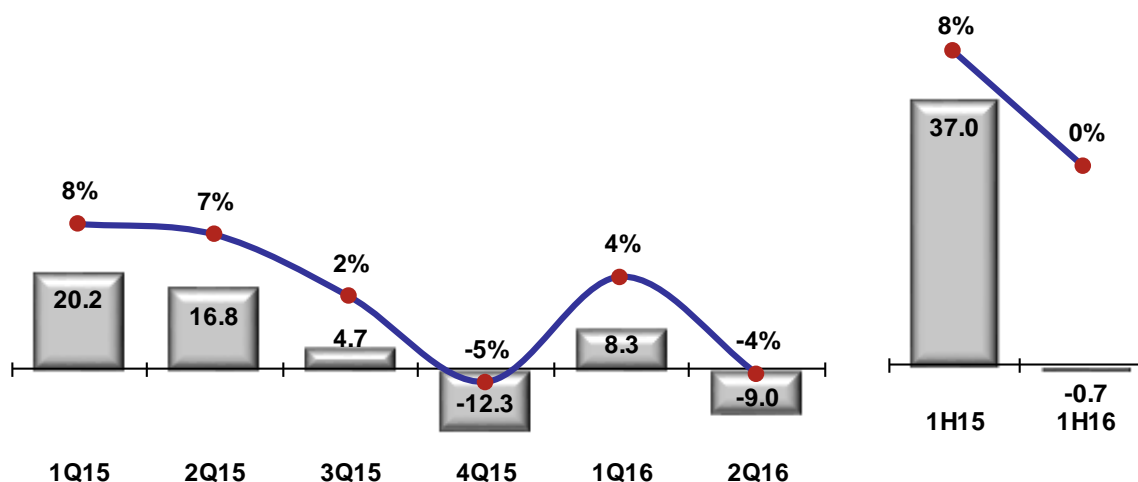
Eternit

Adjusted EBITDA² is an indicator used by the Company's Management to analyze the operational and economic performance of its consolidated business, excluding equity pickup due to the fact that CSC is a joint venture and its information is not consolidated.

Net Loss/Income

In 2Q16, Eternit posted net loss of R\$9.0 million, due to the factors mentioned in the section Adjusted EBITDA and the higher net financial expense. Net margin dropped by 11 percentage points to end the period at -4%.

Net Loss/Income (R\$ million) and Net Margin (%)



In 1H16, net loss totaled R\$0.7 million, with net margin of 0%, compared to net income of R\$37.0 million and net margin of 8% in 1H15.

Debt

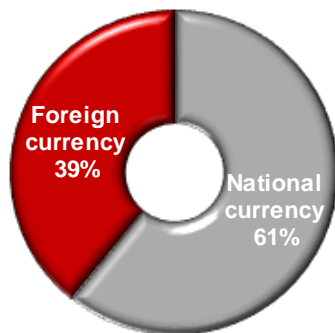
The Company ended 2Q16 with net debt of R\$140.3 million, equivalent to 1.22 times adjusted EBITDA in the last 12 months. In the period, the gross debt of Eternit and its subsidiaries amounted to R\$146.2 million, mainly due to: (i) the Bank Credit Notes (CCB) and Export Credit Notes (NCE) contracted to meet working capital needs; and (ii) the financing facilities for the acquisition of machinery and equipment.

Cash, cash equivalents and short-term investments amounted to R\$5.9 million, with investments remunerated at an average rate corresponding to 99.6% of the variation in the CDI rate.

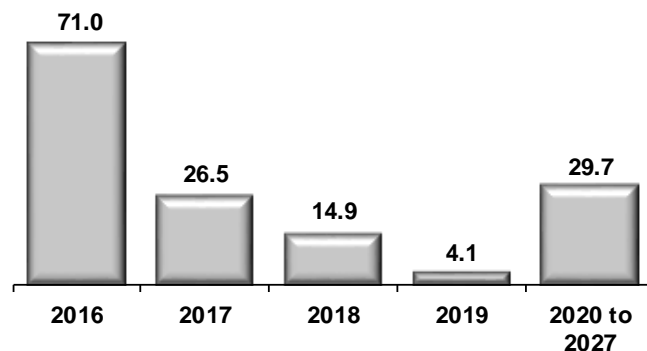
DEBT - R\$ '000	Parent Company		Consolidated	
	06/30/16	12/31/15	06/30/16	12/31/15
Short-term gross debt	9,383	6,327	80,703	90,307
Long-term gross debt	9,616	16,294	65,530	76,954
Cash and cash equivalents	(1,049)	(2,850)	(2,950)	(5,578)
Short-term investments (same cash equivalents)	(6)	(3,114)	(2,948)	(16,734)
Net debt	17,944	16,657	140,335	144,949
EBITDA (last 12 months)	9,919	46,452	87,421	131,544
Net debt / EBITDA x	1.81	0.36	1.61	1.10
Adjusted EBITDA over equity pickup (last 12 months)	(9,581)	1,336	115,000	159,205
Net debt / Adjusted EBITDA x	(1.87)	12.46	1.22	0.91
Net debt / Equity	3.5%	3.3%	28.1%	29.0%

Eternit

Origin of Debt (%)



Repayment Schedule (R\$ '000)



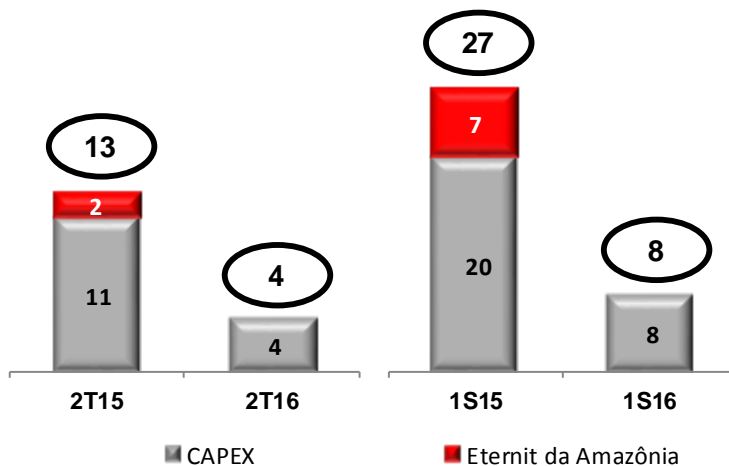
Foreign-denominated debt in 2Q16 was 88% naturally hedged by accounts receivable in foreign currency from chrysotile exports.

Capex

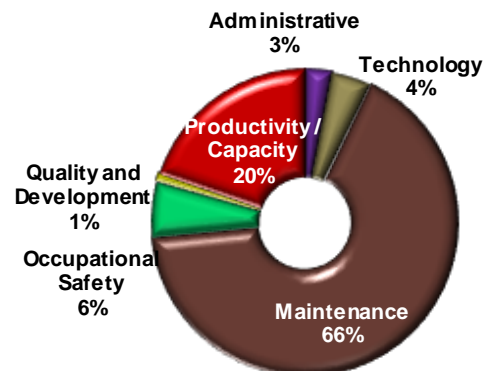
In line with its strategy to consolidate the investments already made in recent years, Capex by Eternit and its subsidiaries in 2Q16 amounted to R\$3.9 million, down 69.7% from 2Q15, and was allocated to maintaining and modernizing the Group's industrial facilities.

In 1H16, investments totaled R\$7.5 million, decreasing 72.1% from the prior-year period, as shown in the chart below.

Consolidated CAPEX (R\$'000)



CAPEX Distribution (2Q16)



Capital Markets

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

With highly disperse ownership and no shareholders' agreement or controlling group, the Company's shareholder base had a high concentration of individual investors, who accounted for 71.3% of the shareholder base on June 30, 2016, while foreign investors accounted for 7.7% and legal entities, clubs, investment funds and foundations accounted for 21.0%. As of June 2016, only three shareholders held more

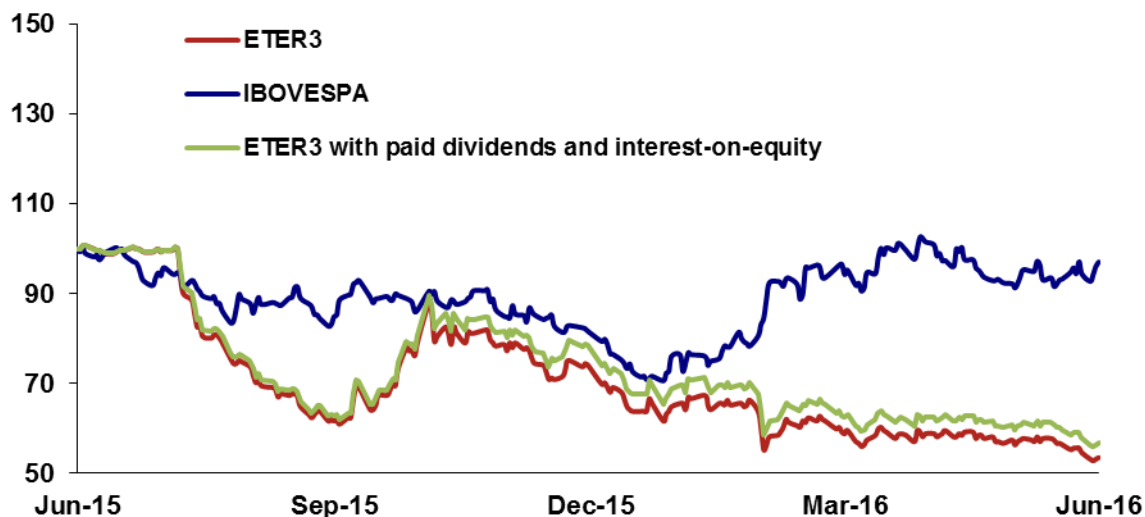
Eternit

than 5% interest in the capital stock, with an aggregate interest of 37.6%, and the Executive Board held 1.0% interest in capital stock.

Eternit stock was quoted at R\$1.51 in June 2016, representing a decline of 46.5% from June 2015. In the same period, the benchmark Bovespa Index (IBOVESPA) closed at 51,526 points, representing a decline of 2.9%. On June 30, 2016, Eternit's market capitalization stood at R\$270.3 million.

Capital Markets					
ETERNIT (ETER3)	2Q15	3Q15	4Q15	1Q16	2Q16
Closing Price (R\$/Share) - Without dividends	2.82	1.74	2.09	1.66	1.51
Average Volume Traded (Shares)	217,902	169,306	217,792	237,653	168,357
Average Volume Traded (R\$)	655,679	381,526	442,848	410,543	272,972
ETER3 - Quarterly Profitability (%)	-	-38.3	20.1	-20.6	-9.0
ETER3 - 12 Months Profitability (%)	-	-55.8	-35.7	-44.3	-46.5
IBOVESPA - Quarterly Profitability (%)	-	-15.1	-3.8	15.5	2.9
IBOVESPA - 12 Months Profitability (%)	-	-16.7	-13.3	-2.1	-2.9
Market Capitalization (R\$ Million)	504.8	311.5	374.1	297.1	270.3

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



Dividends and Interest on Equity

In 2016, the dividend yield¹ is 2.2% and payments to shareholders in the form of dividends and interest on equity came to R\$7.9 million, corresponding to R\$ 0.044 per share.

¹ Dividend yield = dividend return: this is the result of dividing the amount distributed (dividends + interest-on-equity) per share, distributed during the year (base: payment date), by the closing share price at the end of the previous year.



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

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

(**) Recording in the accounts for the next quarter.

Legal issues involving chrysotile mineral

Public-Interest Civil Action pending in the Labor Court of São Paulo

This action addresses matters related to the workplace and occupational health at the industrial unit whose activities were shut down in the early 1990s. In parallel to this action, another Public-Interest Civil Action was filed by the Brazilian Association of Persons Exposed to Asbestos (ABREA), also in the Labor Court, for which reason the two actions were merged by court order. The actions claim payment of compensation for collective and individual pain and suffering, among other things. On March 1, 2016, both actions received partially favorable decisions for plaintiff in the lower court. Note that a portion of the lower court's decision was considered a probable loss by the Company's legal advisors. A provision was accrued considering the uncertainties involving the amount recognized by various means, based on the circumstances. The accounting standards (CPC 25.39) require that the measurement of provisions involving a large variety of items be estimated in accordance with a weighting of all possible outcomes based on their associated probabilities.

Eternit will take all applicable legal measures to challenge the decision in the higher courts and has already filed an Appeal.

Recognition

The numerous awards it received show how the Company is serious about what it does for all its stakeholders. The awards won by the Company in the second quarter of 2016 are described below:

Best Companies to Work For 2016 – Latin America – SAMA ranked 4th in the category “companies with more than 500 employees” at the awards promoted by the Great Place to Work Institute, and was the only mining company in the 2016 international ranking in this category. The company has been climbing the ranking since 2013.

Best Companies to Work For GPTW Midwest 2016 – SAMA and Precon Goiás were elected by the Great Place To Work Institute (GPTW) and the newspaper O Popular as two of the Best Companies to Work For in Midwest Brazil, with SAMA coming 1st for the third consecutive year.

SAMA was also awarded in 4 categories by the magazine Gestão RH: “**25 Most Admired Companies by HR**”, “**10 Most Admired HR Departments in Brazil 2016**”, “**Most Admired HR Departments in Brazil 2016**” and “**State Highlight**”.



Outlook

With an economic scenario marked by uncertainties and the consequent decrease in investments and private consumption, in line with credit, employment and income data, the consensus forecast for GDP growth in 2016 is for contraction of 3.2%, according to the central bank's Market Readout of August 5, 2016. Meanwhile, Construction GDP is expected to contract by 5.5%, based on the central bank's Inflation Report for June 2016.

For the construction materials industry, ABRAMAT projects an 8.0% decline in real sales in 2016 compared to 2015, due to the negative outlook for the construction industry, which continues to be sluggish, directly affecting demand for base materials. Despite the weak scenario, according to ABRAMAT retail sales could improve if inflation decreases and unemployment levels stabilize.

The Company operates in the construction materials segment, whose growth is linked to the construction industry and, consequently, the growth of the Brazilian economy, given that it is important to take into consideration the following challenges facing the country and its industry, which affect our business and the demand for products in our portfolio, mainly targeted at self-managed construction: the competitive conditions of Brazil's industrial sector, given the infrastructure bottlenecks, tax aspects and weaker local currency, job generation and improvement of income levels, sustainable economic policies and increase in business and consumer confidence.

For fiber-cement, Eternit is drawing on the strength of its brand and its network of over 15,000 resellers to minimize the effects of the crisis and operate its plants at maximum capacity utilization rates, especially in the second half of the year, when historically demand has been higher. In the chrysotile mining and concrete roofing tiles segments, capacity utilization is accompanying market demand. The efforts will continue to focus on reducing operating costs and expenses, optimizing distribution logistics and boosting competitiveness to meet the more intense competition during this moment marked by the low utilization of installed capacity.

In keeping with its strategy of diversified organic growth, the plant in Manaus, Amazonas, produced and sold the first experimental industrial lots of polypropylene yarns with applications in fiber-cement on an industrial scale. The bathroom chinaware unit in Ceará has been offering a more diversified portfolio to drive business profitability.

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

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



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

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

Presentation: Rodrigo Lopes da Luz, CFO and IR

Date: Friday, August 12, 2016

Time: 11:00 a.m. Brasilia - 10:00 a.m. New York - 3:00 p.m. London

The presentation, which is accompanied by slides, can be viewed online by registering at www.ccall.com.br/eternit/2Q16.htm or on Eternit's investor relations website: www.eternit.com.br/ri

To listen to the presentation by phone, dial **+55 (11) 3193-1001 or 2820-4001** in Brazil and **+1 412 317-6029** in other countries - Access code for participants: **Eternit**

Playback: a recording of the call will be available from **August 12, 2016 to August 18, 2016**

Dial-in: **+55 (11) 3193-1012 or 2820-4012** - Access code for participants: **0550918#**

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

Eternit

ETERNIT S.A.				
Balance Sheet				
Corporate Law (R\$ '000)				
ASSETS	Parent Company		Consolidated	
	06/30/16	12/31/15	06/30/16	12/31/15
Current	223,050	233,315	389,204	412,320
Cash and cash equivalents	1,049	2,850	2,950	5,578
Short-term investments	6	3,114	2,948	16,734
Accounts receivable	79,901	73,337	159,924	172,342
Related parties	11,922	30,447	4,361	2,818
Inventories	116,346	108,428	190,031	184,383
Recoverable taxes	7,617	7,638	14,574	15,083
Other current asset	6,209	7,501	12,463	15,382
Assets held for sale	-	-	1,953	-
Assets held for sale	-	-	1,953	-
Non-current	494,879	493,500	507,239	520,874
Related parties	18,819	9,711	8,142	-
Deferred income and social contribution taxes	35,698	34,264	65,783	63,823
Recoverable taxes	24,144	24,081	24,692	24,765
Judicial deposits	14,990	11,576	22,721	19,003
Investments	241,483	251,659	12,652	24,782
Plant, property and equipment, net	152,757	154,920	340,684	354,047
Intangible assets	6,405	6,950	30,548	31,647
Other non-current asset	583	339	2,017	2,807
Total assets	717,929	726,815	896,443	933,194

LIABILITIES AND EQUITY	Parent Company		Consolidated	
	06/30/16	12/31/15	06/30/16	12/31/15
Current Liabilities	80,911	84,283	183,662	205,820
Trade accounts payable	25,176	23,922	40,089	41,420
Related parties	11,600	12,256	-	-
Loans and financing	9,383	6,327	80,703	90,307
Taxes, charges and contributions payable	10,169	10,697	17,750	19,867
Provision and social charges	15,738	14,858	28,044	27,722
Dividends and interest on equity payable	542	7,534	542	7,534
Provision for future benefits to former employees	2,754	2,749	4,894	4,890
Other current liabilities	5,549	5,940	11,640	14,080
Non-Current	137,573	142,434	213,319	227,258
Loans and financing	9,616	16,294	65,530	76,954
Related parties	47,332	40,728	-	-
Provision for future benefits to former employees	32,727	31,839	45,154	44,437
Provision for civil, tax and labor contingencies	46,198	47,096	84,853	84,281
Deferred income and social contribution taxes	1,700	6,477	5,354	8,969
Provision for demobilization mining areas	-	-	12,428	12,617
Equity	499,445	500,098	499,462	500,116
Capital	334,251	334,251	334,251	334,251
Capital reserve	19,460	19,460	19,460	19,460
Treasury stock	(174)	(174)	(174)	(174)
Other Comprehensive Income	(9,177)	(9,177)	(9,177)	(9,177)
Fiscal period results	(736)	-	(736)	-
Income reserves	155,821	155,738	155,821	155,738
Net equity attributable to non-minority shareholders	499,445	500,098	499,445	500,098
Minority shareholders	-	-	17	18
Total Liabilities and equity	717,929	726,815	896,443	933,194


ETERNIT S.A. (PARENT COMPANY)
Income Statements

Corporate Law

R\$ '000	2 nd Quarter			Accum. 6 Months		
	2016	2015	% Chg.	2016	2015	% Chg.
Gross revenues	155,400	158,928	(2.2)	325,463	337,448	(3.6)
Gross revenues deductions	(39,004)	(39,521)	(1.3)	(77,637)	(86,115)	(9.8)
Net revenues	116,396	119,408	(2.5)	247,826	251,333	(1.4)
Cost of products sold	(93,385)	(91,071)	2.5	(193,057)	(190,318)	1.4
Gross profit	23,011	28,337	(18.8)	54,769	61,015	(10.2)
<i>Gross margin</i>	<i>20%</i>	<i>24%</i>		<i>22%</i>	<i>24%</i>	
Operating revenues (expenses)	(32,665)	(29,958)	9.0	(61,535)	(56,120)	9.6
Sales	(15,634)	(14,113)	10.8	(30,049)	(28,360)	6.0
General and administrative	(10,676)	(14,689)	(27.3)	(23,398)	(27,230)	(14.1)
Other operating (expenses) revenues, net	(6,355)	(1,155)	450.2	(8,088)	(530)	1,425.7
Operating loss/income before equity pickup (EBIT)	(9,654)	(1,621)	495.5	(6,766)	4,894	-
<i>EBIT margin</i>	<i>-8%</i>	<i>-1%</i>		<i>-3%</i>	<i>2%</i>	
Equity pickup	(729)	17,167	-	6,817	32,433	(79.0)
Operating loss/income before financial expenses (EBIT)	(10,383)	15,546	-	51	37,327	(99.9)
Net financial income	(1,527)	(1,469)	4.0	(2,221)	(3,153)	(29.6)
Financial expenses	(4,952)	(4,537)	9.1	(18,486)	(8,696)	112.6
Financial income	3,425	3,068	11.6	16,265	5,543	193.4
Loss/Income before tax and social contribution	(11,910)	14,078	-	(2,170)	34,175	-
Current	1,743	-	-	-	-	-
Deferred	1,161	2,710	(57.2)	1,434	2,769	(48.2)
Net loss/income	(9,006)	16,788	-	(736)	36,944	-
<i>Net margin</i>	<i>-8%</i>	<i>14%</i>		<i>0%</i>	<i>15%</i>	
Loss/Earnings per share - R\$	(0.050)	0.094		(0.004)	0.206	
EBITDA	(6,694)	18,829	-	7,381	43,914	(83.2)
<i>EBITDA margin</i>	<i>-6%</i>	<i>16%</i>		<i>3%</i>	<i>17%</i>	

ETERNIT S.A. (CONSOLIDATED)
Income Statements

Corporate Law

R\$ '000	2 nd Quarter			Accum. 6 Months		
	2016	2015	% Chg.	2016	2015	% Chg.
Gross revenues	259,154	296,053	(12.5)	544,763	617,600	(11.8)
Gross revenues deductions	(55,446)	(59,630)	(7.0)	(112,133)	(128,459)	(12.7)
Net revenues	203,708	236,422	(13.8)	432,630	489,141	(11.6)
Cost of products sold	(140,498)	(143,034)	(1.8)	(289,374)	(301,795)	(4.1)
Gross profit	63,210	93,388	(32.3)	143,256	187,346	(23.5)
<i>Gross margin</i>	<i>31%</i>	<i>40%</i>		<i>33%</i>	<i>38%</i>	
Operating revenues (expenses)	(62,382)	(59,796)	4.3	(114,197)	(113,799)	0.3
Sales	(27,372)	(30,323)	(9.7)	(53,950)	(57,954)	(6.9)
General and administrative	(23,549)	(29,784)	(20.9)	(50,384)	(57,109)	(11.8)
Other operating (expenses) revenues, net	(11,461)	311	-	(9,863)	1,264	-
Operating income before equity pickup (EBIT)	828	33,592	(97.5)	29,059	73,547	(60.5)
<i>EBIT margin</i>	<i>0%</i>	<i>14%</i>		<i>7%</i>	<i>15%</i>	
Equity pickup	(5,901)	(5,691)	3.7	(12,130)	(12,212)	(0.7)
Operating loss/income before financial expenses (EBIT*)	(5,073)	27,901	-	16,930	61,335	(72.4)
Net financial income	(4,055)	(1,507)	169.1	(9,821)	(3,124)	-
Financial expenses	(17,985)	(21,314)	(15.6)	(47,384)	(43,599)	8.7
Financial income	13,930	19,807	(29.7)	37,563	40,475	(7.2)
Loss/Income before tax and social contribution	(9,128)	26,394	-	7,108	58,211	(87.8)
Current	(624)	(13,203)	(95.3)	(9,806)	(27,154)	(63.9)
Deferred	746	3,597	(79.3)	1,961	5,887	(66.7)
Net loss/income	(9,006)	16,788	-	(737)	36,944	-
<i>Net margin</i>	<i>-4%</i>	<i>7%</i>		<i>0%</i>	<i>8%</i>	
Loss/Earnings per share - R\$	(0.050)	0.094		(0.004)	0.206	
EBITDA	4,685	37,620	(87.5)	36,555	80,678	(54.7)
<i>EBITDA margin</i>	<i>2%</i>	<i>16%</i>		<i>8%</i>	<i>16%</i>	
Adjusted EBITDA over equity pickup	10,586	43,311	(75.6)	48,685	92,890	(47.6)
<i>Adjusted EBITDA margin</i>	<i>5%</i>	<i>18%</i>		<i>11%</i>	<i>19%</i>	

(*) Adjusted EBIT due to the result of the joint venture Companhia Sulamerica de Cerâmica



ETERNIT S.A.				
STATEMENTS OF CASH FLOW				
Corporate Law				
R\$ '000 - Accumulated	Parent Company		Consolidated	
	06/30/16	09/30/14	06/30/16	09/30/14
Operating activities:				
Income before income and social contribution taxes	-2,170	34,175	7,108	58,211
Adjustments to reconcile pre-tax (loss) income with net cash provided by operating activities:				
Equity pickup	(6,817)	(32,433)	12,130	12,212
Depreciation and amortization	7,329	6,586	19,626	19,343
Gain (loss) from disposal of permanent assets	(126)	(98)	(3,206)	(117)
Provision for impairment losses on accounts receivable	798	764	1,448	1,305
Provision for civil, tax and labor contingencies	1,180	(439)	2,869	1,269
Provision (reversal) for sundry losses	317	244	(483)	1,039
Financial charges, monetary changes and foreign exchange variation	(492)	1,926	(961)	2,199
Short-term investment yield	(10)	(821)	(503)	(2,131)
Net changes in prepaid expenses	3,779	1,863	4,337	2,416
	3,788	11,767	42,365	95,746
(Increase) decrease in operating assets:				
Trade accounts receivable	(7,362)	(2,238)	4,451	(18,448)
Related parties receivable	1,610	763	(1,543)	497
Inventories	(7,394)	(8,685)	(5,564)	(16,945)
Recoverable taxes	438	(822)	1,062	(709)
Judicial deposits	(3,413)	(296)	(3,718)	(726)
Received dividends	33,270	42,213	-	-
Other assets	(2,855)	(2,707)	(630)	(5,572)
Increase (decrease) in operating liabilities				
Trade accounts payable	1,254	2,909	(1,331)	3,834
Related parties payable	(656)	3,567	-	-
Taxes, charges and contribution payable	(4,668)	(1,990)	(4,602)	1,026
Provisions and social charges	880	2,765	322	3,042
Other liabilities	(9,377)	960	(11,645)	2,405
Interest paid	(351)	(201)	(3,461)	(1,688)
Income and social contribution taxes paid	-	-	(10,436)	(31,374)
Net cash flow from operating activities	5,164	48,005	5,270	31,088
Cash flow from investment activities				
Additions to property, plant and equipment and intangible assets	(4,810)	(12,620)	(7,537)	(26,968)
Addition to exchange gains (losses) converted into capital	189	-	189	-
Loan from related party receivable	(9,108)	(25,386)	(8,142)	(8,055)
Cash receipt from the sale of property, plant & equipment	126	782	3,437	857
Short-term investments	(5,700)	(42,800)	(69,367)	(144,208)
Redemptions from short-term investments	8,818	56,890	83,655	160,169
Net cash flow from investment activities	(10,485)	(23,134)	2,235	(18,205)
Cash flow from financing activities				
Loans and financing raised	1,980	3,235	31,511	138,792
Loan with related party	4,114	5,063	-	-
Amortization of loans and financing	(2,574)	(696)	(41,644)	(117,574)
Payment of dividends and interest on equity	-	(34,181)	-	(34,181)
Net cash flow from financing activities	3,520	(26,579)	(10,133)	(12,963)
(Decrease) in cash and equivalents	(1,801)	(1,708)	(2,628)	(80)
Increase (Decrease) in cash and equivalents				
At the beginning of the year	2,850	5,711	5,578	13,367
At the end of the year	1,049	4,003	2,950	13,287
(Decrease) in cash and equivalents	(1,801)	(1,708)	(2,628)	(80)